Faith Family Kids, Inc.

Financial Statements
With Supplemental Information and Compliance Reports
August 31, 2024 and 2023

SFC
Certified Public Accountants

Faith Family Kids, Inc.
Federal Employer Identification No. 06-1689571
County District No. 070-801
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Faith Family Kids, Inc. was reviewed and (check one) X approved ___ disapproved for the year ended August 31, 2024, at a meeting of the governing body of the charter school on the 11th day of December 2024.

Signature of Board Secretary

Signature of Board President

Faith Family Kids, Inc.
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SFC
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Independent Auditors' Report

To the Board of Directors of
Faith Family Kids, Inc.

Opinion

We have audited the accompanying financial statements of Faith Family Kids, Inc. (Academy) (a nonprofit organization) which comprise the statements of financial position as of August 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Academy as of August 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy 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 opinions.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Academy changed its method of accounting for the allowance for credit losses effective September 1, 2023 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-03 *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 *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 Academy'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 Academy'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis as required by the Texas Education Agency and Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose 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 GAAS. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy'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 Academy's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
December 11, 2024

Faith Family Kids, Inc.
Statements of Financial Position
August 31, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 3,380,711	$ 4,523,707
Restricted cash - bonds	466,431	1,534,887
Due from government agencies	4,713,310	4,567,446
Other receivables	464,609	466,836
Prepaid expenses	392,353	399,492
Total current assets	9,417,414	11,492,368
Noncurrent assets:		
Property and equipment, net	26,757,385	26,757,522
Right-of-use assets - finance leases, net	768,879	605,727
Total noncurrent assets	27,526,264	27,363,249
Total assets	$ 36,943,678	$ 38,855,617
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 25,886	$ -
Accrued salaries	1,346,474	1,229,119
Accrued expenses	185,525	77,076
Due to student groups	19,760	14,114
Right-of-use liabilities - finance leases, current	351,316	154,880
Bonds payable, current	515,000	495,000
Total current liabilities	2,443,961	1,970,189
Noncurrent liabilities:		
Right-of-use liabilities - finance leases, net	448,468	479,254
Bonds payable, net	18,406,712	18,964,907
Total noncurrent liabilities	18,855,180	19,444,161
Total liabilities	21,299,141	21,414,350
Net assets:		
Without donor restrictions	5,195,228	4,246,467
With donor restrictions	10,449,309	13,194,800
Total net assets	15,644,537	17,441,267
Total liabilities and net assets	$ 36,943,678	$ 38,855,617

See notes to financial statements.

Faith Family Kids, Inc.
Statement of Activities
Year Ended August 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
5730 Tuition and fees revenue from local sources	$ 132,632	$ -	$ 132,632
5740 Other revenue from local sources	407,609	-	407,609
5750 Revenue from co-curricular or enterprising	240,622	-	240,622
Total local support	780,863	-	780,863
State program revenue:			
5810 Per capita and foundation school program	-	33,381,925	33,381,925
5820 State program revenues distributed by TEA	-	751,014	751,014
5831 Teacher retirement or TRS care - on-behalf payments	-	1,498,424	1,498,424
5839 State revenues distributed by other than TEA	-	38,531	38,531
Total state program revenue	-	35,669,894	35,669,894
Federal program revenue:			
5910 Federal revenues distributed by other than state or federal agencies	-	9,055	9,055
5920 Federal revenues distributed by TEA	-	5,516,288	5,516,288
5923 Federal program revenue - noncash commodities	-	125,529	125,529
5930 Federal revenues distributed by other than TEA	-	268,096	268,096
5940 Federal revenues distributed directly from the federal government	-	1,430,026	1,430,026
Total federal program revenue	-	7,348,994	7,348,994
Net assets released from restrictions- satisfaction of program restrictions	45,764,379	(45,764,379)	-
Total revenues and other support	46,545,242	(2,745,491)	43,799,751
Expenses:			
11 Instruction	24,391,313	-	24,391,313
12 Instructional resources and media services	57,976	-	57,976
13 Curriculum development and instructional staff development	1,287,450	-	1,287,450
21 Instructional leadership	236,225	-	236,225
23 School leadership	2,032,583	-	2,032,583
33 Health services	406,483	-	406,483
34 Student transportation	514,972	-	514,972
35 Food services	2,513,368	-	2,513,368
36 Extracurricular activities	1,547,773	-	1,547,773
41 General administration	2,973,836	-	2,973,836
51 Facilities maintenance and operations	5,841,137	-	5,841,137
52 Security and monitoring services	1,581,232	-	1,581,232
53 Data processing services	780,673	-	780,673
61 Community services	1,011,692	-	1,011,692
71 Debt service	587,666	-	587,666
Total expenses	45,764,379	-	45,764,379
Excess (deficit) of revenue over expenses from operations	780,863	(2,745,491)	(1,964,628)
Non-operating activities:			
Gain on sale of property	167,898	-	167,898
Change in net assets	948,761	(2,745,491)	(1,796,730)
Net assets at beginning of year	4,246,467	13,194,800	17,441,267
Net assets at end of year	$ 5,195,228	$ 10,449,309	$ 15,644,537

See notes to financial statements.

Faith Family Kids, Inc.
Statement of Activities
Year Ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
5730 Tuition and fees revenue from local sources	$ 21,314	$ -	$ 21,314
5740 Other revenue from local sources	315,366	-	315,366
5750 Revenue from co-curricular or enterprising	228,419	-	228,419
Total local support	565,099	-	565,099
State program revenue:			
5810 Per capita and foundation school program	-	29,739,101	29,739,101
5820 State program revenues distributed by TEA	-	434,867	434,867
5830 State revenues distributed by other than TEA	-	31,476	31,476
Total state program revenue	-	30,205,444	30,205,444
Federal program revenue:			
5910 Federal revenues distributed by other than state or federal agencies	-	35,634	35,634
5920 Federal revenues distributed by TEA	-	8,014,205	8,014,205
5923 Federal program revenue - noncash commodities	-	132,863	132,863
5930 Federal revenues distributed by other than TEA	-	137,566	137,566
5940 Federal revenues distributed directly from the federal government	-	1,522,867	1,522,867
Total federal program revenue	-	9,843,135	9,843,135
Net assets released from restrictions-satisfaction of program restrictions	41,779,749	(41,779,749)	-
Total revenues and other support	42,344,848	(1,731,170)	40,613,678
Expenses:			
11 Instruction	22,936,477	-	22,936,477
12 Instructional resources and media services	56,607	-	56,607
13 Curriculum development and instructional staff development	992,350	-	992,350
21 Instructional leadership	302,331	-	302,331
23 School leadership	1,469,295	-	1,469,295
32 Social work services	492	-	492
33 Health services	345,046	-	345,046
34 Student transportation	407,496	-	407,496
35 Food services	2,380,543	-	2,380,543
36 Extracurricular activities	1,262,070	-	1,262,070
41 General administration	2,383,866	-	2,383,866
51 Facilities maintenance and operations	5,652,887	-	5,652,887
52 Security and monitoring services	1,358,638	-	1,358,638
53 Data processing services	680,354	-	680,354
61 Community services	804,876	-	804,876
71 Debt service	746,421	-	746,421
Total expenses	41,779,749	-	41,779,749
Excess (deficit) of revenues over expenses from operations	565,099	(1,731,170)	(1,166,071)
Non-operating activities:			
Involuntary conversion	(48,727)	-	(48,727)
Loss on sale of property	(3,557)	-	(3,557)
Total non-operating activities	(52,284)	-	(52,284)
Change in net assets	512,815	(1,731,170)	(1,218,355)
Net assets at beginning of year	3,733,652	14,925,970	18,659,622
Net assets at end of year	$ 4,246,467	$ 13,194,800	$ 17,441,267

See notes to financial statements.

Faith Family Kids, Inc.
Statements of Cash Flows
Years Ended August 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ (1,796,730)	(1,218,355)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,603,253	2,291,777
Loss on involuntary conversion	-	48,727
Amortization of debt issuance costs	33,800	195,454
Amortization of bond premium	(76,995)	(76,996)
Amortization of right-of-use assets - finance leases	581,804	191,633
Net loss (gain) on sale of property	(167,898)	3,557
Changes in operating assets and liabilities:		
Due from government agencies	(145,864)	(254,730)
Other receivables	2,227	(428,919)
Prepaid expenses	7,139	(103,761)
Accounts payable	25,886	(9,169)
Accrued salaries	117,355	(37,154)
Accrued expenses	108,449	(239,206)
Due to student groups	5,646	(36,010)
Right-of-use liabilities - finance leases	(205,039)	(36,590)
Net cash provided by operating activities	1,093,033	290,258
Cash flows from investing activities:		
Proceeds from disposal of assets	170,828	-
Purchases of property and equipment	(2,606,046)	(2,773,211)
Net cash used by investing activities	(2,435,218)	(2,773,211)
Cash flows from financing activities:		
Principal payments on finance lease liabilities	(374,267)	(141,082)
Principal payments on bonds payable	(495,000)	(490,000)
Net cash used by financing activities	(869,267)	(631,082)
Net change in cash, cash equivalents and restricted cash	(2,211,452)	(3,114,035)
Cash, cash equivalents and restricted cash at beginning of year	6,058,594	9,172,629
Cash, cash equivalents and restricted cash at end of year	$ 3,847,142	$ 6,058,594
Reconciliation of cash reported within the statement of financial position to the statement of cash flows:		
Cash and cash equivalents	$ 3,380,711	$ 4,523,707
Restricted cash	466,431	1,534,887
Total cash shown in the statement of cash flows	$ 3,847,142	$ 6,058,594
Supplemental disclosure of cash flow information:		
Right-of-use asset obtained in exchange for new finance lease liability	$ 744,956	$ -
Cash paid during the year for interest	$ 615,222	$ 599,431

See notes to financial statements.

1. Organization and Nature of Activities

Faith Family Kids, Inc. (Academy) is a nonprofit organization incorporated on February 13, 2003 under the laws of the state of Texas (State). The Academy is the charter holder of Faith Family Academy which operates under an open enrollment charter granted by the State of Texas Board of Education. During the year ended August 31, 2023, the Charter was renewed and expires on July 31, 2033. The Academy does not conduct any non-charter activities. The Academy is governed by a board of directors comprised of six members. The board of directors is selected pursuant to the bylaws of the Academy and has the authority to make decisions, appoint the chief executive officer, significantly influence operations and has the primary accountability for the fiscal affairs of the Academy.

The Academy's mission is to educate, empower and inspire every child for lifelong success. The Academy provides an exemplary education for a diverse student body by emphasizing positive self-esteem, high academic standards, an appreciation for the fine arts and civic responsibility. The Academy provides educational services to students in grades Pre-K through 12th grade.

The Academy is part of the public school system of the State and is therefore entitled to distribution from the State's Foundation School Program (FSP). The Academy does not have the authority to impose ad valorem taxes or to charge tuition.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The Academy prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts,* a module of the Texas Education Agency Financial Accountability Resource Guide.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor or grantor-imposed restrictions even though their use may be limited in other respects, such as by contract or board designation.

Net assets with donor restrictions - Net assets subject to donor or grantor stipulations that will be met by actions of the Academy and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash, restricted cash equivalents and due from government agencies. Cash and restricted cash equivalents are placed with high credit quality financial institutions to minimize risk. The Academy maintains cash balances at financial institutions located in Texas. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At August 31, 2024 and 2023, the Academy had no bank balances that were uninsured or without pledged collateral in the Academy's name. Amounts due from government agencies are unsecured and are due from the Texas Education Agency (TEA). The Academy continually evaluates the collectability of accounts receivable and maintains allowances as necessary. No provision has been made for uncollectible accounts receivable as of August 31, 2024 and 2023, given that none have been identified.

For the years ended August 31, 2024 and 2023, the Academy received 94% and 99%, respectively, of its total revenue and support from the TEA and the federal government. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the Academy to continue to provide the current level of services to its students.

Cash and Cash Equivalents

The Academy considers all highly liquid investments with original maturities of three months or less from date of purchase to be cash equivalents. Restricted cash and cash equivalents is limited as to use under the terms of the bond indenture. Restricted cash represents amounts restricted for construction activity and debt service requirements for bonds.

Property and Equipment

Property and equipment purchased by the Academy are recorded at cost. Donated assets are reported at the fair market value. Capital assets are defined by the Academy as assets with an individual cost of more than $5,000 and a useful life longer than one year. Depreciation is calculated on the straight-line method based upon the estimated useful lives of 3 to 30 years. Expenditures for maintenance and repairs are expensed when incurred; significant renewals and betterments are capitalized. Property and equipment acquired with public funds received for the operation of the Academy constitute public property pursuant to Chapter 12 of the Texas Education Code.

For depreciable property and equipment, or resources to be used to acquire depreciable property and equipment, the donor or grantor restriction expires over the assets' useful life, as required by the TEA.

Impairment of Long Lived Assets

The Academy reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment included current operating results, trends and prospects and the effects of obsolescence, demand completion and other economic factors. There were no indications of asset impairment during the years ended August 31, 2024 and 2023.

Revenues and Support

Revenues from the State's available school fund are earned based on reported attendance.

A portion of the Academy's revenue is derived from cost-reimbursement contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Academy was awarded cost-reimbursable grants totaling $1,900,922 that have not been received or recognized at August 31, 2024 because qualifying expenditures have not been incurred.

Government grant contracts that are entered into by the Academy are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.

All contributions are considered to be available for purposes without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions.

Debt Issuance Costs and Original Issue Premiums

Debt issuance costs and original issue premiums represent costs incurred related to the issuance of bonds payable and are deferred as a direct deduction from or addition to the carrying amount of bonds payable and amortized using the interest method over the related bond period. Amortization expense is included in debt service in the accompanying statements of activities.

Personal Leave

All employees of the Academy earn five days of personal and sick leave per year. There is no material liability for unpaid accumulated sick leave since the Academy does not have a policy to pay any amount when the employees separate from service.

Federal Income Taxes

The Academy is organized as a Texas nonprofit corporation and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Academy is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. For the years ended August 31, 2024 and 2023, the Academy did not conduct unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Academy's annual Form 990 and recognition of a tax liability (or asset) if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax position and has concluded that as of August 31, 2024 and 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the Academy's financial statements are related to the Academy's estimate of revenue and receivable for the FSP, depreciation expense and the functional allocation of expenses.

Accounting Pronouncement Adopted

The Academy adopted ASU 2016-03, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modified the measurement of expected credit losses on certain financial instruments. The Academy adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Academy's financial statements but did change how the allowance for credit losses is determined.

3. Restricted Cash Held by Bond Trustee

As a result of its bond issuances, the Academy is required to maintain separate bank accounts that are restricted for construction and debt service which totaled $466,431 and $1,534,887 at August 31, 2024 and 2023, respectively.

4. Property and Equipment

Property and equipment consist of the following as of August 31:

	2024	2023
Land	$ 1,984,923	$ 1,987,852
Buildings and improvements	38,199,277	36,894,879
Construction in progress	-	6,273
Furniture and equipment	4,009,461	2,962,361
Vehicles	1,956,662	1,782,775
Total property and equipment	46,150,323	43,634,140
Less accumulated depreciation	(19,392,938)	(16,876,618)
Property and equipment, net	$ 26,757,385	$ 26,757,522

Depreciation expense for the years ended August 31, 2024 and 2023 totaled $2,603,253 and $2,291,777, respectively.

5. Bonds Payable

In August 2021, the Academy completed a transaction in which the Arlington Higher Education Finance Corporation (AHEFC) issued $18,560,000 Education Revenue and Refunding Bonds Series 2021A and $820,000 Education Revenue and Refunding Bonds Taxable Series 2021B and loaned the proceeds of the bonds to the Academy. The Academy entered into two loan agreements with AHEFC for the proceeds of the bond issue, which are held by the bond trustee, The Bank of New York Mellon Trust Company, N.A. The bonds were issued as education revenue bonds, and have interest rates ranging from 0.5% to 4%, and are collateralized by a pledge of revenues of the Academy. The Academy is required to use the bond proceeds to refinance existing debt, pay debt issuance costs, and finance or refinance the cost of the acquisition, improvement, construction, renovation and equipping of educational facilities.

The loan agreement and Supplemental Master Trust Indenture for the 2021 series bonds establishes a debt service coverage ratio, which stipulates that available revenues for each fiscal year must be equal to at least 1.10 times the annual debt service of the Academy until the individual bond or notes have been paid in full. In addition, the Academy must maintain a working capital balance of at least forty-five days of budgeted expenses. At August 31, 2024, the Academy was in compliance with this covenant and all other applicable financial covenants contained in the Supplemental Master Trust Indentures and loan agreements.

The following is a summary of changes in the Academy's lo ng-term debt for the year ended August 31, 2024:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Series 2021A	$ 18,420,000	$ -	$ (495,000)	$ 17,925,000	$ 515,000
Bond premium	1,842,500	-	(76,995)	1,765,505	-
Bond issuance costs	(802,593)	-	33,800	(768,793)	-
Total bonds payable, net	$ 19,459,907	$ -	$ (538,195)	$ 18,921,712	$ 515,000

The following is a summary of changes in the Academy's long-term debt for the year ended August 31, 2023:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Series 2021A	$ 18,560,000	$ -	$ (140,000)	$ 18,420,000	$ 495,000
Series 2021B	350,000	-	(350,000)	-	-
Bond premium	1,919,496	-	(76,996)	1,842,500	-
Bond issuance costs	(998,047)	-	195,454	(802,593)	-
Total bonds payable, net	$ 19,831,449	$ -	$ (371,542)	$ 19,459,907	$ 495,000

The required debt service payments to satisfy the requirements of the bonds are as follows for the years ending August 31:

	Principal	Interest	Total
2025	$ 515,000	$ 572,631	$ 1,087,631
2026	535,000	552,031	1,087,031
2027	555,000	530,631	1,085,631
2028	575,000	508,431	1,083,431
2029	600,000	485,431	1,085,431
2030-2034	3,385,000	2,046,956	5,431,956
2035-2039	4,005,000	1,433,556	5,438,556
2040-2044	4,640,000	795,756	5,435,756
2045-2047	3,115,000	149,031	3,264,031
Total	$17,925,000	$ 7,074,454	$24,999,454

6. Leases

In evaluating its contracts, the Academy separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its vehicle and copiers. The Academy has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Academy determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Academy uses the implicit rate when readily determinable.

The lease term may include options to extend or to terminate the lease that the Academy is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Academy has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Academy entered into finance lease agreements to lease its charter bus and office equipment. The leases contain renewal options and require the Academy to pay all executory costs (maintenance and insurance). Termination of the leases are generally prohibited unless there is a violation under the lease agreement.

Future minimum lease payments and reconciliation to the consolidated statement of financial position at August 31, 2024 are as follows for the years ending August 31:

2025	$	351,316
2026		308,735
2027		177,672
Total future undiscounted lease payments		837,723
Less present value discount		(37,939)
Finance lease liabilities	$	799,784

The following represents lease cost and required information for the years ended August 31:

	2024	2023
Total finance lease cost	$ 340,165	$ 149,189
Other information:		
Cash paid for amounts included in the measurement of lease liability:		
Finance cash flows from leases	$ (374,267)	$ (141,082)
Right-of-use asset obtained in exchange for new lease liability	$ 744,956	$ -
Weighted-average remaining lease term		
Finance lease	2.34 years	3.75 years
Weighted-average discount rate:		
Finance lease	3.39%	3.75%

7. Net Assets With Donor Restrictions

Net assets with donor restrictions are available to pay expenses as allowed by Section 45.105(c) of the Texas Education Code.

8. Contributions of Nonfinancial Assets

The Academy received the following contributions of nonfinancial assets during the year ended August 31, 2024:

	Program	Administrative	Total
Commodities	$ 125,529	$ -	$ 125,529
TRS On-Behalf	1,286,695	211,729	1,498,424
	$ 1,412,224	$ 211,729	$ 1,623,953

The Academy received the following contributions of nonfinancial assets during the year ended August 31, 2023:

	Program	Administrative	Total
Commodities	$ 132,863	$ -	$ 132,863

Commodities

Contributed commodities are reported at fair value using value provided by grantor agency.

TRS on-behalf

The Academy received on-behalf payments in the form of benefits paid to Teacher Retirement System (TRS).

Commodities and TRS on-behalf contributions received during the years ended August 31, 2024 and 2023 were restricted by donors for specific uses.

9. Multi-employer Defined Benefit Pension Plan

Plan Description

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

Funding Policy

Plan members contributed 8.25% of their annual covered salary in 2024. The Academy contributes 8.25% for new members of the first 90 days of employment, and the State contributes 8.25%. Additionally, the Academy is required contribute 1.9% of non-OASDI payment for all TRS eligible employees. The Academy contributions do not represent more than 5% of the TRS' total contributions. For the years ended August 31, 2024 and 2023, the Academy contributed $638,152 and $634,428, respectively, to the TRS. The Academy also recognized additional on-behalf of revenue and expense totaling $1,498,424 for the year ended August 31, 2024, representing support provided by the State.

The risks of participating in a multi-employer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of the most recent fiscal years ended for TRS of August 31, 2023 and 2022 totaled $213 billion and $208 billion, respectively. Accumulated benefit obligation as of August 31, 2023 and 2022 totaled $256 billion and $244 billion, respectively. The plan was 73.15% and 75.62% funded as of August 31, 2023 and 2022, respectively.

10. Health Care Coverage

During the years ended August 31, 2024 and 2023, eligible employees of the Academy were covered by a health insurance plan (Plan). The Academy contributed $300 per month per employee to the Plan for the years ended August 31, 2024 and 2023. Participants, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

11. Liquidity and Availability of Resources

The Academy relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Academy considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the Academy's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

Financial assets available within one year of the financial position date for general expenditures are as follow as of August 31:

	2024	2023
Cash and cash equivalents	$ 3,380,711	$ 4,523,707
Restricted cash - bonds	466,431	1,534,887
Due from government agencies	4,713,310	4,567,446
Other receivables	464,609	466,836
Total financial assets	9,025,061	11,092,876
Less financial assets not available for general expenditure:		
Cash restricted for construction and debt service	(466,431)	(1,534,887)
Total financial assets available for general expenditure	$ 8,558,630	$ 9,557,989

12. Contingencies

The Academy 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 TEA and 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 Academy 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 TEA or the grantor agency. The Academy is economically dependent on these charter school funds.

13. Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or support services. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the Academy exists. Fundraising activities include the solicitation of contributions of money, securities, material, facilities, other assets and time. Management and general activities are not directly identifiable with specific program or fundraising activities.

Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefited. Salaries and related costs are charged directly either to program services or support services based on actual time worked in each area. Information technology costs, depreciation, interest expense and occupancy costs are allocated based on whether the costs are associated with instructional (program services) or administrative (support services) purposes.

The Academy's expenses by natural classification and function are as follows for the year ended August 31, 2024:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Expenses	Debt Service	Total
Program Services:						
Instructional and instructional related services	$ 20,410,373	$ 2,798,468	$ 1,148,267	$ 1,379,631	$ 334,788	$ 26,071,527
Instructional leadership	234,886	-	1,339	-	3,073	239,298
Support services - direct student based	2,436,612	241,503	1,654,466	650,015	64,815	5,047,411
Support services - nondirect student based	3,004,026	1,889,039	313,252	2,216,052	96,551	7,518,920
Ancillary services	171,152	816,154	13,206	11,180	13,160	1,024,852
Total program services	26,257,049	5,745,164	3,130,530	4,256,878	512,387	39,902,008
Support Services:						
School leadership	2,032,583	-	-	-	26,440	2,059,023
Administrative support services	1,973,142	314,857	50,736	635,101	38,684	3,012,520
Support services - nondirect student based	299,531	454,960	25,792	390	10,155	790,828
Total support services	4,305,256	769,817	76,528	635,491	75,279	5,862,371
Total expenses	$ 30,562,305	$ 6,514,981	$ 3,207,058	$ 4,892,369	$ 587,666	$ 45,764,379

The Academy's expenses by natural classification and function are as follows for the year ended August 31, 2023:

	Payroll Costs	Professional and Contracted Services	Supplies and Materials	Other Operating Expenses	Debt Service	Total
Program Services:						
Instructional and instructional related services	$ 18,379,332	$ 3,191,843	$ 1,201,402	$ 1,212,857	$ 436,310	$ 24,421,744
Instructional leadership	627,964	5,645	-	-	5,500	639,109
Support services - direct student based	2,053,606	259,358	1,615,433	467,250	79,959	4,475,606
Support services - nondirect student based	2,677,512	2,175,202	294,744	1,864,067	127,544	7,139,069
Ancillary services	216,198	579,280	2,536	6,862	14,641	819,517
Total program services	23,954,612	6,211,328	3,114,115	3,551,036	663,954	37,495,045
Support Services:						
School leadership	1,138,017	-	-	-	26,727	1,164,744
Administrative support services	1,583,667	218,750	59,912	521,537	43,364	2,427,230
Support services - nondirect student based	266,886	383,986	29,482	-	12,376	692,730
Total support services	2,988,570	602,736	89,394	521,537	82,467	4,284,704
Total expenses	$ 26,943,182	$ 6,814,064	$ 3,203,509	$ 4,072,573	$ 746,421	$ 41,779,749

14. Subsequent Events

The Academy evaluated subsequent events through December 11, 2024, the date the financial statements were available to be issued and concluded that no additional disclosures are required.

Supplemental Information and Compliance Reports

Faith Family Kids, Inc.
Schedule of Assets
August 31, 2024

	Description	Ownership Interest		
		Local	State	Federal
1110	Cash, cash equivalents and restricted cash	$ -	$ 3,847,142	$ -
1510	Land	-	1,984,923	-
1520	Buildings and improvements	-	36,272,521	1,926,756
1541	Vehicles	-	1,918,715	37,947
1549	Furniture and equipment	-	2,173,723	1,835,738
1552	Right-of-use asset - finance lease	-	768,879	-
		$ -	$ 46,965,903	$ 3,800,441

Faith Family Kids, Inc.
Schedule of Expenses
Year Ended August 31, 2024

Object Code	Description	Amount
6100	Payroll costs	$ 30,562,305
6200	Professional and contracted services	6,514,981
6300	Supplies and materials	3,207,058
6400	Other operating expenses	4,892,369
6500	Debt service	587,666
		$ 45,764,379

Faith Family Kids, Inc.
Budgetary Comparison Schedule
Year Ended August 31, 2024

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance from Final Budget
Revenue and other support:				
Local support:				
5730 Tuition and fees revenues from local sources	$ -	$ 133,000	$ 132,632	$ (368)
5740 Other revenue from local sources	101,512	446,512	407,609	(38,903)
5750 Revenue from co-curricular or enterprising	441,745	291,745	240,622	(51,123)
Total local support	543,257	871,257	780,863	(90,394)
State program revenue:				
5810 Per capita and foundation school program	30,089,354	33,388,277	33,381,925	(6,352)
5820 Per capita apportionment	536,312	771,369	751,014	(20,355)
5831 Teacher retirement or TRS care - on-behalf payments	-	-	1,498,424	1,498,424
5830 State program revenues distributed by TEA	-	7,335	38,531	31,197
Total state program revenue	30,625,666	34,166,980	35,669,894	1,502,914
Federal program revenue:				
5910 Federal revenues distributed by other than state or federal agencies	-	9,055	9,055	-
5920 Federal revenues distributed by TEA	5,255,866	5,661,336	5,516,288	(145,048)
5923 Federal program revenue - noncash commodities	-	-	125,529	125,529
5930 Federal revenues distributed by other than TEA	83,280	313,035	268,096	(44,939)
5940 Federal revenues distributed directly from the federal government	1,307,145	1,502,457	1,430,026	(72,431)
Total federal program revenue	6,646,291	7,485,883	7,348,994	(136,889)
Total revenue and other support	37,815,214	42,524,119	43,799,751	1,275,632
Expenses:				
11 Instruction	19,340,562	23,633,506	24,391,313	(757,807)
12 Instructional resources and media services	75,214	75,214	57,976	17,238
13 Curriculum development and instructional staff development	742,996	1,234,905	1,287,450	(52,545)
21 Instructional leadership	173,739	224,582	236,225	(11,643)
23 School leadership	1,399,798	1,931,485	2,032,583	(101,098)
33 Health services	458,163	390,497	406,483	(15,986)
34 Student transportation	693,260	499,672	514,972	(15,300)
35 Food services	2,284,003	2,444,765	2,513,368	(68,603)
36 Extracurricular activities	1,128,532	1,533,140	1,547,773	(14,633)
41 General administration	2,179,620	2,885,274	2,973,836	(88,562)
51 Facilities maintenance and operations	5,513,929	5,772,676	5,841,137	(68,461)
52 Security and monitoring services	1,481,174	1,524,758	1,581,232	(56,474)
53 Data processing services	763,651	767,151	780,673	(13,522)
61 Community services	925,211	1,001,216	1,011,692	(10,476)
71 Debt service	655,362	589,018	587,666	1,352
Total expenses	37,815,214	44,507,859	45,764,379	(1,256,520)
Excess (deficit) of revenues over expenses from operations	-	(1,983,740)	(1,964,628)	19,112
Non-operating activities:				
Gain on sale of property	-	-	167,898	(167,898)
Change in net assets	-	(1,983,740)	(1,796,730)	(148,786)
Net assets at beginning of year	17,441,267	17,441,267	17,441,267	-
Net assets at end of year	$ 17,441,267	$ 15,457,527	$ 15,644,537	$ (187,010)

Faith Family Kids, Inc.
Education Programs Schedule
Year Ended August 31, 2024

Data Codes	Section A: Compensatory Education Programs		Responses
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.		$4,619,384
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PIC's 24, 26, 28, 29, 30, 34)		$3,002,761
	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		$1,151,109
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)		$1,112,726

Faith Family Kids, Inc.
Schedule of Real Property Ownership Interest
Year Ended August 31, 2024

Description	Property Address	Value	Local	State	Federal
Faith Family Kids, Inc., FFA Soccer Field	3515 S RL Thornton Fwy, Dallas, TX 75224	$ 213,360	-	$ 213,360	-
Faith Family Kids, Inc., Faith Family Academy of Oak Cliff Campus	300 W. Kiest Blvd., Dallas, TX 75224	7,966,310	-	7,966,310	-
Faith Family Kids, Inc., Waxahachie Faith Family Academy Service Center	1620 Falcon Drive, DeSoto, TX 75115	527,000	-	527,000	-
Faith Family Kids, Inc., Waxahachie Faith Family Academy Charter Schools Central Administration Building	1608 Osprey Drive, DeSoto, TX 75115	986,590	-	986,590	-
Faith Family Kids, Inc., FFA Early Childhood Center Campus	3415 S RL Thornton Fwy, Dallas, TX 75224	5,202,990	-	5,202,990	-
Faith Family Kids, Inc., Property	200 W Wheatland Rd, Dallas, TX 75116	2,035,010	-	2,035,010	-
Faith Family Kids, Inc., Waxahachie Faith Family Academy Campus	701 FM 664 Waxahachie, TX 75167	2,243,360	-	2,243,360	-
Faith Family Kids, Inc., Former Bank Property	334 W Kiest Blvd, Dallas, TX 75224	325,000	-	325,000	-
Faith Family Kids, Inc., Waxahachie Faith Family Academy Charter Schools Central Administration Building - 2	1624 Falcon Drive, DeSoto, TX 75115	865,000	-	865,000	-

Faith Family Kids, Inc.
Schedule of Related Party Transactions
Year Ended August 31, 2024

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During Fiscal Year	Principal Balance Due
None								

Faith Family Kids, Inc.
Schedule of Related Party Compensation and Benefits
Year Ended August 31, 2024

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During Fiscal Year
None							

SFC
Certified Public Accountants

Independent Auditors' 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*

Board of Directors of
Faith Family Kids, Inc.

We have audited, 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, the financial statements of Faith Family Kids, Inc. (Academy), which comprise the statement of financial position as of August 31, 2024, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Academy'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 Academy'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 on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
December 11, 2024

SFC
Certified Public Accountants

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors of
Faith Family Kids, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Faith Family Kids, Inc.'s (Academy) 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 Academy's major federal programs for the year ended August 31, 2024. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy 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 (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy 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 Academy'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 the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditors' 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 Academy'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 GAAS, *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 Academy's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment 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 include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Academy'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 Academy'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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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 was 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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
December 11, 2024

Faith Family Kids, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2024

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal program or cluster:

Title 1 Grants to Local Education Agencies	ALN 84.010
21st Century Community Learning Centers	ALN 84.287

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings
None

Section III – Federal Award Findings and Questioned Costs
None

Section IV – Summary of Prior Year Audit Findings
None

Faith Family Kids, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2024

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal ALN Number	Pass-through entity identifying number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Direct:			
USDA Commodities	10.555	-	$ 125,529
Passed through Texas Education Agency:			
National School Lunch Program	10.555	202323N109946/202424N109946	1,586,099
School Breakfast Program	10.553	202323N109946/202424N109946	338,750
Passed through Texas Comptroller:			
National School Lunch Program - Supply Chain Assistance	10.555	-	16,492
Total Child Nutrition Cluster			2,066,870
Child Nutrition Discretionary Grant	10.579	-	53,451
Child and Adult Care Food Program	10.558	-	198,153
Total U.S. Department of Agriculture			2,318,474
U.S. Department of Homeland Security			
Passed through Texas Office of the Governor			
Nonprofit Security Program	97.008	EMW-2022-UA-00024/EMW-2023-UA-00027	269,465
U.S. Department of Education			
Direct			
School Safety National Activities	84.184G	S184G190314	296,962
School Safety National Activities	84.184H	S184H220256	713,435
Total 84.184			1,010,397
Special Education Cluster:			
Passed through Texas Education Agency:			
Special Education Grants to States (IDEA, Part B)	84.027A	H027A230008	507,749
Special Education - Preschool Grants	84.173A	H173A220004/H173A230004	3,685
Total Special Education Cluster			511,434
Title I Grants to Local Educational Agencies	84.010A	S010A220043/S010A230043	1,359,061
Career and Technical Education - Basic Grants to States (Perkins)	84.048A	V048A220043/V048A230043	46,014
Twenty-First Centrury Community Learning Centers	84.287C	S287C220044/S287C230044	1,064,391
English Language Acquisition State Grants	84.365A	S365A220043/S365A230043	156,226
Supporting Effective Instruction State Grants	84.367A	S367A220041/S367A230041	137,410
Student Support and Academic Enrichment Program	84.424F	S424F220045	190,712
Student Support and Academic Enrichment Program	84.424A	S424A220045/S424A230045	126,191
Total			316,903
Total U.S. Department of Education			4,601,836
Total Expenditures of Federal Awards			$ 7,189,775

See notes to schedule of expenditures of federal awards.

Faith Family Kids, Inc.
Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Faith Family Kids, Inc. (Academy) under programs of the federal government for the year ended August 31, 2024. The information in the 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 operations of the Academy, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Academy.

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. The Academy has not elected to use the 10 percent de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

3. Non-Cash Federal Awards

The Academy received non-cash awards in the form of food commodities totaling $125,529 for the year ended August 31, 2024.