

Manara Academy, Inc.

Financial Statements

June 30, 2018

For the year then ended

TABLE OF CONTENTS

	<i>Page(s)</i>
<i>CERTIFICATE OF BOARD</i>	<i>1</i>
<i>INDEPENDENT AUDITORS' REPORT</i>	<i>2-3</i>
 <i>FINANCIAL STATEMENTS</i>	
<i>Statement of Financial Position</i>	<i>4</i>
<i>Statement of Activities</i>	<i>5</i>
<i>Statement of Cash Flows</i>	<i>6</i>
<i>Notes to Financial Statements</i>	<i>7-13</i>
 <i>SUPPLEMENTAL INFORMATION</i>	
<i>Schedule of Expenses</i>	<i>14</i>
<i>Schedule of Capital Assets</i>	<i>15</i>
<i>Budgetary Comparison Schedule</i>	<i>16</i>
 <i>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</i>	 <i>17-18</i>

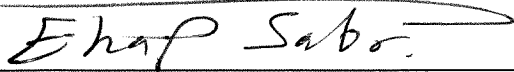
CERTIFICATE OF BOARD

*Manara Academy, Inc.
County-District Number: 057-844*

We, the undersigned, certify that the attached annual financial reports of the above named charter holder were reviewed and:

_____ approved _____ disapproved

for the year ended June 30, 2018, at a meeting of the board of directors of such charter holder on the 27th day of October 2018.



Signature of Board President



Signature of Board Secretary

If the board of trustees/directors disapproved of the auditors' report, the reason(s) for disapproving it (is/are):

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Manara Academy, Inc.

We have audited the accompanying financial statements of Manara Academy, Inc. (the "School") (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The School's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manara Academy, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Manara Academy, Inc. In accordance with the requirements established by the Financial Accountability System Resource Guide – Special Supplement – Charter Schools issued by the Texas Education Agency, the required supplemental information has been presented in addition to the basic financial statements. This information has been subjected to the auditing procedures applied to the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2018, on our consideration of Manara Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

JOOD, THOMAS, SMITH & COMPANY, P.C.

*Dallas, Texas
October 12, 2018*

MANARA ACADEMY, INC.
Statement of Financial Position
As of June 30, 2018

Assets

<i>Current assets</i>	
<i>Cash and cash equivalents</i>	\$ 770,711
<i>Grants receivable</i>	1,202,672
<i>Prepaid expenditures</i>	59,606
<i>Total current assets</i>	2,032,989
 <i>Noncurrent assets</i>	
<i>Property and equipment, net</i>	7,312,742
<i>Other assets</i>	243,748
<i>Total noncurrent assets</i>	7,556,490
 <i>Total assets</i>	\$ 9,589,479

Liabilities and Net Assets

<i>Current liabilities</i>	
<i>Accounts payable</i>	\$ 323,731
<i>Accrued expenses</i>	487,267
<i>Deferred revenues</i>	1,720
<i>Current portion of long-term debt</i>	813,256
<i>Current portion of capital lease obligation</i>	27,297
<i>Total current liabilities</i>	1,653,271
 <i>Noncurrent liabilities</i>	
<i>Noncurrent portion of long-term debt</i>	6,538,887
<i>Noncurrent portion of capital lease obligation</i>	62,037
<i>Total noncurrent liabilities</i>	6,600,924
 <i>Total liabilities</i>	8,254,195
 <i>Net assets</i>	
<i>Unrestricted</i>	1,301,385
<i>Temporarily restricted</i>	33,899
<i>Total net assets</i>	1,335,284
 <i>Total liabilities and net assets</i>	\$ 9,589,479

The accompanying notes are an integral part of these financial statements

MANARA ACADEMY, INC.
Statement of Activities
For the year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
<i>Local support</i>			
Other revenues from local sources	\$ 143,459	\$ -	\$ 143,459
Food service activity	<u>12,058</u>	<u>-</u>	<u>12,058</u>
Total local support	<u>155,517</u>	<u>-</u>	<u>155,517</u>
<i>State program revenues</i>			
Foundation school program	-	7,521,350	7,521,350
Available school fund program	-	180,677	180,677
Other state program revenues	<u>-</u>	<u>2,678</u>	<u>2,678</u>
Total state program revenues	<u>-</u>	<u>7,704,705</u>	<u>7,704,705</u>
<i>Federal program revenues</i>			
Title I, Part A	-	144,622	144,622
IDEA - Part B Formula	-	139,237	139,237
Title II, Part A	-	20,488	20,488
Title III, Part A	-	21,181	21,181
National school breakfast and lunch program	-	150,953	150,953
Other federal program revenues	<u>-</u>	<u>9,250</u>	<u>9,250</u>
Total federal program revenues	<u>-</u>	<u>485,731</u>	<u>485,731</u>
Net assets released from restrictions	<u>8,355,515</u>	<u>(8,355,515)</u>	<u>-</u>
Total revenues	<u>8,511,032</u>	<u>(165,079)</u>	<u>8,345,953</u>
Expenses			
<i>Program services:</i>			
11 Instruction	4,636,991	-	4,636,991
12 Instructional resources and media services	42,862	-	42,862
13 Curriculum and instructional staff development	155,589	-	155,589
21 Instructional leadership	51,993	-	51,993
23 School leadership	675,073	-	675,073
31 Guidance, counseling and evaluation services	146,658	-	146,658
33 Health services	404	-	404
34 Student transportation	356,732	-	356,732
35 Food services	233,419	-	233,419
36 Extracurricular activities	18,374	-	18,374
<i>Support services:</i>			
41 General administration	465,635	-	465,635
51 Plant maintenance and operations	1,462,080	-	1,462,080
52 Security and monitoring services	3,874	-	3,874
53 Data processing services	237,171	-	237,171
61 Community services	24,333	-	24,333
71 Debt service	282,479	-	282,479
81 Fundraising	<u>25,289</u>	<u>-</u>	<u>25,289</u>
Total expenses	<u>8,818,956</u>	<u>-</u>	<u>8,818,956</u>
Change in net assets	(307,924)	(165,079)	(473,003)
Net assets, beginning of year	<u>1,609,309</u>	<u>198,978</u>	<u>1,808,287</u>
Net assets, end of year	<u>\$ 1,301,385</u>	<u>\$ 33,899</u>	<u>\$ 1,335,284</u>

The accompanying notes are an integral part of these financial statements

MANARA ACADEMY, INC.
Statement of Cash Flows
For the year ended June 30, 2018

<i>Cash flows from operating activities</i>	
<i>Change in net assets</i>	\$ (473,003)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities</i>	
<i>Depreciation</i>	301,714
<i>Increase in grants receivable</i>	(175,254)
<i>Decrease in other receivables</i>	1,173
<i>Increase in prepaids</i>	(55,311)
<i>Decrease in deposits</i>	11,882
<i>Increase in accounts payable</i>	116,304
<i>Increase in accrued expenses</i>	87,863
<i>Decrease in deferred revenues</i>	(54)
	(184,686)
 <i>Cash flows from investing activities</i>	
<i>Purchase of land, building, and equipment</i>	(50,777)
	(50,777)
 <i>Cash flows from financing activities</i>	
<i>Repayment of capital lease</i>	(21,081)
<i>Proceeds from long-term debt</i>	1,350,000
<i>Repayment of long-term debt</i>	(921,155)
	407,764
<i>Net cash provided by financing activities</i>	407,764
<i>Net increase in cash and cash equivalents</i>	172,301
<i>Cash and cash equivalents at beginning of year</i>	598,410
<i>Cash and cash equivalents at end of year</i>	\$ 770,711
 <i>Supplemental disclosures of cash flow information:</i>	
<i>Cash paid during the year for:</i>	
<i>Interest</i>	\$ 269,517
<i>Income taxes</i>	\$ -
 <i>Non-cash transactions:</i>	
<i>Capital lease acquisitions</i>	\$ 69,840

The accompanying notes are an integral part of these financial statements

MANARA ACADEMY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of activities

Manara Academy, Inc. ("the School") is an open enrollment charter school offering innovative education programs to children in a single charter school. The School is supported primarily through state foundation school program act entitlements, donor contributions, and federal grants. Approximately 92 percent of the School's support for 2018 came from state entitlements. The school does not conduct any other charter or non-charter activities.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations or net assets subject to donor-imposed restrictions that have been met by the School within the same year received. State and federal revenues are reported as unrestricted net assets because it met all state and federal restrictions in the same reporting period and this accounting treatment has been applied consistently from period to period.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be or will be met, either by actions of the School and/or the passage of time. When a restriction is met in the year following receipt, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that they will be maintained permanently. For the year ended June 30, 2018 there were no permanently restricted net assets.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Cash equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

MANARA ACADEMY, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated absences

Compensated absences cannot be reasonably estimated and are therefore recorded at cost when paid.

Depreciable assets

Depreciable assets are stated at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The School capitalizes all expenditures over \$5,000 to depreciable assets. Depreciation is provided using the straight-line method over the estimated useful life of the assets.

Income taxes

The School is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for 2018.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years beginning prior to July 1, 2014.

Date of Management's Review

Subsequent events were evaluated through October 12, 2018, which is the date the financial statements were available to be issued.

2. Due from Grantor Agencies

As of June 30, 2018, the School had earned the following revenues which were not received until after the end of the fiscal year:

Foundation entitlements	\$ 1,109,430
Other state grants	10,660
Federal grants	<u>82,582</u>
Total	<u>\$ 1,202,672</u>

MANARA ACADEMY, INC.

Notes to Financial Statements

3. Depreciable Assets

The following is a summary of property and equipment as of June 30, 2018:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 2,269,354	\$ -	\$ -	\$ 2,269,354
Building and improvements	5,725,102	24,120	-	5,749,222
Furniture and equipment	588,011	83,121	-	671,132
Construction in progress	-	13,376	-	13,376
Total	<u>8,582,467</u>	<u>120,617</u>	<u>-</u>	<u>8,703,084</u>
Less: accumulated depreciation	<u>1,088,628</u>	<u>301,714</u>	<u>-</u>	<u>1,390,342</u>
Capital assets, net	\$ <u>7,493,839</u>	\$ <u>(181,097)</u>	\$ <u>-</u>	\$ <u>7,312,742</u>

*Depreciation expense for the year ended June 30, 2018 was \$301,714.

4. Short Term Loans

The School has an outstanding loan payable due to an unrelated charity. This loan is due upon demand and does not bear any interest. As of June 30, 2018, the outstanding balance of this loan was \$12,000.

In addition, the School had a \$300,000 line of credit agreement executed with Frost Bank. The line of credit has been closed and there is no outstanding balance as of June 30, 2018.

5. Notes Payable

The School's loan activity during the year ended June 30, 2018 was as follows:

<u>Lender</u>	<u>Collateral</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending</u> <u>Balance</u>
Regions Bank	Real property	4.20%	2033	\$ 2,977,272	\$ -	\$ 127,239	\$ 2,850,033
Islamic Foundation	Unsecured	n/a	Demand	12,000	-	-	12,000
Dockside Threading	Unsecured	6.00%	2020	140,958	-	60,311	80,647
Regions Bank	Real property	3.59%	2035	3,399,580	-	138,021	3,261,559
Regions Bank	Equipment	4.65%	2020	93,488	-	31,584	61,904
Frost Bank	Equipment	5.50%	2018	300,000	-	300,000	-
Charter Asset Management	Receivables	9.92%	2021	-	<u>1,350,000</u>	<u>264,000</u>	<u>1,086,000</u>
				<u>\$6,923,298</u>	<u>\$1,350,000</u>	<u>\$ 921,155</u>	<u>\$ 7,352,143</u>

MANARA ACADEMY, INC.

Notes to Financial Statements

5. Notes Payable (continued)

Presented below is a summary of note payment requirements to maturity:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 813,256	\$ 304,442	\$ 1,117,698
2020	892,949	264,303	1,157,252
2021	400,305	212,207	612,512
2022	312,051	198,991	511,042
2023	324,486	186,556	511,042
2024-2028	1,827,104	728,105	2,555,209
2029-2033	2,221,857	333,352	2,555,209
2034-2035	560,135	17,156	577,291
	<u>\$ 7,352,143</u>	<u>\$ 2,245,112</u>	<u>\$ 9,597,255</u>

6. Capital Leases

In 2016 and 2017 the School entered into a capital leases for office equipment. Future minimum lease payments under the capital leases are as follows:

	<u>Year ending June 30,</u>	
	2019	\$ 33,656
	2020	26,586
	2021	17,265
	2022	17,265
	2023	10,071
Total minimum lease payment		<u>104,843</u>
Less: interest		<u>(15,509)</u>
Present value of minimum lease payment		89,334
Less: current portion		<u>(27,297)</u>
Long-term portion	\$	<u><u>62,037</u></u>

The following equipment, included in total property and equipment, is subject to the above capital leases whereby the School recognized an asset and a liability upon contract inception:

Machinery and equipment	\$ 105,070
Less: accumulated depreciation	<u>(34,646)</u>
Net assets under capital leases	<u><u>70,424</u></u>

MANARA ACADEMY, INC.

Notes to Financial Statements

7. Commitments and Contingencies

The School leases a facility to house the Irving middle school campus under a non-cancelable lease agreement which was renewed in May 2016. The new lease expires in August of 2022. In addition, the School leases a facility in Arlington which expires July 2020. Furthermore, the School leased copy equipment which expires July 2022.

Minimum annual rental commitments at June 30, 2018, are as follows:

2019	\$	471,378
2020		293,538
2021		237,927
2022		<u>39,391</u>
Total minimum lease commitments under non-cancellable operating leases	\$	<u><u>1,042,234</u></u>
Total rent expense during 2018	\$	<u><u>625,267</u></u>

8. Contingent Liabilities

The School participates in numerous programs that are subject to audit by the Texas Education Agency (the "TEA") and various federal audit agencies. These programs have complex compliance requirements, and should state or federal auditors find areas of substantial noncompliance, those funds may be subject to refund if so determined by administrative audit review.

9. State Foundation Program Revenue

Charter schools in the State of Texas participate in the State foundation program. Under this program, each charter school is entitled to receive these revenues based upon student enrollment and average daily attendance. Each charter school is required to file enrollment and attendance reports at the close of each six weeks reporting period, and at the close of the year, actual attendance is calculated by the TEA and the attendance reports are subject to audit by the TEA and final State foundation program earnings may be adjusted as a result of any such audit. A reconciliation of cash paid to revenue recognized is as follows:

Cash paid during fiscal year	\$	7,375,993
Revenue accrued at year-end		1,109,430
Revenue accrued in prior year		<u>(964,073)</u>
Revenue recognized during current year	\$	<u><u>7,521,350</u></u>

MANARA ACADEMY, INC.

Notes to Financial Statements

10. Temporarily Restricted Net Assets

At June 30, 2018, the School's temporarily restricted net assets consisted of unsatisfied restrictions from the following sources:

Foundation grants	\$ 31,719
Public Charter School grants	<u>2,180</u>
Total	\$ <u>33,899</u>

11. Retirement Benefits

Plan Description - The School contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature.

Participating employers in the System are legal separate entities from the State and from each other. Contributions to the System by one employer may be used for the benefit of a plan member of another participating employer. The unfunded obligations are passed along to the participating employers. There is no withdrawal penalty for a plan member for leaving the System.

Information with respect to the System is shown in the following table:

<u>Name of Plan</u>	<u>Federal Employer ID/Plan Number</u>	<u>Certified Zone Status</u>	<u>Expiration Date of Collective Bargaining Agreement</u>	<u>Improvement or Rehabilitation Plan</u>	<u>Surcharge Paid</u>	<u>Contributions Made 2017-2018</u>
<i>Teacher Retirement System of Texas</i>	<i>n/a</i>	<i>Unknown</i>	<i>n/a</i>	<i>n/a</i>	\$ -	\$ <u>76,272</u>
<i>Total contributions made</i>						\$ <u><u>76,272</u></u>

Notes to the table:

1. *Certified Zone Status (as defined by the Pension Protection Act) represents the level at which the plan is funded. Details of the funding status are as follows:*
 - i. *Total plan assets - \$165,905,739,933*
 - ii. *Accumulated benefit obligations - \$179,336,534,819*
 - iii. *The System is 82% funded.*

MANARA ACADEMY, INC.

Notes to Financial Statements

11. Retirement Benefits (continued)

2. *There is no collective-bargaining agreement.*
3. *Based on the audited GASB 68 allocation schedules from the TRS website as of August 31, 2017, the year-end of the System, contributions made to the System did not represent more than 5% of the total contributions received by the System.*
4. *Contribution rates:*

<i>Member</i>	<i>7.7%</i>
<i>State</i>	<i>6.8%</i>
<i>Employer</i>	<i>6.8%</i>

There have been no changes that would affect the comparison of employer contributions from year to year. The System's annual financial report and other required disclosure information are available by writing the General Accounting Department, Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698.

In addition, employees may contribute 0.65% of their salary and the School must contribute 0.55% of the salary of each active employee to TRS-Care (the TRS health plan for retired employees). The total amount contributed to TRS-Care for the year was \$69,489 which is equal to the employees' contributions and the School's required contributions for the year.

12. Budget Variance

Prior to the beginning of the school year, the school prepared and submitted its annual budget for the next fiscal year. However, as a result of changes in programs and average attendance, the budget has been amended as necessary. This has resulted in variances between the original adopted budget and final amended budget presented on the Budgetary Comparison Schedule.

MANARA ACADEMY, INC.
Schedule of Expenses
For the year ended June 30, 2018

<i>Expenses</i>		
6100	<i>Payroll costs</i>	\$ 5,844,230
6200	<i>Professional and contracted services</i>	1,816,961
6300	<i>Supplies and materials</i>	402,492
6400	<i>Other operating costs</i>	472,794
6500	<i>Interest expense</i>	<u>282,479</u>
	<i>Total expenses</i>	\$ <u><u>8,818,956</u></u>

MANARA ACADEMY, INC.
Schedule of Capital Assets
For the year ended June 30, 2018

	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Private</u>	<u>Total</u>
1511 Land	\$ -	\$ 2,269,354	\$ -	\$ -	\$ 2,269,354
1522 Building and improvements	-	5,749,222	-	-	5,749,222
1549 Furniture and equipment	-	659,798	11,334	-	671,132
1581 Construction in progress	-	13,376	-	-	13,376
Total property and equipment	\$ -	\$ 8,691,750	\$ 11,334	\$ -	\$ 8,703,084

MANARA ACADEMY, INC.
Budgetary Comparison Schedule
For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<i>Local support</i>				
5740 Other revenues from local sources	\$ 124,916	\$ 124,812	\$ 143,459	\$ 18,647
5751 Food service activity	29,020	28,363	12,058	(16,305)
Total local support	<u>153,936</u>	<u>153,175</u>	<u>155,517</u>	<u>2,342</u>
<i>State program revenues</i>				
5812 Foundation school program	8,132,349	7,487,451	7,521,350	33,899
5811 Available school fund program	204,934	180,677	180,677	-
5829 State program revenues distributed by TEA	-	2,678	2,678	-
Total state program revenues	<u>8,337,283</u>	<u>7,670,806</u>	<u>7,704,705</u>	<u>33,899</u>
<i>Federal program revenues</i>				
5921 National school breakfast program	54,435	45,069	45,069	-
5922 National school lunch program	124,203	105,884	105,884	-
5929 Federal revenues distributed by the TEA	302,861	334,778	334,778	-
Total federal program revenues	<u>481,499</u>	<u>485,731</u>	<u>485,731</u>	<u>-</u>
Total revenues	<u>8,972,718</u>	<u>8,309,712</u>	<u>8,345,953</u>	<u>36,241</u>
Expenses				
<i>Program services:</i>				
11 Instruction	4,386,358	4,665,129	4,636,991	28,138
12 Instructional resources and media	73,405	42,862	42,862	-
13 Curriculum and instructional staff development	131,848	155,589	155,589	-
21 Instructional leadership	6,672	51,993	51,993	-
23 School leadership	715,953	675,073	675,073	-
31 Guidance, counseling and evaluation services	202,227	146,658	146,658	-
33 Health services	4,934	404	404	-
34 Student transportation	365,000	356,732	356,732	-
35 Food services	324,679	233,419	233,419	-
36 Extracurricular activities	-	18,374	18,374	-
<i>Support services:</i>				
41 General administration	670,286	466,051	465,635	416
51 Plant maintenance and operations	1,439,887	1,462,080	1,462,080	-
52 Security and monitoring services	2,012	4,129	3,874	255
53 Data processing services	123,635	239,147	237,171	1,976
61 Community services	-	24,333	24,333	-
71 Debt service	247,448	268,722	282,479	(13,757)
81 Fundraising	-	25,289	25,289	-
Total expenses	<u>8,694,344</u>	<u>8,835,984</u>	<u>8,818,956</u>	<u>17,028</u>
Change in net assets	278,374	(526,272)	(473,003)	53,269
Net assets, beginning of year	<u>1,808,287</u>	<u>1,808,287</u>	<u>1,808,287</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,086,661</u>	<u>\$ 1,282,015</u>	<u>\$ 1,335,284</u>	<u>\$ 53,269</u>

**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
Manara Academy, Inc.*

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 Manara Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 August 12, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manara Academy, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

JOD, THOMAS, SMITH & COMPANY, P.C.

Dallas, Texas

October 12, 2018