

SALVAGING TEENS AT RISK, INC.

ANNUAL FINANCIAL AND
COMPLIANCE REPORTS

FOR THE YEAR ENDED AUGUST 31, 2009

SALVAGING TEENS AT RISK, INC.

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2009

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SALVAGING TEENS AT RISK, INC.
COUNTY-DISTRICT NO. 061802
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 75-2727881

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2009

CERTIFICATE OF BOARD OF DIRECTORS

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Salvaging Teens at Risk, Inc. was reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2009, at a meeting of the governing body of said charter holder on the _____ day of January, 2010.

Signature of Board Secretary

Signature of Board President

NOTE: If the governing body of the charter school does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.



GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FINANCIAL PLANNER

INDEPENDENT AUDITOR'S REPORT

Unqualified Opinion on Financial Statements

Board of Directors
Salvaging Teens at Risk, Inc.
Little Elm, Texas

Members of the Board of Directors:

I have audited the accompanying financial statements of Salvaging Teens at Risk, Inc. listed in the table of contents as of and for the year ended August 31, 2009. These financial statements are the responsibility of the Salvaging Teens at Risk, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salvaging Teens at Risk, Inc. as of August 31, 2009, and the respective changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 21, 2010 on my consideration of Salvaging Teens at Risk, Inc.'s internal control over financial reporting and on my 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 my testing of internal controls 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 my audit.

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gregory S. Delk, CPA, CFP
January 21, 2010

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

SALVAGING TEENS AT RISK, INC.
Statement of Financial Position
August 31, 2009

Exhibit A-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 3,672,394.19
Investments	588,013.30
Due from State	60,485.90
Due from Federal Government	500.00
Prepaid Expenses	5,359.21
Total Current Assets	4,326,752.60

Property and Equipment

Land	785,294.28
Building and Improvements	2,266,485.58
Vehicles	174,895.45
Furniture and Equipment	112,657.44
Library Books and Media	30,690.00
Accumulated Depreciation	(324,141.39)
Total Property and Equipment	3,045,881.36

Other Assets

Other Assets	17,650.00
Total Other Assets	17,650.00

TOTAL ASSETS	\$ 7,390,283.96
--------------	-----------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 65,298.51
Mortgage Payable Current Year	65,741.44
Accrued Wages Payable	12,382.60
Total Current Liabilities	143,422.55

Long-Term Liabilities

Mortgage Payable-Noncurrent	733,345.26
Total Long-Term Liabilities	733,345.26

Net Assets

Unrestricted Net Assets (Deficiency)	29,399.89
Temporarily Restricted Net Assets (Deficiency)	6,484,116.26
Total Net Assets	6,513,516.15

TOTAL LIABILITIES AND NET ASSETS	\$ 7,390,283.96
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The accompanying notes are an integral part of these financial statements.

SALVAGING TEENS AT RISK, INC.
Statement of Activities
For the Year Ended August 31, 2009

Exhibit A-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND OTHER SUPPORT			
Local Support--			
Earnings from Temporary Investments	\$	\$ 26,344.47	\$ 26,344.47
Gifts and Bequests	1,000.00		1,000.00
Other Revenues		5,774.15	5,774.15
Food Service Activity		55,883.77	55,883.77
Student Activity Income		61,507.91	61,507.91
Revenue from Intermediate Sources		502.80	502.80
Gain on Sale of Assets		86,336.80	86,336.80
Total Local Support	1,000.00	236,349.90	237,349.90
State Program Revenues--			
Foundation School Program		5,665,661.00	5,665,661.00
High School Allotment		49,363.00	49,363.00
Accelerated Reading/Math		29,784.00	29,784.00
School Breakfast Program Matching		930.00	930.00
Technology Allotment		21,318.00	21,318.00
Total State Program Revenues	0.00	5,767,056.00	5,767,056.00
Federal Program Revenues--			
School Breakfast Program		14,527.00	14,527.00
National School Lunch Program		78,068.00	78,068.00
Title IV, Part A		2,056.00	2,056.00
Title I, Part A		80,153.00	80,153.00
IDEA-Part B Formula		131,272.00	131,272.00
IDEA-Part B Preschool		339.00	339.00
Title II, Part A		33,479.00	33,479.00
Total Federal Program Revenues	0.00	339,894.00	339,894.00
Net Assets Released from Restrictions	4,246,700.88	(4,246,700.88)	0.00
Total Revenue and Other Support	4,247,700.88	2,096,599.02	6,344,299.90
EXPENSES			
Program Services:			
Instructional and Instructional Related Services	2,381,434.29	----	2,381,434.29
Instructional and School Leadership	408,464.51	----	408,464.51
Support Services:			
Administrative Support Services	393,617.39	----	393,617.39
Support Services-Non-Student Based	663,186.99	----	663,186.99
Support Services-Student (Pupil)	333,149.08	----	333,149.08
Debt Service	67,785.16	----	67,785.16
Total Expenses	4,247,637.42	0.00	4,247,637.42
Change in Net Assets	63.46	2,096,599.02	2,096,662.48
Net Assets (Deficiency), Beginning of Year	29,336.43	4,387,517.24	4,416,853.67
Net Assets (Deficiency), End of Year	\$ 29,399.89	\$ 6,484,116.26	\$ 6,513,516.15

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

SALVAGING TEENS AT RISK, INC.
Statement of Cash Flows
For the Year Ended August 31, 2009

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 6,069,456.10
Cash Received from Local Sources	151,013.10
Cash Paid to Suppliers for Goods and Services	(1,723,355.19)
Cash Paid to Employees for Services	(2,407,630.79)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(67,785.16)
Net Cash Provided By Operating Activities	<u>2,021,698.06</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(588,013.30)
Proceeds from Sale of Property and Equipment	312,088.96
Purchase of Property and Equipment	(1,054,693.76)
Net Cash Used By Investing Activities	<u>(1,330,618.10)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from New Debt	831,411.18
Payments on Debt	(422,958.10)
Net Cash Provided By Financing Activities	<u>408,453.08</u>

Net Increase in Cash	1,099,533.04
Cash at Beginning of Year	<u>2,572,861.15</u>
Cash at End of Year	<u><u>\$ 3,672,394.19</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 2,096,662.48
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	99,649.82
Gain on Sale of Assets	(86,336.80)
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	(36,893.90)
Prepaid Expenses	(5,359.21)
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	(40,971.86)
Payroll Tax and Other Payables	(16,835.07)
Due to State	(600.00)
Accrued Wages Payable	12,382.60
Net Adjustments	<u>(74,964.42)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 2,021,698.06</u></u>

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

**NOTES TO
FINANCIAL STATEMENTS**

SALVAGING TEENS AT RISK, INC.

Notes To Financial Statements
For the Year Ended August 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities –

Salvaging Teens at Risk, Inc. provides an alternative learning environment for students. The School operates under an open enrollment charter granted by the State of Texas Board of Education. This charter was issued for a period of five years starting December 11, 2000 and is subject to review and renewal periodically. The school is currently operating under a charter renewal until July 31, 2015. The School is part of the public school system of the State of Texas and is therefore entitled to distribution from the State's available school fund. The School does not have the authority to impose ad valorem taxes or to charge tuition. The organization does business as The Education Center and there is not currently any additional financial activity outside of the charter school.

The School was incorporated in 1997 and has been recognized as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

B. Accounting Policies –

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. 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. The significant accounting policies are as follows:

To insure observance of limitations and restrictions placed on the use of resources available to the School, the accounts are maintained in accordance with the principles of fund accounting during the year. Resources for various purposes are classified into funds according to their nature and purposes. Separate accounts are maintained for each fund; however, the accompanying statements of financial position and of activities focus on the organization as a whole and reports the amounts of its total assets, liabilities, net assets and changes in net assets in accordance with Financial Accounting Standards Board Statement No. 117.

The statement of financial position reports the amounts of each of two classes of net assets: temporarily restricted and unrestricted net assets.

- ❖ Temporarily restricted net assets result from contributions and other inflows of assets that are limited by donor imposed stipulations that can be fulfilled and removed by actions of the School pursuant to those stipulations.

When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- ❖ Unrestricted net assets are the remaining part of the School's net assets that is neither permanently restricted nor temporarily restricted by donor imposed stipulations. Property and equipment are included in unrestricted net assets.
- ❖ Permanently restricted net assets result from contributions and other inflows of assets that are required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions.

SALVAGING TEENS AT RISK, INC.

Notes To Financial Statements
For the Year Ended August 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents –

For purposes of the statement of cash flows, cash and cash equivalents are comprised of cash on hand and in banks and includes highly liquid investments with an original maturity of three months or less.

D. Fixed Assets and Depreciation –

All assets acquired with a value of \$5,000.00 or greater and an estimated useful life of three years or more are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at the time of acquisition. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight line basis. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

E. Revenues –

Revenues from the State of Texas available school fund are earned based on reported attendance.

Contributions received are recognized as revenue in the period received and are reported as either restricted or unrestricted support, in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*.

- ❖ Contributions with donor imposed restrictions are reported as restricted support. Restricted support increases temporarily restricted net assets.
- ❖ Contributions without donor imposed restrictions are reported as unrestricted support. Unrestricted support increases unrestricted net assets.

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

F. Donated Goods and Services –

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as in kind contributions and expenses of a like amount.

G. Personal Leave –

All employees earn five days of paid personal leave per year. However, unused balances do not accumulate; therefore, there is no liability accrued on the financial statements.

H. Estimates –

In preparation of the financial statements and in conformity with generally accepted accounting principles, management's estimated useful lives of asset classes were used in the calculation of depreciation.

SALVAGING TEENS AT RISK, INC.
Notes To Financial Statements
For the Year Ended August 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Functional Allocation of Expenses –

The expense of the various programs and other activities has been presented on a functional basis in the statement of activities. Accordingly, certain expenses and supporting service costs have been allocated among the various programs.

2. BUILDING IMPROVEMENTS AND EQUIPMENT

An analysis of building improvements and equipment at August 31, 2009, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$ 785,294.28	-0-	785,294.28	
Building and Improvements	2,266,485.58	161,308.01	2,105,177.57	2.5%
Vehicles	174,895.45	88,576.54	86,318.91	20.00%
Furniture & Equipment	112,657.44	48,681.84	63,975.60	14.29%
Library Books and Media	30,690.00	25,575.00	5,115.00	20.00%
Total	\$ 3,370,022.75	324,141.39	3,045,881.36	

Depreciation expense for the year ended August 31, 2009 was \$99,649.82.

3. HEALTH CARE COVERAGE

Employees of the School are covered by a group insurance plan. The School pays \$331.00 towards the employee's premium and the employee pays the balance due plus premiums for dependent coverage through payroll deductions. All premiums were paid to licensed insurers.

4. DUE FROM STATE

At August 31, 2009, the Organization was due \$51,520.00 in State Foundation Program funding, \$6,374.00 in Technology Allotment, and \$2,591.90 in Accelerated Reading & Math that it had not yet received. These amounts were received from the Texas Education Agency during the 2009-2010 school year.

5. DUE FROM FEDERAL GOVERNMENT

At August 31, 2009, the Organization was due \$500.00 in Title IV, Part A funds from the Federal Government. This amount was received during the 2009-2010 school year.

6. ECONOMIC DEPENDENCY

During the year the School received the majority of its revenues from the Texas Education Agency through a Charter Agreement and through federal grants available to charter schools. The loss of this Charter Agreement would have a material effect on the ability of the School to continue to provide the current level of services to its students.

SALVAGING TEENS AT RISK, INC.

Notes To Financial Statements For the Year Ended August 31, 2009

7. PENSION PLAN

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 with one exception: all risks and costs are not shared by the School, but are the liability of the State of Texas. The System provides service retirement and disability benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the School. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

Funding Policy

Under provisions of State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the School's covered payroll. The School's employees' contributions to the System for the year ending August 31, 2009 were \$214,792.26 and were equal to the required contributions for each year. The State of Texas' contributions should approximate \$201,000.00.

Additional Plan

Employees of the charter holder are also covered under Medicare. Under provisions of federal law, covered Employees contribute 1.45% of their annual covered salary and the charter holder matches that amount.

8. INVESTMENTS

The School invested idle cash into Certificates of Deposit with Edward Jones as follows:

NAME OF BANK	FACE AMOUNT	MATURITY DATE	INTEREST RATE	CURRENT VALUE
Capital One Bank	73,000	10/1/2009	3.5%	73,152.70
Bank of Choice	70,000	10/2/2009	3.5%	70,154.27
Capital One Bank	78,000	11/5/2009	3.7%	78,354.34
Atlantic Southern Bank	71,000	12/31/2009	1.75%	71,211.24
Heritage Bank	5,000	1/29/2010	1.65%	5,016.74
Standard Bank & Trust Co	18,000	2/26/2010	1.45%	18,060.43
Tomatobank	46,000	2/26/2010	1.4%	46,145.30
First State Bank & Trust Co	7,000	5/21/2010	1.05%	7,008.04
Albany Bank & Trust Co	42,000	6/18/2010	1%	41,966.29
Investors Community Bank	9,000	6/28/2010	.9%	8,985.08
Peoples Bank of Wisconsin	55,000	7/7/2010	.9%	54,905.86
First Bank	40,000	7/9/2010	.85%	39,913.89
Bank of America	72,000	8/5/2010	.85%	71,832.92
Totals	586,000.00			586,707.10

In addition there was \$1,306.20 of cash at Edward Jones awaiting reinvestment.

SALVAGING TEENS AT RISK, INC.
Notes To Financial Statements
For the Year Ended August 31, 2009

9. LONG-TERM DEBT

At August 31, 2009 the Schools long-term debt consisted of the following:

Building Mortgage at 7.75% interest; principal and interest payable in monthly installments of \$6,539.11 commencing February 2009. The note is secured by a first lien on the land and building located at 5901 Crestwood Place, Little Elm, Texas.

Construction Loan at 6% interest; principal and interest payable in monthly installments of \$2,785.75 commencing September 2009. The note is secured by a first lien on the land and construction in progress located at 5411 S. Hwy 377, Denton, Texas.

Total Long-Term Debt (Mortgage Payable)	\$799,086.70
Less Current Portion of Long-Term Debt	<u>65,741.44</u>
Long-Term Debt	<u>\$733,345.26</u>

Future maturities of long-term debt for years ending August 31 are as follows:

August 31,	Principal	Interest	Total
2010	65,741.44	46,156.88	111,898.32
2011	69,796.24	42,102.08	111,898.32
2012	74,101.10	37,797.22	111,898.32
2013	78,671.50	33,226.82	111,898.32
2014	83,523.79	28,374.53	111,898.32
Thereafter	<u>427,252.63</u>	<u>59,205.83</u>	<u>486,458.46</u>
Totals	799,086.70	246,863.36	1,045,950.06

10. OPERATING LEASES

The School has entered into a lease agreement for office and classroom space at 5201 S Colony Blvd, Suites 545-550, The Colony, Texas. This agreement covers the 36 months ending July 31, 2011. The lease is at a monthly rental rate of \$8,420.83 per month. The School has entered into a lease agreement for office and classroom space at 4420 Country Club Road, Denton, Texas at a monthly rate of \$4,500.00 rising to \$4,750.00 June 2009.

Future minimum lease payments are as follows:

8/31/2010	\$143,800
8/31/2011	92,629
8/31/2012 and thereafter	- 0 -

11. COMMITMENTS AND CONTINGENCIES

The School receives funds through state and federal programs which are governed by various rules and regulations of the grantor. Expenses charged to the grant program are subject to audit and adjustment by the grantor agency. In the opinion of management, aside from the temporary restrictions on net assets as explained below, there are no contingent liabilities relating to compliance with rules and regulations governing the grants; therefore, no provision has been made in the accompanying financial statements for such contingencies.

SALVAGING TEENS AT RISK, INC.

**Notes To Financial Statements
For the Year Ended August 31, 2009**

12. CASH DEPOSIT RISK

At August 31, 2009 and throughout the school year, the School's cash in bank accounts was not entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance but has been fully covered all year by pledged collateral held by the School's agent bank. The School had a high balance of \$3,969,393.97 in August 2009, therefore there was potential for a loss of \$3,719,393.97 that would have been fully covered by the pledged securities valued at \$3,748,599.51 at that date.

13. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2009 the School had temporarily restricted net assets of \$6,484,116.26 that consisted of the following:

Local Revenues	\$ 86,904.35
State Foundation Program	6,253,825.32
State Technology Allotment	34,505.44
State High School Allotment	60,331.00
State Accelerated Reading/Math Program	3,865.00
Federal IDEA-B Program	5,957.04
Federal Public Charter School Grant	<u>38,728.11</u>
	<u>\$ 6,484,116.26</u>

**SPECIFIC-PURPOSE
FINANCIAL STATEMENTS**

SALVAGING TEENS AT RISK, INC.
Statement of Financial Position
August 31, 2009

Exhibit B-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 3,672,394.19
Investments	588,013.30
Due from State	60,485.90
Due from Federal Government	500.00
Prepaid Expenses	5,359.21
Total Current Assets	<u>4,326,752.60</u>

Property and Equipment

Land	785,294.28
Building and Improvements	2,266,485.58
Vehicles	174,895.45
Furniture and Equipment	112,657.44
Library Books and Media	30,690.00
Accumulated Depreciation	(324,141.39)
Total Property and Equipment	<u>3,045,881.36</u>

Other Assets

Other Assets	17,650.00
Total Other Assets	<u>17,650.00</u>

TOTAL ASSETS	\$ <u><u>7,390,283.96</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 65,298.51
Mortgage Payable Current Year	65,741.44
Accrued Wages Payable	12,382.60
Total Current Liabilities	<u>143,422.55</u>

Long-Term Liabilities

Mortgage Payable-Noncurrent	733,345.26
Total Long-Term Liabilities	<u>733,345.26</u>

Net Assets

Unrestricted Net Assets (Deficiency)	29,399.89
Temporarily Restricted Net Assets (Deficiency)	6,484,116.26
Total Net Assets	<u>6,513,516.15</u>

TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>7,390,283.96</u></u>
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The accompanying notes are an integral part of these financial statements.

SALVAGING TEENS AT RISK, INC.
Statement of Activities
For the Year Ended August 31, 2009

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
5742 Earnings from Temporary Investments	\$	\$ 26,344.47	\$ 26,344.47
5744 Gifts and Bequests	1,000.00		1,000.00
5749 Other Revenues		5,774.15	5,774.15
5751 Food Service Activity		55,883.77	55,883.77
5759 Student Activity Income		61,507.91	61,507.91
5769 Revenue from Intermediate Sources		502.80	502.80
7951 Gain on Sale of Assets		86,336.80	86,336.80
Total Local Support	1,000.00	236,349.90	237,349.90
State Program Revenues--			
5812 Foundation School Program		5,665,661.00	5,665,661.00
5812 High School Allotment		49,363.00	49,363.00
5829 Accelerated Reading/Math		29,784.00	29,784.00
5829 School Breakfast Program Matching		930.00	930.00
5829 Technology Allotment		21,318.00	21,318.00
Total State Program Revenues	0.00	5,767,056.00	5,767,056.00
Federal Program Revenues--			
5921 School Breakfast Program		14,527.00	14,527.00
5922 National School Lunch Program		78,068.00	78,068.00
5922 Title IV, Part A		2,056.00	2,056.00
5929 Title I, Part A		80,153.00	80,153.00
5929 IDEA-Part B Formula		131,272.00	131,272.00
5929 IDEA-Part B Preschool		339.00	339.00
5929 Title II, Part A		33,479.00	33,479.00
Total Federal Program Revenues	0.00	339,894.00	339,894.00
Net Assets Released from Restrictions	4,246,700.88	(4,246,700.88)	0.00
Total Revenue and Other Support	4,247,700.88	2,096,599.02	6,344,299.90
<u>EXPENSES</u>			
11 Instruction	2,370,091.71	----	2,370,091.71
13 Curriculum Dev. & Instructional Staff Dev.	11,342.58	----	11,342.58
21 Instructional Leadership	65,881.11	----	65,881.11
23 School Leadership	342,583.40	----	342,583.40
33 Health Services	4,627.23	----	4,627.23
34 Student (Pupil) Transportation	95,344.60	----	95,344.60
35 Food Services	150,366.62	----	150,366.62
36 Cocurricular/Extracurricular Activities	82,810.63	----	82,810.63
41 General Administration	393,617.39	----	393,617.39
51 Plant Maintenance and Operations	631,161.56	----	631,161.56
52 Security and Monitoring Services	2,025.43	----	2,025.43
53 Data Processing Services	30,000.00	----	30,000.00
71 Debt Service	67,785.16	----	67,785.16
Total Expenses	4,247,637.42	0.00	4,247,637.42
Change in Net Assets	63.46	2,096,599.02	2,096,662.48
Net Assets (Deficiency), Beginning of Year	29,336.43	4,387,517.24	4,416,853.67
Net Assets (Deficiency), End of Year	\$ 29,399.89	\$ 6,484,116.26	\$ 6,513,516.15

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

SALVAGING TEENS AT RISK, INC.
Statement of Cash Flows
For the Year Ended August 31, 2009

Exhibit B-3

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 6,069,456.10
Cash Received from Local Sources	151,013.10
Cash Paid to Suppliers for Goods and Services	(1,723,355.19)
Cash Paid to Employees for Services	(2,407,630.79)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(67,785.16)
Net Cash Provided By Operating Activities	<u>2,021,698.06</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(588,013.30)
Proceeds from Sale of Property and Equipment	312,088.96
Purchase of Property and Equipment	(1,054,693.76)
Net Cash Used By Investing Activities	<u>(1,330,618.10)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from New Debt	831,411.18
Payments on Debt	(422,958.10)
Net Cash Provided By Financing Activities	<u>408,453.08</u>

Net Increase in Cash	1,099,533.04
Cash at Beginning of Year	<u>2,572,861.15</u>
Cash at End of Year	<u>\$ 3,672,394.19</u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in Net Assets	\$ 2,096,662.48
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	99,649.82
Gain on Sale of Assets	(86,336.80)
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	(36,893.90)
Prepaid Expenses	(5,359.21)
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	(40,971.86)
Payroll Tax and Other Payables	(16,835.07)
Due to State	(600.00)
Accrued Wages Payable	12,382.60
Net Adjustments	<u>(74,964.42)</u>
Net Cash Provided By Operating Activities	<u>\$ 2,021,698.06</u>

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

**SUPPLEMENTARY
SCHEDULES**

SALVAGING TEENS AT RISK, INC.
Schedule of Expenses
For the Year Ended August 31, 2009

Exhibit C-1

EXPENSES

	<u>Totals</u>
6100 Payroll Costs	\$ 2,826,716.43
6200 Professional and Contracted Services	821,824.42
6300 Supplies and Materials	370,098.83
6400 Other Operating Costs	161,212.58
6500 Debt	67,785.16
Total Expenses and Other Losses	<u>\$ 4,247,637.42</u>

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

SALVAGING TEENS AT RISK, INC.
Schedule of Capital Assets
For the Year Ended August 31, 2009

Exhibit D-1

<u>CAPITAL ASSETS</u>	<u>Ownership Interest</u>			<u>Totals</u>
	<u>Local</u>	<u>State</u>	<u>Federal</u>	
1110 Cash	\$	\$ 3,627,709.04	\$ 44,685.15	\$ 3,672,394.19
1510 Land		785,294.28		785,294.28
1520 Buildings and Improvements		2,266,485.58		2,266,485.58
1531 Vehicles		104,895.45	70,000.00	174,895.45
1539 Furniture and Equipment		53,544.32	59,113.12	112,657.44
1569 Library Books and Media		23,917.25	6,772.75	30,690.00
Total Capital Assets	\$	\$ 6,861,845.92	\$ 180,571.02	\$ 7,042,416.94

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

SALVAGING TEENS AT RISK, INC.
Budgetary Comparison Schedule
For the Year Ended August 31, 2009

Exhibit E-1

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE AND OTHER SUPPORT				
Local Support--				
5742 Earnings from Temporary Investments	\$ 44,000.00	\$ 27,000.00	\$ 26,344.47	\$ (655.53)
5744 Gifts and Bequests		1,000.00	1,000.00	0.00
5749 Other Revenues	14,000.00	6,000.00	5,774.15	(225.85)
5751 Food Service Activity	40,000.00	60,000.00	55,883.77	(4,116.23)
5759 Student Activity Income	48,590.00	57,914.00	61,507.91	3,593.91
5769 Revenue from Intermediate Sources		500.00	502.80	2.80
7951 Gain on Sale of Assets			86,336.80	86,336.80
Total Local Support	<u>146,590.00</u>	<u>152,414.00</u>	<u>237,349.90</u>	<u>84,935.90</u>
State Program Revenues--				
5812 Foundation School Program	4,505,000.00	5,647,889.00	5,665,661.00	17,772.00
5812 High School Allotment		39,708.00	49,363.00	9,655.00
5829 Accelerated Reading/Math	8,700.00	25,919.00	29,784.00	3,865.00
5829 School Breakfast Program Matching	1,500.00	1,000.00	930.00	(70.00)
5829 Technology Allotment	<u>18,500.00</u>	<u>21,409.00</u>	<u>21,318.00</u>	<u>(91.00)</u>
Total State Program Revenues	<u>4,533,700.00</u>	<u>5,735,925.00</u>	<u>5,767,056.00</u>	<u>31,131.00</u>
Federal Program Revenues--				
5921 School Breakfast Program	11,000.00	16,500.00	14,527.00	(1,973.00)
5922 National School Lunch Program	50,000.00	82,296.00	78,068.00	(4,228.00)
5922 Title IV, Part A	2,442.00	2,056.00	2,056.00	0.00
5929 Title I, Part A	25,076.00	80,153.00	80,153.00	0.00
5929 IDEA-Part B Formula	137,589.00	131,272.00	131,272.00	0.00
5929 IDEA-Part B Preschool	0.00	339.00	339.00	0.00
5929 Title II, Part D	200.00	591.00		(591.00)
5929 Title V, Part A	1,050.00	0.00		0.00
5929 Title II, Part A	<u>26,880.00</u>	<u>33,479.00</u>	<u>33,479.00</u>	<u>0.00</u>
Total Federal Program Revenues	<u>254,237.00</u>	<u>346,686.00</u>	<u>339,894.00</u>	<u>(6,792.00)</u>
Total Revenue and Other Support	<u>4,934,527.00</u>	<u>6,235,025.00</u>	<u>6,344,299.90</u>	<u>109,274.90</u>
EXPENSES				
11 Instruction	2,684,858.00	3,148,729.00	2,370,091.71	(778,637.29)
13 Curriculum Dev. & Instructional Staff Dev.	26,500.00	26,500.00	11,342.58	(15,157.42)
21 Instructional Leadership	64,550.00	66,950.00	65,881.11	(1,068.89)
23 School Leadership	353,240.00	420,665.00	342,583.40	(78,081.60)
31 Guidance, Counseling and Evaluation Svcs.	6,500.00	6,500.00	0.00	(6,500.00)
33 Health Services		6,000.00	4,627.23	(1,372.77)
34 Student (Pupil) Transportation	118,825.00	125,375.00	95,344.60	(30,030.40)
35 Food Services	178,187.18	160,796.00	150,366.62	(10,429.38)
36 Cocurricular/Extracurricular Activities	73,080.00	81,080.00	82,810.63	1,730.63
41 General Administration	269,746.00	326,985.00	393,617.39	66,632.39
51 Plant Maintenance and Operations	1,010,228.00	1,083,676.00	631,161.56	(452,514.44)
52 Security and Monitoring Services	10,000.00	10,000.00	2,025.43	(7,974.57)
53 Data Processing Services	45,000.00	45,000.00	30,000.00	(15,000.00)
61 Community Services			0.00	0.00
71 Debt Service		93,000.00	67,785.16	(25,214.84)
81 Fundraising			0.00	0.00
Total Expenses	<u>4,840,714.18</u>	<u>5,601,256.00</u>	<u>4,247,637.42</u>	<u>(1,353,618.58)</u>
Change in Net Assets	<u>93,812.82</u>	<u>633,769.00</u>	<u>2,096,662.48</u>	<u>1,462,893.48</u>
Net Assets (Deficiency), Beginning of Year	<u>4,416,853.67</u>	<u>4,416,853.67</u>	<u>4,416,853.67</u>	<u>---</u>
Net Assets (Deficiency), End of Year	<u>\$ 4,510,666.49</u>	<u>\$ 5,050,622.67</u>	<u>\$ 6,513,516.15</u>	<u>\$ 1,462,893.48</u>

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

**COMPLIANCE AND
INTERNAL CONTROL**



GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT
CERTIFIED FINANCIAL PLANNER

INDEPENDENT AUDITOR'S REPORT

Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

Board of Directors
Salvaging Teens at Risk, Inc.
Little Elm, Texas

Members of the Board of Directors:

I have audited the financial statements of Salvaging Teens at Risk, Inc. as of and for the year ended August 31, 2009, and have issued my report thereon dated January 21, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Salvaging Teens at Risk, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salvaging Teens at Risk, Inc.'s financial statements are free of material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, The Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gregory S. Delk, CPA, CFP
January 21, 2010

SALVAGING TEENS AT RISK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2009

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Exhibit F-1

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Significant deficiencies identified?	None
Significant deficiencies identified that are considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	None

FEDERAL AWARDS

Internal control over major programs:	
Significant deficiencies identified?	None
Significant deficiencies identified that are considered to be material weaknesses?	None
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	N/A
Identification of major programs:	None
Dollar threshold used to distinguish between type A and type B programs:	N/A
Auditee qualified as low-risk auditee?	N/A

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – STATE AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Audit findings and questioned costs for federal awards as required To be reported by section 510(a) of Circular A-133:	None
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SALVAGING TEENS AT RISK, INC.

STATUS OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2009

None

SALVAGING TEENS AT RISK, INC.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2009**

Exhibit G-1

None