

SALVAGING TEENS AT RISK, INC.

**ANNUAL FINANCIAL AND
COMPLIANCE REPORTS**

FOR THE YEAR ENDED AUGUST 31, 2010

SALVAGING TEENS AT RISK, INC.

ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2010

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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, 2010**

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, 2010, at a meeting of the governing body of said charter holder on the _____ day of January, 2011.

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, 2010. These financial statements are the responsibility of 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, 2010, 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, 2011 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 and 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, 2011

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

SALVAGING TEENS AT RISK, INC.
Statement of Financial Position
August 31, 2010

Exhibit A-1

ASSETS

<u>Current Assets</u>	
Cash in Banks and On Hand	\$ 4,535,913.31
Investments	596,827.92
Due from State	174,226.15
Prepaid Expenses	5,359.21
Total Current Assets	5,312,326.59
 <u>Property and Equipment</u>	
Land	909,104.85
Building and Improvements	2,326,717.37
Vehicles	296,308.09
Furniture and Equipment	194,253.70
Library Books and Media	30,690.00
Accumulated Depreciation	(449,300.09)
Total Property and Equipment	3,307,773.92
 <u>Other Assets</u>	
Other Assets	25,850.00
Total Other Assets	25,850.00
TOTAL ASSETS	\$ 8,645,950.51

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts Payable	\$ 80,709.74
Due to State	22,918.00
Total Current Liabilities	103,627.74
 <u>Net Assets</u>	
Unrestricted Net Assets (Deficiency)	29,387.98
Temporarily Restricted Net Assets (Deficiency)	8,512,934.79
Total Net Assets	8,542,322.77
TOTAL LIABILITIES AND NET ASSETS	\$ 8,645,950.51

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, 2010

Exhibit A-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
Earnings from Temporary Investments	\$	\$ 13,377.29	\$ 13,377.29
Other Revenues		13,945.22	13,945.22
Food Service Activity		39,059.58	39,059.58
Student Activity Income		20,977.70	20,977.70
Total Local Support	0.00	87,359.79	87,359.79
State Program Revenues--			
Foundation School Program		6,060,532.00	6,060,532.00
Accelerated Reading/Math		7,862.50	7,862.50
School Breakfast Program Matching		1,354.00	1,354.00
Technology Allotment		21,115.00	21,115.00
Total State Program Revenues	0.00	6,090,863.50	6,090,863.50
Federal Program Revenues--			
School Breakfast Program		22,271.00	22,271.00
National School Lunch Program		91,511.00	91,511.00
Title IV, Part A		1,436.00	1,436.00
Title I, Part A		67,823.00	67,823.00
IDEA-Part B Formula		121,848.61	121,848.61
Title II, Part A		13,624.75	13,624.75
ARRA Title XIV SFSF		127,627.00	127,627.00
ARRA IDEA-Part B		68,964.03	68,964.03
ARRA Title I, Part A		6,624.00	6,624.00
Total Federal Program Revenues	0.00	521,729.39	521,729.39
Net Assets Released from Restrictions	4,671,134.15	(4,671,134.15)	0.00
Total Revenue and Other Support	4,671,134.15	2,028,818.53	6,699,952.68
<u>EXPENSES</u>			
Program Services:			
Instructional and Instructional Related Services	2,817,784.40	----	2,817,784.40
Instructional and School Leadership	397,678.05	----	397,678.05
Support Services:			
Administrative Support Services	251,731.80	----	251,731.80
Support Services-Non-Student Based	784,493.06	----	784,493.06
Support Services-Student (Pupil)	380,053.67	----	380,053.67
Debt Service	38,555.08	----	38,555.08
Fundraising	850.00	----	850.00
Total Expenses	4,671,146.06	0.00	4,671,146.06
Change in Net Assets	(11.91)	2,028,818.53	2,028,806.62
Net Assets (Deficiency), Beginning of Year	29,399.89	6,484,116.26	6,513,516.15
Net Assets (Deficiency), End of Year	\$ 29,387.98	\$ 8,512,934.79	\$ 8,542,322.77

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, 2010

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 6,522,270.64
Cash Received from Local Sources	87,359.79
Cash Paid to Suppliers for Goods and Services	(1,737,255.15)
Cash Paid to Employees for Services	(2,767,148.50)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(38,555.08)
Net Cash Provided By Operating Activities	<u>2,066,671.70</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Maturity of Investments	588,013.30
Purchase of Investments	(596,827.92)
Purchase of Other Assets	(8,200.00)
Purchase of Property and Equipment	(387,051.26)
Net Cash Provided By Investing Activities	<u>(404,065.88)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Debt	(799,086.70)
Net Cash Used By Financing Activities	<u>(799,086.70)</u>

Net Increase in Cash	863,519.12
Cash at Beginning of Year	<u>3,672,394.19</u>
Cash at End of Year	<u><u>\$ 4,535,913.31</u></u>

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

Change in Net Assets	\$ 2,028,806.62
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	125,158.70
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	(113,240.25)
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	15,411.23
Due to State	22,918.00
Accrued Wages Payable	(12,382.60)
Net Adjustments	<u>37,865.08</u>
Net Cash Provided By Operating Activities	<u><u>\$ 2,066,671.70</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, 2010

I. 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 three classes of net assets: temporarily restricted, unrestricted net assets and permanently restricted (currently zero).

- ❖ 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, 2010

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, 2010

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, 2010, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$ 909,104.85	-0-	909,104.85	
Building and Improvements	2,326,717.37	232,991.30	2,093,726.07	2.5%
Vehicles	296,308.09	119,481.76	176,826.33	20.00%
Furniture & Equipment	194,253.70	66,137.03	128,116.67	14.29%
Library Books and Media	30,690.00	30,690.00	-0-	20.00%
Total	\$ 3,757,074.01	449,300.09	3,307,773.92	

Depreciation expense for the year ended August 31, 2010 was \$125,158.70.

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, 2010, the Organization was due \$135,663.00 in State Foundation Program funding, \$10,454.40 in Accelerated Reading/Math and \$28,108.75 in ARRA Title XIV SFSF funds that it had not yet received. These amounts were received from the Texas Education Agency during the 2010-2011 school year.

5. DUE TO STATE

At August 31, 2010, the Organization owed \$10,282.25 in Title II, Part A funds, \$12,377.75 in ARRA IDEA-B funds and \$258.00 in State Technology Allotment back to the State. This amount was recovered by the State during the 2010-2011 school year.

SALVAGING TEENS AT RISK, INC.

Notes To Financial Statements For the Year Ended August 31, 2010

6. 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, 2010 were \$204,600.37 and were equal to the required contributions for each year. The State of Texas' contributions should approximate \$192,000.00.

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.

7. 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
Bank of America	5,000	2/3/2011	.4%	4,998.19
Bank of America	65,000	3/3/2011	.45%	64,985.62
Bank of America	8,000	5/26/2011	.5%	8,004.24
Bank of America	9,000	7/1/2011	.45%	8,993.11
Bank of America	55,000	7/14/2011	.45%	54,955.96
Beal Savings Bank	42,000	6/22/2011	.5%	42,024.77
Business Bank	147,000	10/08/2010	.7%	147,009.14
Discover Bank	81,000	11/12/2010	.75%	81,021.49
Girard National Bank	40,000	6/18/2010	.3%	39,915.54
RoundBank	73,000	8/18/2011	.25%	72,803.43
21 st Century Bank	<u>72,000</u>	1/4/2011	.4%	<u>71,980.02</u>
Totals	597,000.00			596,691.51

In addition there was \$136.41 of cash at Edward Jones awaiting reinvestment.

SALVAGING TEENS AT RISK, INC.

Notes To Financial Statements For the Year Ended August 31, 2010

8. 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 \$5,750.00 through May 2013. The School has entered into a lease agreement for office space at 100 East Park Drive, Little Elm, TX at a rate of \$1,850.00 through December 2011.

Future minimum lease payments are as follows:

8/31/2011	\$ 183,829
8/31/2012	69,000
8/31/2013	51,750

9. 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.

10. 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.

11. 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 valued in excess of \$5,150,000.00

12. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2010 the School had temporarily restricted net assets of \$8,512,934.79 that consisted of the following:

Local Revenues	\$ 80,711.81
State Foundation Program	8,245,989.80
State Technology Allotment	39,265.89
State High School Allotment	116,620.33
State Accelerated Reading/Math Program	111.50
Federal Public Charter School Grant	30,235.46
	<u>\$ 8,512,934.79</u>

**SPECIFIC-PURPOSE
FINANCIAL STATEMENTS**

SALVAGING TEENS AT RISK, INC.
Statement of Financial Position
August 31, 2010

Exhibit B-1

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 4,535,913.31
Investments	596,827.92
Due from State	174,226.15
Prepaid Expenses	5,359.21
Total Current Assets	5,312,326.59

Property and Equipment

Land	909,104.85
Building and Improvements	2,326,717.37
Vehicles	296,308.09
Furniture and Equipment	194,253.70
Library Books and Media	30,690.00
Accumulated Depreciation	(449,300.09)
Total Property and Equipment	3,307,773.92

Other Assets

Other Assets	25,850.00
Total Other Assets	25,850.00

TOTAL ASSETS	\$ 8,645,950.51
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 80,709.74
Due to State	22,918.00
Total Current Liabilities	103,627.74

Net Assets

Unrestricted Net Assets (Deficiency)	29,387.98
Temporarily Restricted Net Assets (Deficiency)	8,512,934.79
Total Net Assets	8,542,322.77

TOTAL LIABILITIES AND NET ASSETS	\$ 8,645,950.51
----------------------------------	-----------------

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, 2010

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND OTHER SUPPORT			
Local Support--			
5742 Earnings from Temporary Investments	\$	\$ 13,377.29	\$ 13,377.29
5749 Other Revenues		13,945.22	13,945.22
5751 Food Service Activity		39,059.58	39,059.58
5759 Student Activity Income		20,977.70	20,977.70
Total Local Support	0.00	87,359.79	87,359.79
State Program Revenues--			
5812 Foundation School Program		6,060,532.00	6,060,532.00
5829 Accelerated Reading/Math		7,862.50	7,862.50
5829 School Breakfast Program Matching		1,354.00	1,354.00
5829 Technology Allotment		21,115.00	21,115.00
Total State Program Revenues	0.00	6,090,863.50	6,090,863.50
Federal Program Revenues--			
5921 School Breakfast Program		22,271.00	22,271.00
5922 National School Lunch Program		91,511.00	91,511.00
5929 Title IV, Part A		1,436.00	1,436.00
5929 Title I, Part A		67,823.00	67,823.00
5929 IDEA-Part B Formula		121,848.61	121,848.61
5929 Title II, Part A		13,624.75	13,624.75
5929 ARRA Title XIV SFSF		127,627.00	127,627.00
5929 ARRA IDEA-Part B		68,964.03	68,964.03
5929 ARRA Title I, Part A		6,624.00	6,624.00
Total Federal Program Revenues	0.00	521,729.39	521,729.39
Net Assets Released from Restrictions	4,671,134.15	(4,671,134.15)	0.00
Total Revenue and Other Support	4,671,134.15	2,028,818.53	6,699,952.68
EXPENSES			
11 Instruction	2,805,381.87	----	2,805,381.87
13 Curriculum Dev. & Instructional Staff Dev.	12,402.53	----	12,402.53
21 Instructional Leadership	69,422.17	----	69,422.17
23 School Leadership	328,255.88	----	328,255.88
33 Health Services	1,480.25	----	1,480.25
34 Student (Pupil) Transportation	186,060.16	----	186,060.16
35 Food Services	157,160.01	----	157,160.01
36 Cocurricular/Extracurricular Activities	35,353.25	----	35,353.25
41 General Administration	251,731.80	----	251,731.80
51 Plant Maintenance and Operations	749,492.44	----	749,492.44
52 Security and Monitoring Services	4,008.07	----	4,008.07
53 Data Processing Services	30,992.55	----	30,992.55
71 Debt Service	38,555.08	----	38,555.08
81 Fundraising	850.00	----	850.00
Total Expenses	4,671,146.06	0.00	4,671,146.06
Change in Net Assets	(11.91)	2,028,818.53	2,028,806.62
Net Assets (Deficiency), Beginning of Year	29,399.89	6,484,116.26	6,513,516.15
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The accompanying notes are an integral part of these financial statements.

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Statement of Cash Flows
For the Year Ended August 31, 2010

Exhibit B-3

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Government Contracts/Grants	\$ 6,522,270.64
Cash Received from Local Sources	87,359.79
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Cash Paid to Employees for Services	(2,767,148.50)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(38,555.08)
Net Cash Provided By Operating Activities	<u>2,066,671.70</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Maturity of Investments	588,013.30
Purchase of Investments	(596,827.92)
Purchase of Other Assets	(8,200.00)
Purchase of Property and Equipment	(387,051.26)
Net Cash Provided By Investing Activities	<u>(404,065.88)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Debt	(799,086.70)
Net Cash Used By Financing Activities	<u>(799,086.70)</u>
Net Increase in Cash	863,519.12
Cash at Beginning of Year	<u>3,672,394.19</u>
Cash at End of Year	<u><u>\$ 4,535,913.31</u></u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 2,028,806.62
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	125,158.70
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	(113,240.25)
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	15,411.23
Due to State	22,918.00
Accrued Wages Payable	(12,382.60)
Net Adjustments	<u>37,865.08</u>
Net Cash Provided By Operating Activities	<u><u>\$ 2,066,671.70</u></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, 2010

Exhibit C-1

EXPENSES

	<u>Totals</u>
6100 Payroll Costs	\$ <u>3,235,233.66</u>
6200 Professional and Contracted Services	781,635.30
6300 Supplies and Materials	386,762.77
6400 Other Operating Costs	228,959.25
6500 Debt	<u>38,555.08</u>
Total Expenses and Other Losses	\$ <u><u>4,671,146.06</u></u>

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

SALVAGING TEENS AT RISK, INC.
Schedule of Capital Assets
August 31, 2010

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	\$ 80,711.81	\$ 4,424,966.04	\$ 30,235.46	\$ 4,535,913.31
1120 Investments		596,827.92		596,827.92
1510 Land		909,104.85		909,104.85
1520 Buildings and Improvements		2,326,717.37		2,326,717.37
1531 Vehicles		226,308.09	70,000.00	296,308.09
1539 Furniture and Equipment		115,140.58	79,113.12	194,253.70
1569 Library Books and Media		23,917.25	6,772.75	30,690.00
Total Capital Assets	<u>\$ 80,711.81</u>	<u>\$ 8,622,982.10</u>	<u>\$ 186,121.33</u>	<u>\$ 8,889,815.24</u>

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, 2010

Exhibit E-1

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUE AND OTHER SUPPORT</u>				
Local Support--				
5742 Earnings from Temporary Investments	\$ 2,000.00	\$ 28,000.00	\$ 13,377.29	\$ (14,622.71)
5744 Gifts and Bequests		1,000.00	0.00	(1,000.00)
5749 Other Revenues			13,945.22	13,945.22
5751 Food Service Activity	62,082.00	62,082.00	39,059.58	(23,022.42)
5759 Student Activity Income		57,100.00	20,977.70	(36,122.30)
Total Local Support	<u>64,082.00</u>	<u>148,182.00</u>	<u>87,359.79</u>	<u>(60,822.21)</u>
State Program Revenues--				
5812 Foundation School Program	6,039,921.00	5,981,401.00	6,060,532.00	79,131.00
5829 Accelerated Reading/Math		11,616.00	7,862.50	(3,753.50)
5829 School Breakfast Program Matching	1,000.00	1,000.00	1,354.00	354.00
5829 Technology Allotment		21,373.00	21,115.00	(258.00)
Total State Program Revenues	<u>6,040,921.00</u>	<u>6,015,390.00</u>	<u>6,090,863.50</u>	<u>75,473.50</u>
Federal Program Revenues--				
5921 School Breakfast Program	16,500.00	16,500.00	22,271.00	5,771.00
5922 National School Lunch Program	82,000.00	82,000.00	91,511.00	9,511.00
5929 Title IV, Part A		1,936.00	1,436.00	(500.00)
5929 Title I, Part A		67,823.00	67,823.00	0.00
5929 IDEA-Part B Formula		132,427.00	121,848.61	(10,578.39)
5929 Title II, Part A		23,907.00	13,624.75	(10,282.25)
5929 Title II, Part D		566.00	0.00	(566.00)
5929 ARRA Title XIV SFSS		127,627.00	127,627.00	0.00
5929 ARRA IDEA-Part B		143,113.00	68,964.03	(74,148.97)
5929 ARRA Title I, Part A		24,830.00	6,624.00	(18,206.00)
Total Federal Program Revenues	<u>98,500.00</u>	<u>620,729.00</u>	<u>521,729.39</u>	<u>(98,999.61)</u>
Total Revenue and Other Support	6,203,503.00	6,784,301.00	6,699,952.68	(84,348.32)
<u>EXPENSES</u>				
11 Instruction	3,607,143.00	3,935,041.00	2,805,381.87	(1,129,659.13)
13 Curriculum Dev. & Instructional Staff Dev.	27,000.00	27,000.00	12,402.53	(14,597.47)
21 Instructional Leadership	69,500.00	69,500.00	69,422.17	(77.83)
23 School Leadership	443,200.00	462,385.00	328,255.88	(134,129.12)
31 Guidance, Counseling and Evaluation Svcs.	6,500.00	6,500.00	0.00	(6,500.00)
33 Health Services	6,000.00	6,000.00	1,480.25	(4,519.75)
34 Student (Pupil) Transportation	133,200.00	192,600.00	186,060.16	(6,539.84)
35 Food Services	163,582.00	163,582.00	157,160.01	(6,421.99)
36 Cocurricular/Extracurricular Activities	32,200.00	89,340.00	35,353.25	(53,986.75)
41 General Administration	346,078.00	371,147.00	251,731.80	(119,415.20)
51 Plant Maintenance and Operations	1,156,100.00	1,201,343.00	749,492.44	(451,850.56)
52 Security and Monitoring Services	20,000.00	20,000.00	4,008.07	(15,991.93)
53 Data Processing Services	45,000.00	91,863.00	30,992.55	(60,870.45)
61 Community Services	20,000.00	20,000.00	0.00	(20,000.00)
71 Debt Service	102,000.00	102,000.00	38,555.08	(63,444.92)
81 Fundraising	26,000.00	26,000.00	850.00	(25,150.00)
Total Expenses	<u>6,203,503.00</u>	<u>6,784,301.00</u>	<u>4,671,146.06</u>	<u>(2,113,154.94)</u>
Change in Net Assets	0.00	0.00	2,028,806.62	2,028,806.62
Net Assets (Deficiency), Beginning of Year	<u>6,513,516.15</u>	<u>6,513,516.15</u>	<u>6,513,516.15</u>	<u>---</u>
Net Assets (Deficiency), End of Year	<u>\$ 6,513,516.15</u>	<u>\$ 6,513,516.15</u>	<u>\$ 8,542,322.77</u>	<u>\$ 2,028,806.62</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 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
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, 2010, and have issued my report thereon dated January 21, 2011. 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 deficiency in 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 misstatements on a timely basis.

A material weakness is a deficiency, or 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.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 or other matters 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 and other 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, 2011

SALVAGING TEENS AT RISK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2010**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Exhibit F-1

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

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? _____ Yes X No

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? _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None Identified

SECTION III – STATE AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Identified

SALVAGING TEENS AT RISK, INC.
STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2010

No prior audit findings

SALVAGING TEENS AT RISK, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2010

Exhibit G-1

None