

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORTS**

**FOR THE YEAR ENDED AUGUST 31, 2011**

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

**ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2011**

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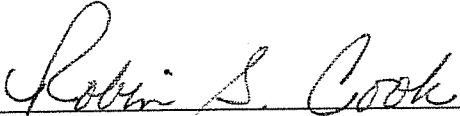
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SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS  
COUNTY-DISTRICT NO. 061802  
FEDERAL EMPLOYER IDENTIFICATION NUMBER: 75-2727881


ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2011

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, 2011, at a meeting of the governing body of said charter holder on the 26 day of January, 2012.

  
\_\_\_\_\_

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.  
dba Texas Education Centers  
Little Elm, Texas

Members of the Board of Directors:

I have audited the accompanying financial statements of Salvaging Teens at Risk, Inc. dba Texas Education Centers listed in the table of contents as of and for the year ended August 31, 2011. These financial statements are the responsibility of Salvaging Teens at Risk, Inc. dba Texas Education Centers' 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. dba Texas Education Centers as of August 31, 2011, 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, 2012 on my consideration of Salvaging Teens at Risk, Inc. dba Texas Education Centers' 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The other supplementary information is likewise presented for purposes of additional analysis and 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, 2012

**GENERAL-PURPOSE  
FINANCIAL STATEMENTS**

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit A-1

**Statement of Financial Position  
August 31, 2011**

**ASSETS**

**Current Assets**

Cash in Banks and On Hand	\$ 5,130,700.29
Investments	598,511.62
Due from State	39,265.64
Due from Federal Government	208,037.37
Other Receivables	2,414.65
Prepaid Expenses	5,359.21
Total Current Assets	<u>5,984,288.78</u>

**Property and Equipment**

Land	1,304,078.45
Building and Improvements	2,530,297.61
Vehicles	318,758.09
Furniture and Equipment	180,903.70
Library Books and Media	44,040.00
Accumulated Depreciation	(580,810.83)
Total Property and Equipment	<u>3,797,267.02</u>

**Other Assets**

Other Assets	<u>25,850.00</u>
Total Other Assets	25,850.00

**TOTAL ASSETS** **\$ 9,807,405.80**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 91,583.13
Payroll and Other Withholdings Payable	1,878.63
Due to State	30,135.00
Total Current Liabilities	<u>123,596.76</u>

**Net Assets**

Unrestricted Net Assets (Deficiency)	29,413.98
Temporarily Restricted Net Assets (Deficiency)	<u>9,654,395.06</u>
Total Net Assets	9,683,809.04

**TOTAL LIABILITIES AND NET ASSETS** **\$ 9,807,405.80**

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

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit A-2

**Statement of Activities  
For the Year Ended August 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b><u>REVENUE AND OTHER SUPPORT</u></b>			
Local Support--			
Earnings from Temporary Investments	\$	\$ 6,617.56	\$ 6,617.56
Other Revenues	26.00	22,608.25	22,634.25
Food Service Activity		34,412.41	34,412.41
Athletic Activities		40.85	40.85
Student Activity Income		45,884.43	45,884.43
Total Local Support	26.00	109,563.50	109,589.50
State Program Revenues--			
Foundation School Program		5,494,063.00	5,494,063.00
Student Success Initiative		15,000.00	15,000.00
School Breakfast Program Matching		1,448.60	1,448.60
Technology Allotment		17,779.00	17,779.00
Total State Program Revenues	0.00	5,528,290.60	5,528,290.60
Federal Program Revenues--			
School Breakfast Program		14,816.00	14,816.00
National School Lunch Program		95,639.90	95,639.90
Title I, Part A		62,709.00	62,709.00
IDEA-Part B Formula		179,577.00	179,577.00
IDEA-Part B Preschool		663.00	663.00
Title II, Part A		37,405.25	37,405.25
ARRA Title XIV SFSF		128,067.00	128,067.00
ARRA IDEA-Part B		101,607.81	101,607.81
ARRA Title I, Part A		15,998.69	15,998.69
Total Federal Program Revenues	0.00	636,483.65	636,483.65
Net Assets Released from Restrictions	5,132,877.48	(5,132,877.48)	0.00
Total Revenue and Other Support	5,132,903.48	1,141,460.27	6,274,363.75
<b><u>EXPENSES</u></b>			
Program Services:			
Instructional and Instructional Related Services	2,998,876.72	---	2,998,876.72
Instructional and School Leadership	314,425.29	---	314,425.29
Support Services:			
Administrative Support Services	543,044.07	----	543,044.07
Support Services-Non-Student Based	895,587.94	----	895,587.94
Support Services-Student (Pupil)	380,943.46	----	380,943.46
Total Expenses	5,132,877.48	0.00	5,132,877.48
<b>Change in Net Assets</b>	<b>26.00</b>	<b>1,141,460.27</b>	<b>1,141,486.27</b>
Net Assets (Deficiency), Beginning of Year	29,387.98	8,512,934.79	8,542,322.77
Net Assets (Deficiency), End of Year	\$ 29,413.98	\$ 9,654,395.06	\$ 9,683,809.04

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

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit A-3

**Statement of Cash Flows  
For the Year Ended August 31, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Government Contracts/Grants	\$ 6,096,499.74
Cash Received from Local Sources	109,589.50
Cash Paid to Suppliers for Goods and Services	(2,102,245.06)
Cash Paid to Employees for Services	(2,876,869.66)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	0.00
Net Cash Provided By Operating Activities	<u>1,226,974.52</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Investments	(1,683.70)
Purchase of Property and Equipment	<u>(630,503.84)</u>
Net Cash Used By Investing Activities	<u>(632,187.54)</u>

Net Increase in Cash	594,786.98
Cash at Beginning of Year	<u>4,535,913.31</u>
Cash at End of Year	<u><u>\$ 5,130,700.29</u></u>

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

Change in Net Assets	\$ 1,141,486.27
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	141,010.74
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	(73,076.86)
Other Receivables	(2,414.65)
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	10,873.39
Payroll and Other Withholdings Payable	1,878.63
Due to State	7,217.00
Net Adjustments	<u>85,488.25</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,226,974.52</u></u>

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



**NOTES TO  
FINANCIAL STATEMENTS**

**SALVAGING TEENS AT RISK, INC.**  
**dba Texas Education Centers**

**Notes To Financial Statements**  
**For the Year Ended August 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization and Nature of Activities –

Salvaging Teens at Risk, Inc. dba Texas Education Centers 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 Texas Education Centers 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.**  
**dba Texas Education Centers**

**Notes To Financial Statements**  
**For the Year Ended August 31, 2011**

**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.  
dba Texas Education Centers**

**Notes To Financial Statements  
For the Year Ended August 31, 2011**

**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, 2011, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$ 1,304,078.45	-0-	1,304,078.45	
Building and Improvements	2,530,297.61	312,259.90	2,218,037.71	2.5%
Vehicles	318,758.09	150,529.21	168,228.88	20.00%
Furniture & Equipment	180,903.70	73,981.72	106,921.98	14.29%
Library Books and Media	44,040.00	44,040.00	-0-	20.00%
Total	\$ 4,378,077.85	580,810.83	3,797,267.02	

Depreciation expense for the year ended August 31, 2011 was \$141,010.74.

**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, 2011, the Organization was due \$39,265.64 in ARRA Title XIV SFSF funds that it had not yet received. This amount will be received from the Texas Education Agency during the 2011-2012 school year.

**5. DUE FROM FEDERAL GOVERNMENT**

At August 31, 2011, the Organization was due \$663.00 in IDEA-B Preschool funds, \$2,613.00 in Title II, Part A funds, \$4,955.62 in Title I, Part A funds, \$15,998.69 in ARRA Title I Part A funds, \$89,230.06 in ARRA IDEA-B funds and \$94,577.00 in IDEA-B funds that it had not yet received. These amounts will be received from the Federal Government during the 2011-2012 school year.

**SALVAGING TEENS AT RISK, INC.**  
**dba Texas Education Centers**

**Notes To Financial Statements**  
**For the Year Ended August 31, 2011**

**6. DUE TO STATE**

At August 31, 2011, the Organization owed \$29,893.00 in State Foundation Program entitlements and \$242.00 in State Technology Allotment back to the State. These amounts were recovered by the State during the 2011-2012 school year.

**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, 2011 were \$205,826.12 and were equal to the required contributions. The State of Texas' contributions should approximate \$193,000.00.

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. OPERATING LEASES**

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 \$3,700.00 through December 2014.

Future minimum lease payments are as follows:

8/31/2012	113,400
8/31/2013	96,150
8/31/2014	44,400
8/31/2015	14,800

**9. CASH DEPOSIT RISK**

At August 31, 2011 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 \$5,472,000.00

**SALVAGING TEENS AT RISK, INC.**  
**dba Texas Education Centers**

**Notes To Financial Statements**  
**For the Year Ended August 31, 2011**

**10. 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
Wilmington Trust Co	147,000	10/13/2011	.25%	146,942.07
Ally Bank	82,000	11/10/2011	.4%	81,974.33
Ally Bank	40,000	12/9/2011	.4%	39,982.71
Central Bank	32,000	1/19/2012	.4%	31,980.79
Israel Discount Bank	5,000	2/3/2012	.35%	4,995.59
East West Bank	65,000	3/9/2012	.4%	64,947.67
Key Bank	8,000	6/1/2012	.3%	7,981.72
Safra National Bank	42,000	6/22/2012	.35%	41,914.05
Discover Bank	9,000	7/6/2012	.35%	8,980.73
Safra National Bank	55,000	7/20/2012	.3%	54,852.48
Huntington National Bank	41,000	8/3/2012	.35%	40,904.47
Goldman Sachs Bank USA	73,000	8/24/2012	.25%	72,747.40
<b>Totals</b>	<b>599,000.00</b>			<b>598,204.01</b>

In addition there was \$307.61 of cash at Edward Jones awaiting reinvestment.

**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.

**12. 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.

**13. TEMPORARILY RESTRICTED NET ASSETS**

At August 31, 2011 the School had temporarily restricted net assets of \$9,654,395.06 that consisted of the following:

Local Revenues	\$ 76,069.47
State Foundation Program	9,270,840.62
State Technology Allotment	36,018.89
State Special Education Program	52,894.94
State High School Allotment	165,675.33
Federal IDEA-B Program	12,377.75
Federal Title II, Part A Program	10,282.60
Federal Public Charter School Grant	30,235.46
	<u>\$ 9,654,395.06</u>

**SPECIFIC-PURPOSE  
FINANCIAL STATEMENTS**

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit B-1

**Statement of Financial Position  
August 31, 2011**

**ASSETS**

**Current Assets**

Cash in Banks and On Hand	\$ 5,130,700.29
Investments	598,511.62
Due from State	39,265.64
Due from Federal Government	208,037.37
Other Receivables	2,414.65
Prepaid Expenses	5,359.21
Total Current Assets	5,984,288.78

**Property and Equipment**

Land	1,304,078.45
Building and Improvements	2,530,297.61
Vehicles	318,758.09
Furniture and Equipment	180,903.70
Library Books and Media	44,040.00
Accumulated Depreciation	(580,810.83)
Total Property and Equipment	3,797,267.02

**Other Assets**

Other Assets	25,850.00
Total Other Assets	25,850.00

TOTAL ASSETS	\$ 9,807,405.80
--------------	-----------------

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 91,583.13
Payroll and Other Withholdings Payable	1,878.63
Due to State	30,135.00
Total Current Liabilities	123,596.76

**Net Assets**

Unrestricted Net Assets (Deficiency)	29,413.98
Temporarily Restricted Net Assets (Deficiency)	9,654,395.06
Total Net Assets	9,683,809.04

TOTAL LIABILITIES AND NET ASSETS	\$ 9,807,405.80
----------------------------------	-----------------

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



**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit B-2

**Statement of Activities  
For the Year Ended August 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b><u>REVENUE AND OTHER SUPPORT</u></b>			
Local Support--			
5742 Earnings from Temporary Investments	\$	\$ 6,617.56	\$ 6,617.56
5749 Other Revenues	26.00	22,608.25	22,634.25
5751 Food Service Activity		34,412.41	34,412.41
5752 Athletic Activities		40.85	40.85
5759 Student Activity Income		45,884.43	45,884.43
Total Local Support	<u>26.00</u>	<u>109,563.50</u>	<u>109,589.50</u>
State Program Revenues--			
5812 Foundation School Program		5,494,063.00	5,494,063.00
5829 Student Success Initiative		15,000.00	15,000.00
5829 School Breakfast Program Matching		1,448.60	1,448.60
5829 Technology Allotment		17,779.00	17,779.00
Total State Program Revenues	<u>0.00</u>	<u>5,528,290.60</u>	<u>5,528,290.60</u>
Federal Program Revenues--			
5921 School Breakfast Program		14,816.00	14,816.00
5922 National School Lunch Program		95,639.90	95,639.90
5929 Title I, Part A		62,709.00	62,709.00
5929 IDEA-Part B Formula		179,577.00	179,577.00
5929 IDEA-Part B Preschool		663.00	663.00
5929 Title II, Part A		37,405.25	37,405.25
5929 ARRA Title XIV SFSF		128,067.00	128,067.00
5929 ARRA IDEA-Part B		101,607.81	101,607.81
5929 ARRA Title I, Part A		15,998.69	15,998.69
Total Federal Program Revenues	<u>0.00</u>	<u>636,483.65</u>	<u>636,483.65</u>
Net Assets Released from Restrictions	<u>5,132,877.48</u>	<u>(5,132,877.48)</u>	<u>0.00</u>
Total Revenue and Other Support	<u>5,132,903.48</u>	<u>1,141,460.27</u>	<u>6,274,363.75</u>
<b><u>EXPENSES</u></b>			
11 Instruction	2,928,710.56	---	2,928,710.56
13 Curriculum Dev. & Instructional Staff Dev.	70,166.16	---	70,166.16
21 Instructional Leadership	4,185.91	---	4,185.91
23 School Leadership	310,239.38	---	310,239.38
33 Health Services	3,672.23	---	3,672.23
34 Student (Pupil) Transportation	154,792.27	---	154,792.27
35 Food Services	160,584.17	---	160,584.17
36 Cocurricular/Extracurricular Activities	61,894.79	---	61,894.79
41 General Administration	543,044.07	---	543,044.07
51 Plant Maintenance and Operations	770,962.61	---	770,962.61
52 Security and Monitoring Services	4,847.12	---	4,847.12
53 Data Processing Services	119,778.21	---	119,778.21
Total Expenses	<u>5,132,877.48</u>	<u>0.00</u>	<u>5,132,877.48</u>
<b>Change in Net Assets</b>	<b>26.00</b>	<b>1,141,460.27</b>	<b>1,141,486.27</b>
Net Assets (Deficiency), Beginning of Year	<u>29,387.98</u>	<u>8,512,934.79</u>	<u>8,542,322.77</u>
Net Assets (Deficiency), End of Year	<u>\$ 29,413.98</u>	<u>\$ 9,654,395.06</u>	<u>\$ 9,683,809.04</u>

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

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit B-3

**Statement of Cash Flows  
For the Year Ended August 31, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Government Contracts/Grants	\$ 6,096,499.74
Cash Received from Local Sources	109,589.50
Cash Paid to Suppliers for Goods and Services	(2,102,245.06)
Cash Paid to Employees for Services	(2,876,869.66)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	0.00
Net Cash Provided By Operating Activities	<u>1,226,974.52</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Investments	(1,683.70)
Purchase of Property and Equipment	(630,503.84)
Net Cash Used By Investing Activities	<u>(632,187.54)</u>

Net Increase in Cash	594,786.98
Cash at Beginning of Year	<u>4,535,913.31</u>
Cash at End of Year	<u>\$ 5,130,700.29</u>

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

Change in Net Assets	\$ 1,141,486.27
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	141,010.74
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	(73,076.86)
Other Receivables	(2,414.65)
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	10,873.39
Payroll and Other Withholdings Payable	1,878.63
Due to State	7,217.00
Net Adjustments	<u>85,488.25</u>
Net Cash Provided By Operating Activities	<u>\$ 1,226,974.52</u>

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

**SUPPLEMENTARY  
SCHEDULES**

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit C-1

**Schedule of Expenses  
For the Year Ended August 31, 2011**

<b><u>EXPENSES</u></b>	<b><u>Totals</u></b>
6100 Payroll Costs	\$ 3,349,001.10
6200 Professional and Contracted Services	1,059,124.03
6300 Supplies and Materials	518,373.46
6400 Other Operating Costs	206,378.89
Total Expenses and Other Losses	\$ <u>5,132,877.48</u>

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

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit D-1

**Schedule of Capital Assets  
August 31, 2011**

<b><u>CAPITAL ASSETS</u></b>	<b>Ownership Interest</b>			<b><u>Totals</u></b>
	<b><u>Local</u></b>	<b><u>State</u></b>	<b><u>Federal</u></b>	
1110 Cash	\$ 76,069.47	\$ 5,001,735.01	\$ 52,895.81	\$ 5,130,700.29
1120 Investments		598,511.62		598,511.62
1510 Land		1,304,078.45		1,304,078.45
1520 Buildings and Improvements		2,531,872.05		2,531,872.05
1531 Vehicles		258,258.09	60,500.00	318,758.09
1539 Furniture and Equipment		107,283.26	72,046.00	179,329.26
1569 Library Books and Media		30,200.13	13,839.87	44,040.00
Total Capital Assets	\$ <u>76,069.47</u>	\$ <u>9,831,938.61</u>	\$ <u>199,281.68</u>	\$ <u>10,107,289.76</u>

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

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

Exhibit E-1

**Budgetary Comparison Schedule  
For the Year Ended August 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>REVENUE AND OTHER SUPPORT</b>				
Local Support--				
5742 Earnings from Temporary Investments	\$	\$	\$ 6,617.56	\$
5749 Other Revenues			22,608.25	
5751 Food Service Activity			34,412.41	
5752 Athletic Activities			40.85	
5759 Student Activity Income			45,884.43	
Total Local Support			<u>109,563.50</u>	<u>(43,826.50)</u>
State Program Revenues--				
5812 Foundation School Program			5,494,063.00	
5829 Student Success Initiative			15,000.00	
5829 School Breakfast Program Matching			1,448.60	
5829 Technology Allotment			17,779.00	
Total State Program Revenues			<u>5,528,290.60</u>	<u>(487,935.40)</u>
Federal Program Revenues--				
5921 School Breakfast Program			14,816.00	
5922 National School Lunch Program			95,639.90	
5929 Title I, Part A			62,709.00	
5929 IDEA-Part B Formula			179,577.00	
5929 IDEA-Part B Preschool			663.00	
5929 Title II, Part A			37,405.25	
5929 ARRA Title XIV SFSF			128,067.00	
5929 ARRA IDEA-Part B			101,607.81	
5929 ARRA Title I, Part A			15,998.69	
Total Federal Program Revenues			<u>636,483.65</u>	<u>24,765.90</u>
Total Revenue and Other Support			6,274,337.75	(506,996.00)
<b>EXPENSES</b>				
11 Instruction	3,878,908.00	4,378,391.78	2,928,710.56	(1,449,681.22)
13 Curriculum Dev. & Instructional Staff Dev.	28,350.00	28,350.00	70,166.16	41,816.16
21 Instructional Leadership	79,925.00	79,925.00	4,185.91	(75,739.09)
23 School Leadership	522,245.00	522,245.00	310,239.38	(212,005.62)
31 Guidance, Counseling and Evaluation Svcs.	6,825.00	6,825.00	0.00	(6,825.00)
33 Health Services	6,300.00	6,300.00	3,672.23	(2,627.77)
34 Student (Pupil) Transportation	208,730.00	208,730.00	154,792.27	(53,937.73)
35 Food Services	179,640.00	179,640.00	160,584.17	(19,055.83)
36 Cocurricular/Extracurricular Activities	33,852.00	90,952.00	61,894.79	(29,057.21)
41 General Administration	405,207.00	405,305.97	543,044.07	137,738.10
51 Plant Maintenance and Operations	1,273,770.00	1,273,770.00	770,962.61	(502,807.39)
52 Security and Monitoring Services	21,000.00	21,000.00	4,847.12	(16,152.88)
53 Data Processing Services	47,250.00	91,313.00	119,778.21	28,465.21
61 Community Services	21,000.00	21,000.00	0.00	(21,000.00)
71 Debt Service	107,100.00	107,100.00	0.00	(107,100.00)
81 Fundraising	27,300.00	27,300.00	0.00	(27,300.00)
Total Expenses	<u>6,847,402.00</u>	<u>7,448,147.75</u>	<u>5,132,877.48</u>	<u>(2,315,270.27)</u>
Change in Net Assets	(666,814.00)	(666,814.00)	1,141,460.27	1,808,274.27
Net Assets (Deficiency), Beginning of Year	8,542,322.77	8,542,322.77	8,542,322.77	---
Net Assets (Deficiency), End of Year	\$ <u>7,875,508.77</u>	\$ <u>7,875,508.77</u>	\$ <u>9,683,783.04</u>	\$ <u>1,808,274.27</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.  
dba Texas Education Centers  
Little Elm, Texas

Members of the Board of Directors:

I have audited the financial statements of Salvaging Teens at Risk, Inc. dba Texas Education Centers as of and for the year ended August 31, 2011, and have issued my report thereon dated January 21, 2012. 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. dba Texas Education Centers' 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. dba Texas Education Centers' 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, 2012





**GREGORY S. DELK**



**CERTIFIED PUBLIC ACCOUNTANT  
CERTIFIED FINANCIAL PLANNER™**

**INDEPENDENT AUDITOR'S REPORT**

Report on Compliance with Requirements Applicable to Each Major  
Program and on Internal Control over Compliance in Accordance with  
OMB Circular A-133

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

**Compliance**

I have audited the compliance of Salvaging Teens at Risk, Inc. (a non-profit organization) dba Texas Education Centers with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2011. Salvaging Teens at Risk, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Salvaging Teens at Risk, Inc. dba Texas Education Centers' management. My responsibility is to express an opinion on Salvaging Teens at Risk, Inc. dba Texas Education Centers' compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Salvaging Teens at Risk, Inc. dba Texas Education Centers' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Salvaging Teens at Risk, Inc. dba Texas Education Centers' compliance with those requirements.

In my opinion, Salvaging Teens at Risk, Inc. dba Texas Education Centers complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2011.

**Internal Control Over Compliance**

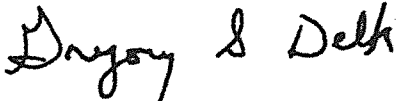
The management of Salvaging Teens at Risk, Inc. dba Texas Education Centers is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Salvaging Teens at Risk, Inc. dba Texas Education Centers' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Salvaging Teens at Risk, Inc. dba Texas Education Centers' internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance 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 compliance that I consider to be material weaknesses, as defined above.

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.

A handwritten signature in black ink that reads "Gregory S. Delk". The signature is written in a cursive style with a large, stylized 'G' and 'D'.

Gregory S. Delk, CPA, CFP  
January 21, 2012

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2011**

**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:

CFDA 84.027 IDEA-B  
CFDA 84.391A ARRA IDEA-B  
CFDA 84.394A ARRA Title XIV SFSF

Dollar threshold used to distinguish between type A and type B programs: \$300,000.00

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.  
dba TEXAS EDUCATION CENTERS**

**STATUS OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2011**

**No prior audit findings**

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2011**

Exhibit G-1

**None**

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended August 31, 2011**

	Federal Catalog Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through State Department of Education School Breakfast Program	10.553	71301001	<u>160,584.17</u>
<b>Total U.S. Department of Education passed through State Dept. of Education</b>			160,584.17
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b><u><u>160,584.17</u></u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through State Department of Education Title I, Part A Program	84.010A	10610101061802	62,709.00
IDEA-B Program	84.027	1066000106180266	179,577.00
IDEA-B Preschool	84.186A	10691001061802	663.00
Title II, Part A Program	84.367A	10694501061802	27,122.65
ARRA, Title I Program	84.389A	10551001061802	15,998.69
ARRA, IDEA-B Program	84.391A	10554001061802	89,230.06
ARRA, Title XIV SFSF Program	84.394A	10557001061802	<u>128,067.00</u>
<b>Total U.S. Department of Education passed through State Dept. of Education</b>			503,367.40
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b><u><u>503,367.40</u></u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u><u>663,951.57</u></u></b>

**SALVAGING TEENS AT RISK, INC.  
dba TEXAS EDUCATION CENTERS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
August 31, 2011**

**NOTE 1 – STANDARD FINANCIAL ACCOUNTING SYSTEM**

For all federal programs, the corporation used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Nonprofit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by a grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

**NOTE 2 – BASIS OF ACCOUNTING**

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented may differ from amounts presented in, or used in preparation of the basic financial statements.

**NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Expenditures of federal financial assistance per accompanying schedule of expenditures of federal awards included in total expenses	\$663,951.57
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