

**SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORTS**

FOR THE YEAR ENDED AUGUST 31, 2016

**SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY**

**ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

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GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Unmodified Opinion on Financial Statements

Board of Directors
Salvaging Teens at Risk, Inc.
dba North Texas Collegiate Academy
Little Elm, Texas

Members of the Board of Directors:

Report on the Financial Statements

I have audited the accompanying financial statements of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy listed in the table of contents as of and for the year ended August 31, 2016 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the 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 from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 North Texas Collegiate Academy as of August 31, 2016, and the 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.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information (supplementary schedules) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting

and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 10, 2017 on my consideration of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy'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* in considering Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's internal control over financial reporting and compliance.



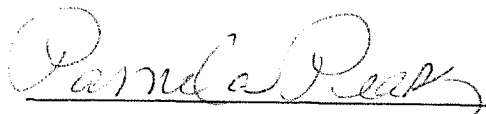
Gregory S. Delk, CPA
January 10, 2017

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

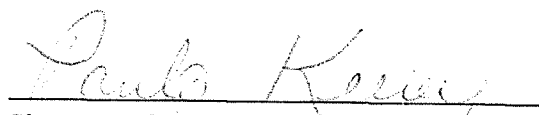
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016, at a meeting of the governing body of said charter holder on the 24th day of January, 2017.



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.

**GENERAL-PURPOSE
FINANCIAL STATEMENTS**

**SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY**

Exhibit A-1

**Statement of Financial Position
August 31, 2016**

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 1,469,837.14
Due from Federal Government	64,245.76
Interfund Receivables	134,852.51
Other Receivables	1,908.51
Deferred Expenses	21,298.54
Capitalized Debt Issuance Costs	5,359.21
Total Current Assets	1,697,501.67

Property and Equipment

Land	1,504,244.97
Building and Improvements	9,489,317.58
Vehicles	377,333.09
Furniture and Equipment	233,090.17
Library Books and Media	44,040.00
Accumulated Depreciation	(1,648,135.95)
Total Property and Equipment	9,999,889.86

Other Assets

Other Assets	23,550.00
Total Other Assets	23,550.00

TOTAL ASSETS	\$ 11,720,941.53
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 132,076.51
Current Portion of Long-Term Debt	123,469.16
Payroll and Other Withholdings Payable	60,935.21
Accrued Wages Payable	315,836.03
Interfund Payables	134,852.51
Due to State	218,318.00
Total Current Liabilities	985,487.42

Long-Term Liabilities

Notes Payable Less Current Portion	2,691,931.95
Total Long-Term Liabilities	2,691,931.95

Net Assets

Unrestricted Net Assets (Deficiency)	29,413.98
Temporarily Restricted Net Assets (Deficiency)	8,014,108.18
Total Net Assets	8,043,522.16

TOTAL LIABILITIES AND NET ASSETS	\$ 11,720,941.53
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The accompanying notes are an integral part of these financial statements.

SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY

Exhibit A-2

Statement of Activities
For the Year Ended August 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
Earnings from Temporary Investments	\$	\$ 5,030.61	\$ 5,030.61
Other Revenues		1,977.00	1,977.00
Food Service Activity		16,343.91	16,343.91
Student Activity Income		12,785.77	12,785.77
Total Local Support	0.00	36,137.29	36,137.29
State Program Revenues--			
Foundation School Program-Per Capita		77,913.00	77,913.00
Foundation School Program		3,298,405.00	3,298,405.00
School Breakfast Program Matching		1,192.75	1,192.75
State Instructional Materials Fund		18,794.06	18,794.06
Total State Program Revenues	0.00	3,396,304.81	3,396,304.81
Federal Program Revenues--			
School Breakfast Program		39,174.22	39,174.22
National School Lunch Program		134,592.14	134,592.14
Title I, Part A		79,087.55	79,087.55
IDEA-Part B Formula		113,547.00	113,547.00
Title II, Part A		19,152.00	19,152.00
Total Federal Program Revenues	0.00	385,552.91	385,552.91
Net Assets Released from Restrictions	4,788,622.92	(4,788,622.92)	0.00
Total Revenue and Other Support	4,788,622.92	(970,627.91)	3,817,995.01
<u>EXPENSES</u>			
Program Services:			
Instructional and Instructional Related Services	2,390,450.32	----	2,390,450.32
Instructional and School Leadership	392,668.57	----	392,668.57
Support Services:			
Administrative Support Services	326,750.63	----	326,750.63
Support Services-Non-Student Based	770,783.15	----	770,783.15
Support Services-Student (Pupil)	357,052.27	----	357,052.27
Debt Service	54,172.71	----	54,172.71
Total Expenses	4,291,877.65	0.00	4,291,877.65
Change in Net Assets before non-operating items	496,745.27	(970,627.91)	(473,882.64)
Non-operating items:			
Loss on Sale of Land & Building	(496,745.27)		(496,745.27)
Change in Net Assets	0.00	(970,627.91)	(970,627.91)
Net Assets Beginning of Year (See Footnote 7)	29,413.98	8,984,736.09	9,014,150.07
Net Assets End of Year	\$ 29,413.98	\$ 8,014,108.18	\$ 8,043,522.16

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

SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY

Exhibit A-3

Statement of Cash Flows
For the Year Ended August 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 3,973,221.87
Cash Received from Local Sources	36,137.29
Cash Paid to Suppliers for Goods and Services	(1,153,376.25)
Cash Paid to Employees for Services	(2,294,551.99)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(54,172.71)
Net Cash Provided By Operating Activities	<u>507,258.21</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Assets	385,027.26
Net Cash Provided By Investing Activities	<u>385,027.26</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from New Debt	1,212,321.04
Payments on Debt	(1,389,103.76)
Net Cash Used By Financing Activities	<u>(176,782.72)</u>

Net Increase in Cash	715,502.75
Cash at Beginning of Year	<u>754,334.39</u>
Cash at End of Year	<u>\$ 1,469,837.14</u>

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

Change in Net Assets	\$ (970,627.91)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	307,050.03
Loss on Sale of Assets	496,745.27
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	21,505.15
Other Receivables	351,166.00
Deferred Expenses	(21,298.54)
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	16,903.20
Payroll and Other Withholdings Payable	18,600.85
Accrued Wages Payable	117,355.16
Due to State/Federal Governments	169,859.00
Net Adjustments	<u>1,477,886.12</u>
Net Cash Provided By Operating Activities	<u>\$ 507,258.21</u>

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

**NOTES TO
FINANCIAL STATEMENTS**

SALVAGING TEENS AT RISK, INC.
dba North Texas Collegiate Academy

Notes To Financial Statements
For the Year Ended August 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Activities –

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy 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, 2025. 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 North Texas Collegiate Academy

Notes To Financial Statements
For the Year Ended August 31, 2016

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 North Texas Collegiate Academy

Notes To Financial Statements
For the Year Ended August 31, 2016

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.

J. Pension –

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. BUILDING IMPROVEMENTS AND EQUIPMENT

An analysis of building improvements and equipment at August 31, 2016, is presented as follows:

Asset	Cost	Accumulated Depreciation	Net	Straight Line Depr. Rate
Land	\$ 1,504,244.97	-0-	1,504,244.97	
Building and Improvements	9,489,317.58	1,066,160.02	8,423,157.56	2.5%
Vehicles	377,333.09	345,403.53	31,929.56	20.00%
Furniture & Equipment	233,090.17	192,532.40	40,557.77	14.29%
Library Books and Media	44,040.00	44,040.00	-0-	20.00%
Total	\$ 11,648,025.81	1,648,135.95	9,999,889.86	

Depreciation expense for the year ended August 31, 2016 was \$307,050.03.

3. HEALTH CARE COVERAGE

Employees of the School are covered by a group insurance plan. The School pays \$400.00 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 FEDERAL GOVERNMENT

At August 31, 2016, the Organization was due \$16,978.80 in IDEA-B funds, \$29,484.96 in Title I, Part A funds and \$17,782.00 in Title II, Part A funds. These amounts will be received from the Federal Government during the 2016-2017 school year.

SALVAGING TEENS AT RISK, INC.
dba North Texas Collegiate Academy

Notes To Financial Statements
For the Year Ended August 31, 2016

5. DUE TO STATE

At August 31, 2016, the Organization had been overpaid \$218,318.00 in State Foundation Program funds. This amount will be recovered by the Texas Education Agency during the 2016-2017 school year.

6. PENSION PLAN

Plan Description

The Organization participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. No part of the plan is subject to a collective bargaining agreement.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. Charter Schools are legally separate entities from the State and each other. Funds contributed by any one Charter School or ISD may be used to satisfy the obligations of all the Charter Schools and ISDs in the System. The unfunded obligations are shared by the other Charter Schools and ISDs. There are no withdrawal penalties for leaving the TRS System.

Detailed information about the Teacher Retirement System is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the

**SALVAGING TEENS AT RISK, INC.
dba North Texas Collegiate Academy**

**Notes To Financial Statements
For the Year Ended August 31, 2016**

6. PENSION PLAN (continued)

time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 8th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Statutorily Determined Contribution Rates

	<u>2016</u>	<u>2015</u>
Member	7.2%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

The Organization's FYE 8/31/2016 Contributions to the Plan were \$245,523.29 and did not represent more than 5% of the total contributions to the plan.

There have been no changes which would affect the comparison of employer contributions from year to year.

SALVAGING TEENS AT RISK, INC.
dba North Texas Collegiate Academy

Notes To Financial Statements
For the Year Ended August 31, 2016

6. PENSION PLAN (continued)

Plan Assets and Obligations

Total Plan assets and obligations for the year 8/31/2015 are as follows:

Total Plan Assets	\$149,780,061,824
Total Accumulated Benefit Obligations	\$163,887,375,172
Total Plan Fiduciary Net Position	\$128,538,706,212

The Plan is 78.43% funded.

Additional Plan

Certain employees of the organization are covered under Federal Social Security and Medicare. Under the provisions of that law, covered employees contribute 6.2% for Social Security and 1.45% for Medicare of their covered annual earnings and the Organization pays the matching Social Security and Medicare amounts.

7. CASH DEPOSIT RISK

At August 31, 2016 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.

8. LONG-TERM DEBT

At August 31, 2016 the Schools long-term debt consisted of the following:

The Organization obtained a construction loan with Independent Bank to purchase land and construct a school and administration facilities at 4601 North I-35, Denton, TX. The loan was originally for \$1,380,000.00 at an interest rate of prime, but not lower than 3.25%. The Organization refinanced the loan at an interest rate of 4.25% with monthly payments of \$8,395.28 and a balloon payoff May 18th 2019 of approximately \$1,054,049.09.

The Organization obtained a construction loan with Independent Bank to purchase land and construct a school and administration facilities at Crestwood Place, Little Elm, TX. The loan was originally for \$1,764,541.58 at an interest rate of 4.5% with monthly payments of \$11,452.23 and a balloon payoff April 7th 2019 of approximately \$1,437,022.91.

Total Long-Term Debt	\$2,815,401.11
Less Current Portion	<u>123,469.16</u>
Long-Term Portion	<u>\$2,691,931.95</u>

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

<u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	123,469.16	114,700.96	238,170.12
2018	122,335.73	115,834.39	238,170.12
2019	2,569,596.22	212,799.14	2,782,395.36
2020	0	0	0
2021	0	0	0
Totals	2,815,401.11	443,334.49	3,258,735.60

SALVAGING TEENS AT RISK, INC.
dba North Texas Collegiate Academy

Notes To Financial Statements
For the Year Ended August 31, 2016

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. TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2016 the School had temporarily restricted net assets of \$8,014,108.18 that consisted of the following:

Local Revenues	\$ 85,732.62
State Foundation Program	7,727,398.10
State Career and Technical Allotment	2,077.95
State High School Allotment	162,286.91
Federal Title II, Part A Program	29,652.60
Federal GAPS Education Program	<u>6,960.00</u>
	<u>\$ 8,014,108.18</u>

12. NON-OPERATING ITEMS

During the school year the land and building in Pilot Point was sold at a substantial loss. That loss is presented at the bottom of the statement of activities as a separate non-operating item.

13. SUBSEQUENT EVENTS

Management has reviewed subsequent events through January 10, 2017 for the purpose of evaluating the need for their inclusion in these notes. There have been no material subsequent events to note herein.

**SPECIFIC-PURPOSE
FINANCIAL STATEMENTS**

**SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY**

Exhibit B-1

**Statement of Financial Position
August 31, 2016**

ASSETS

Current Assets

Cash in Banks and On Hand	\$ 1,469,837.14
Due from Federal Government	64,245.76
Interfund Receivables	134,852.51
Other Receivables	1,908.51
Deferred Expenses	21,298.54
Capitalized Debt Issuance Costs	5,359.21
Total Current Assets	1,697,501.67

Property and Equipment

Land	1,504,244.97
Building and Improvements	9,489,317.58
Vehicles	377,333.09
Furniture and Equipment	233,090.17
Library Books and Media	44,040.00
Accumulated Depreciation	(1,648,135.95)
Total Property and Equipment	9,999,889.86

Other Assets

Other Assets	23,550.00
Total Other Assets	23,550.00

TOTAL ASSETS	\$ 11,720,941.53
--------------	------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 132,076.51
Current Portion of Long-Term Debt	123,469.16
Payroll and Other Withholdings Payable	60,935.21
Accrued Wages Payable	315,836.03
Interfund Payables	134,852.51
Due to State	218,318.00
Total Current Liabilities	985,487.42

Long-Term Liabilities

Notes Payable Less Current Portion	2,691,931.95
Total Long-Term Liabilities	2,691,931.95

Net Assets

Unrestricted Net Assets (Deficiency)	29,413.98
Temporarily Restricted Net Assets (Deficiency)	8,014,108.18
Total Net Assets	8,043,522.16

TOTAL LIABILITIES AND NET ASSETS	\$ 11,720,941.53
----------------------------------	------------------

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

SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY

Exhibit B-2

Statement of Activities
For the Year Ended August 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Local Support--			
5742 Earnings from Temporary Investments	\$	\$ 5,030.61	\$ 5,030.61
5749 Other Revenues		1,977.00	1,977.00
5751 Food Service Activity		16,343.91	16,343.91
5759 Student Activity Income		12,785.77	12,785.77
Total Local Support	0.00	36,137.29	36,137.29
State Program Revenues--			
5811 Foundation School Program-Per Capita		77,913.00	77,913.00
5812 Foundation School Program		3,298,405.00	3,298,405.00
5829 School Breakfast Program Matching		1,192.75	1,192.75
5829 State Instructional Materials Fund		18,794.06	18,794.06
Total State Program Revenues	0.00	3,396,304.81	3,396,304.81
Federal Program Revenues--			
5921 School Breakfast Program		39,174.22	39,174.22
5922 National School Lunch Program		134,592.14	134,592.14
5929 Title I, Part A		79,087.55	79,087.55
5929 IDEA-Part B Formula		113,547.00	113,547.00
5929 Title II, Part A		19,152.00	19,152.00
Total Federal Program Revenues	0.00	385,552.91	385,552.91
Net Assets Released from Restrictions	4,788,622.92	(4,788,622.92)	0.00
Total Revenue and Other Support	4,788,622.92	(970,627.91)	3,817,995.01
<u>EXPENSES</u>			
11 Instruction	2,230,586.09	----	2,230,586.09
13 Curriculum Dev. & Instructional Staff Dev.	159,864.23	----	159,864.23
23 School Leadership	392,668.57	----	392,668.57
33 Health Services	164.00	----	164.00
34 Student (Pupil) Transportation	163,840.91	----	163,840.91
35 Food Services	181,694.76	----	181,694.76
36 Cocurricular/Extracurricular Activities	11,352.60	----	11,352.60
41 General Administration	326,750.63	----	326,750.63
51 Plant Maintenance and Operations	731,525.47	----	731,525.47
52 Security and Monitoring Services	2,405.99	----	2,405.99
53 Data Processing Services	36,851.69	----	36,851.69
71 Debt Services	54,172.71	----	54,172.71
Total Expenses	4,291,877.65	0.00	4,291,877.65
Change in Net Assets before non-operating items	496,745.27	(970,627.91)	(473,882.64)
Non-operating items:			
Loss on Sale of Land & Building	(496,745.27)		(496,745.27)
Change in Net Assets	(0.00)	(970,627.91)	(970,627.91)
Net Assets Beginning of Year (See Footnote 7)	29,413.98	8,984,736.09	9,014,150.07
Net Assets End of Year	\$ 29,413.98	\$ 8,014,108.18	\$ 8,043,522.16

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

**SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY**

Exhibit B-3

**Statement of Cash Flows
For the Year Ended August 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Government Contracts/Grants	\$ 3,973,221.87
Cash Received from Local Sources	36,137.29
Cash Paid to Suppliers for Goods and Services	(1,153,376.25)
Cash Paid to Employees for Services	(2,294,551.99)
Cash Paid for Income Taxes	0.00
Cash Paid for Interest Expense	(54,172.71)
Net Cash Provided By Operating Activities	<u>507,258.21</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Assets	<u>385,027.26</u>
Net Cash Provided By Investing Activities	385,027.26

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from New Debt	1,212,321.04
Payments on Debt	<u>(1,389,103.76)</u>
Net Cash Used By Financing Activities	(176,782.72)

Net Increase in Cash	715,502.75
Cash at Beginning of Year	<u>754,334.39</u>
Cash at End of Year	<u>\$ 1,469,837.14</u>

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

Change in Net Assets	\$ (970,627.91)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Depreciation	307,050.03
Loss on Sale of Assets	496,745.27
(Increase) Decrease in Operating Assets--	
Due from State/Federal Governments	21,505.15
Other Receivables	351,166.00
Deferred Expenses	(21,298.54)
Increase (Decrease) in Operating Liabilities--	
Accounts Payable	16,903.20
Payroll and Other Withholdings Payable	18,600.85
Accrued Wages Payable	117,355.16
Due to State/Federal Governments	169,859.00
Net Adjustments	<u>1,477,886.12</u>
Net Cash Provided By Operating Activities	<u>\$ 507,258.21</u>

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

**SUPPLEMENTARY
SCHEDULES**

**SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY**

Exhibit C-1

**Schedule of Expenses
For the Year Ended August 31, 2016**

<u>EXPENSES</u>	<u>Totals</u>
6100 Payroll Costs	\$ 2,828,194.71
6200 Professional and Contracted Services	648,741.51
6300 Supplies and Materials	301,394.76
6400 Other Operating Costs	459,373.96
6500 Debt Service Costs	54,172.71
Total Expenses and Other Losses	\$ <u><u>4,291,877.65</u></u>

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

SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY

Exhibit D-1

Schedule of Capital Assets
August 31, 2016

<u>CAPITAL ASSETS</u>	Ownership Interest			Totals
	Local	State	Federal	
1110 Cash	\$ 85,732.62	\$ 1,347,491.92	\$ 36,612.60	\$ 1,469,837.14
1510 Land		1,504,244.97		1,504,244.97
1520 Buildings and Improvements		9,489,317.58		9,489,317.58
1531 Vehicles		316,833.09	60,500.00	377,333.09
1539 Furniture and Equipment		193,544.17	39,546.00	233,090.17
1569 Library Books and Media		30,200.13	13,839.87	44,040.00
Total Capital Assets	<u>\$ 85,732.62</u>	<u>\$ 12,881,631.86</u>	<u>\$ 150,498.47</u>	<u>\$ 13,117,862.95</u>

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

SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY

Exhibit E-1

Budgetary Comparison Schedule
For the Year Ended August 31, 2016

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUE AND OTHER SUPPORT				
Local Support--				
5742 Earnings from Temporary Investments \$	2,000.00	\$	\$ 5,030.61	\$ 5,030.61
5749 Other Revenues			1,977.00	1,977.00
5751 Food Service Activity	14,000.00		16,343.91	16,343.91
5759 Student Activity Income	7,500.00	7,500.00	12,785.77	5,285.77
Total Local Support	<u>23,500.00</u>	<u>7,500.00</u>	<u>36,137.29</u>	<u>28,637.29</u>
State Program Revenues--				
5811 Foundation School Program-Per Capita		76,235.00	77,913.00	1,678.00
5812 Foundation School Program	3,815,731.00	3,497,284.00	3,298,405.00	(198,879.00)
5829 School Breakfast Program Matching	1,800.00		1,192.75	1,192.75
5829 State Instructional Materials Fund	36,000.00	36,000.00	18,794.06	(17,205.94)
Total State Program Revenues	<u>3,853,531.00</u>	<u>3,609,519.00</u>	<u>3,396,304.81</u>	<u>(213,214.19)</u>
Federal Program Revenues--				
5921 School Breakfast Program		20,000.00	39,174.22	19,174.22
5922 National School Lunch Program	161,000.00	110,912.00	134,592.14	23,680.14
5929 Title I, Part A	58,487.00	79,203.00	79,087.55	(115.45)
5929 IDEA-Part B Formula	102,512.00	113,547.00	113,547.00	0.00
5929 Title II, Part A	18,674.00	19,196.00	19,152.00	(44.00)
Total Federal Program Revenues	<u>340,673.00</u>	<u>342,858.00</u>	<u>385,552.91</u>	<u>42,694.91</u>
Total Revenue and Other Support	4,217,704.00	3,959,877.00	3,817,995.01	(141,881.99)
EXPENSES				
11 Instruction	1,938,198.00	2,293,450.00	2,230,586.09	62,863.91
13 Curriculum Dev. & Instructional Staff Dev.	131,710.00	160,242.00	159,864.23	377.77
21 Instructional Leadership	12,525.00		0.00	0.00
23 School Leadership	461,521.00	394,798.00	392,668.57	2,129.43
33 Health Services	2,300.00	200.00	164.00	36.00
34 Student (Pupil) Transportation	252,500.00	167,675.00	163,840.91	3,834.09
35 Food Services	140,150.00	189,310.28	181,694.76	7,615.52
36 Cocurricular/Extracurricular Activities	7,500.00	11,850.00	11,352.60	497.40
41 General Administration	521,450.00	328,945.00	326,750.63	2,194.37
51 Plant Maintenance and Operations	480,700.00	739,250.00	731,525.47	7,724.53
52 Security and Monitoring Services	2,000.00	2,500.00	2,405.99	94.01
53 Data Processing Services	39,000.00	37,000.00	36,851.69	148.31
71 Debt Service	191,500.00	121,500.00	54,172.71	67,327.29
Total Expenses	<u>4,181,054.00</u>	<u>4,446,720.28</u>	<u>4,291,877.65</u>	<u>154,842.63</u>
Change in Net Assets before non-operatin	36,650.00	(486,843.28)	(473,882.64)	12,960.64
Non-operating items:				
Loss on Sale of Land & Building	0.00	0.00	(496,745.27)	496,745.27
Change in Net Assets	<u>36,650.00</u>	<u>(486,843.28)</u>	<u>(970,627.91)</u>	<u>509,705.91</u>
Net Assets (Deficiency), Beginning of Year	<u>9,014,150.07</u>	<u>9,014,150.07</u>	<u>9,014,150.07</u>	----
Net Assets (Deficiency), End of Year	<u>\$ 9,050,800.07</u>	<u>\$ 8,527,306.79</u>	<u>\$ 8,043,522.16</u>	<u>\$ 509,705.91</u>

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

**COMPLIANCE AND
INTERNAL CONTROL**

GREGORY S. DELK



CERTIFIED PUBLIC ACCOUNTANT

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 North Texas Collegiate Academy
Little Elm, Texas

Members of the Board of Directors:

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy as of and for the year ended August 31, 2016, and the related notes to the financial statements, and have issued my report thereon dated January 10, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's internal control. Accordingly, I do not express an opinion on the effectiveness of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an

audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Gregory S. Delk, CPA
January 10, 2017

**SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2016**

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 2 CFR 200.516(a)? _____ 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.
dba NORTH TEXAS COLLEGIATE ACADEMY**

**STATUS OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2016**

No prior audit findings

**SALVAGING TEENS AT RISK, INC.
dba NORTH TEXAS COLLEGIATE ACADEMY**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016**

Exhibit G-1

No Corrective Action Plan Necessary