



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

**Financial Statements
with Supplemental Information and Compliance Reports
August 31, 2022**

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

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Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Federal Employer Identification No. 75-2727881
County District No. 061802
Certificate of Board

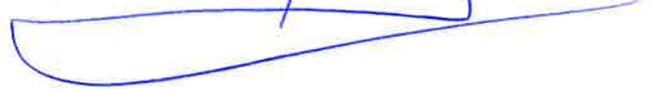
We, the undersigned, certify that the attached Financial and Compliance Report of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy was reviewed and (check one) approved ___ disapproved for the year ended August 31, 2022, at a meeting of the governing body of the charter school on the 16th day of December 2022.



Signature of Board Secretary



Signature of Board President



Independent Auditors' Report

To the Board of Directors of
Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements are presented fairly, in all material respects, the financial position of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Texas Education Agency and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 the financial statements themselves and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022 on our consideration of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's 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.



A Limited Liability Partnership

Arlington, Texas
December 16, 2022

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Statement of Financial Position
August 31, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 7,703,571
Due from government agencies	1,249,168
Other assets	<u>23,550</u>

Total current assets 8,976,289

Noncurrent assets:

Property and equipment, net	<u>9,125,942</u>
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Total assets \$ 18,102,231

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 130,927
Accrued salaries	378,277
Note payable, current portion	<u>131,932</u>

Total current liabilities 641,136

Noncurrent liabilities:

Note payable, net	<u>2,072,807</u>
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Total noncurrent liabilities 2,072,807

Total liabilities 2,713,943

Net assets:

Without donor restrictions	53,887
With donor restrictions	<u>15,334,401</u>

Total net assets 15,388,288

Total liabilities and net assets \$ 18,102,231

See notes to financial statements.

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Statement of Activities
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Local support:			
5740 Other revenue from local sources	\$ 6,907	\$ -	\$ 6,907
5750 Revenue from co-curricular or enterprising	17,216	-	17,216
Total local support	24,123	-	24,123
State program revenue:			
5810 Per capita and foundation school program	-	7,915,253	7,915,253
5820 State program revenues distributed by TEA	-	46,275	46,275
Total state program revenue	-	7,961,528	7,961,528
Federal program revenue:			
5920 Federal revenues distributed by TEA	-	1,414,298	1,414,298
5930 Federal revenues distributed by other than TEA	-	31,584	31,584
Total federal program revenue	-	1,445,882	1,445,882
Net assets released from restrictions -			
Satisfaction of program restrictions	6,475,211	(6,475,211)	-
Total revenues and other support	6,499,334	2,932,199	9,431,533
Expenses:			
11 Instruction	3,980,681	-	3,980,681
13 Curriculum development and instructional staff development	118,076	-	118,076
23 School leadership	348,966	-	348,966
33 Health services	327	-	327
34 Student transportation	220,026	-	220,026
35 Food services	447,263	-	447,263
36 Extracurricular activities	58,662	-	58,662
41 General administration	410,402	-	410,402
51 Facilities maintenance and operations	734,033	-	734,033
52 Security and monitoring services	19,691	-	19,691
53 Data processing services	58,162	-	58,162
71 Debt service	78,922	-	78,922
Total expenses	6,475,211	-	6,475,211
Change in net assets	24,123	2,932,199	2,956,322
Net assets at beginning of year	29,764	12,402,202	12,431,966
Net assets at end of year	\$ 53,887	\$ 15,334,401	\$ 15,388,288

See notes to financial statements.

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Statement of Cash Flows
Year Ended August 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 2,956,322
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	290,744
Changes in operating assets and liabilities:	
Due from government agencies	(982,473)
Other receivables	2,959
Accounts payable	(10,806)
Accrued salaries	104,973
	2,361,719
Cash flows from investing activities:	
Purchases of property and equipment	(417,425)
Cash flows from financing activities:	
Payments on note payable	(126,985)
	1,817,309
Net increase in cash	1,817,309
Cash and cash equivalents at beginning of year	5,886,262
Cash and cash equivalents at end of year	\$ 7,703,571
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 78,922

See notes to financial statements.

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

Notes to Financial Statements

1. Organization and Nature of Activities

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy (Academy) provides an alternative learning environment for students. The Academy operates under an open enrollment charter granted by the State of 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 Academy is currently operating under a charter renewal until July 31, 2025. The Academy 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 Academy does not have the authority to impose ad valorem taxes or to charge tuition. The Academy does business as Texas Education Centers and there is not currently any additional financial activity outside of the charter school. The Academy 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.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The Academy prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor or grantor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors. Where applicable, net assets without donor restrictions remain subject to state accountability.

Net assets with donor restrictions - Net assets subject to donor or grantor stipulations that will be met by actions of the Academy and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

Notes to Financial Statements

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash, restricted cash equivalents and due from government agencies. Cash and restricted cash equivalents are placed with high credit quality financial institutions to minimize risk. The Academy maintains cash balances at financial institutions located in Texas. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2022, the Academy had no bank balances that were uninsured or without pledged collateral in the Academy's name. Amounts due from government agencies are unsecured and are due from the Texas Education Agency (TEA). The Academy continually evaluates the collectability of accounts receivable and maintains allowances as necessary. No provision has been made for uncollectible accounts receivable as of August 31, 2022, given that none have been identified.

For the years ended August 31, 2022, the Academy received 99% of its total revenue and support from the TEA and the federal government. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the Academy to continue to provide the current level of services to its students.

Cash and Cash Equivalents

The Academy considers all highly liquid investments, with original maturities of three months or less from date of purchase, to be cash equivalents.

Property and Equipment

Property and equipment purchased by the Academy are recorded at cost. Donated assets are reported at the fair market value. Capital assets are defined by the Academy as assets with an individual cost of more than \$5,000 and a useful life longer than one year. Depreciation is calculated on the straight-line method based upon the estimated useful lives of 3 to 30 years. Expenditures for maintenance and repairs are expensed when incurred; significant renewals and betterments are capitalized. Property and equipment acquired with public funds received for the operation of the Academy constitute public property pursuant to Chapter 12 of the Texas Education Code.

For depreciable property and equipment, or resources to be used to acquire depreciable property and equipment, the donor or grantor restriction expires over the assets' useful life, as required by the TEA.

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

Notes to Financial Statements

Impairment of Long Lived Assets

The Academy reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment included current operating results, trends and prospects and the effects of obsolescence, demand completion and other economic factors. There were no indications of asset impairment during the years ended August 31, 2022.

Revenues and Support

Revenues from the State's available school fund are earned based on reported attendance.

A portion of the Academy's revenue is derived from cost-reimbursement contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Academy was awarded cost-reimbursable grants of \$1,421,908 that have not been received or recognized at August 31, 2022 because qualifying expenditures have not been incurred.

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

All contributions are considered to be available for purposes without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions.

Contributed Goods and Services

During the year ended August 31, 2022, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, a substantial number of individuals have donated significant amounts of their time in the Academy's programs and supporting services. Donations of property and equipment are recorded at the estimated fair value as of the date the contribution is received. During the year ended August 31, 2022 the Academy received no donations of property and equipment.

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

Notes to Financial Statements

Personal Leave

All employees of the Academy earn five days of personal leave per year. There is no material liability for unpaid accumulated sick leave since the Academy does not have a policy to pay any amount when the employees separate from service.

Federal Income Taxes

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and has not been classified as a private foundation as defined in the Code. Income generated from activities unrelated to the Academy's exempt purposes is subject to tax under Code Section 511. The Academy had no unrelated business income for the years ended August 31, 2022. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Academy's tax returns and recognition of a tax liability (or asset) if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Academy, and has concluded that as of August 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the Academy's financial statements are related to the Academy's estimate of revenue and receivable for the FSP, depreciation expense and the functional allocation of expenses.

Recent Accounting Pronouncement

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. The new standard is effective for the Academy for fiscal year beginning September 1, 2022. The Academy is currently assessing the impact that adopting this new guidance will have on the consolidated financial statements.

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

Notes to Financial Statements

3. Property and Equipment

Property and equipment consist of the following as of August 31, 2022:

Buildings and improvements	\$	9,767,577
Land		1,842,930
Furniture and equipment		388,459
Vehicles		57,200
Library books and media		44,040
Total property and equipment		12,100,206
Less accumulated depreciation		<u>(2,974,264)</u>
Property and equipment, net	\$	<u>9,125,942</u>

Depreciation expense for the year ended August 31, 2022 totaled \$290,744.

4. Long-Term Debt

In February 2021, the Academy entered into a \$2,393,828 loan agreement with a bank bearing interest at 3.45%, until 2026 when a variable interest rate applies. Payments of principal and interest totaling \$17,159 are due monthly until maturity in 2036.

The future maturities of long-term debt are as follows for the years ending August 31:

2023	\$	131,932
2024		136,557
2025		141,343
2026		146,297
2027		151,425
Thereafter		<u>1,497,185</u>
Total	\$	<u>2,204,739</u>

5. Net Assets With Donor Restrictions

Net assets with donor restrictions represent resources received from the state to be used under management's discretion for educational purposes.

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

Notes to Financial Statements

6. Defined Benefit Pension Plan

Plan Description

The Academy contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805, respectively. The State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Funding Policy

Plan members contributed 8% of their annual covered salary in 2022. The Academy contributes 8% for new members of the first 90 days of employment, and the State contributes 7.75%. Additionally, the Academy makes a 1.8% non-OASDI payment for all TRS eligible employees. The Academy contributions do not represent more than 5% of the TRS' total contributions. For the year ended August 31, 2022, the Academy contributed \$349,827 to the TRS.

The risks of participating in a multi-employer, defined benefit plan are different from single-employer plans because (a) amounts contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if an employer stops contributing to TRS, unfunded obligations of TRS may be required to be borne by the remaining employers. There is no withdrawal penalty for leaving TRS.

Total TRS plan assets as of the most recent fiscal year ended for TRS of August 31, 2021, totaled \$223 billion. Accumulated benefit obligation as of August 31, 2021, totaled \$227 billion. The plan was 88.79% funded as of August 31, 2021.

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Notes to Financial Statements

7. Health Care Coverage

During the year ended August 31, 2022, eligible employees of the Academy were covered by a health insurance plan (Plan). The Academy contributed \$500 per month per employee to the Plan for employees who have completed five or more years of service and \$250 per month for employees with fewer than five years of service for the year ended August 31, 2022. Participants, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

8. Liquidity and Availability of Resources

Financial assets available within one year of the financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 7,703,571
Due from government agencies	<u>1,249,168</u>
Total financial assets available for general expenditure	<u>\$ 8,952,739</u>

The Academy relies on state aid and federal grants to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Academy considers all expenditures related to its ongoing activities of education, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the Academy's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due or as additional funding opportunities are presented by maintaining a significant portion of its assets in cash.

9. Contingencies

The Academy receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to TEA and is subject to audit and adjustment.

Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the Academy have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so determined by the TEA or the grantor agency.

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

Notes to Financial Statements

10. Leases

The Academy has a non-cancelable operating lease agreement for an educational facility that expires in February 2025. The following is a schedule of future minimum lease payments under the operating lease agreement for the years ending August 31:

2023	\$	24,228
2024		24,228
2025		12,114

Lease expense for the year ended August 31, 2022, totaled \$11,701.

11. Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or support services. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the Academy exists. Fundraising activities include the solicitation of contributions of money, securities, material, facilities, other assets and time. Management and general activities are not directly identifiable with specific program or fundraising activities.

Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefited. Salaries and related costs are charged directly either to program services or support services based on actual time worked in each area. Information technology costs, depreciation, interest expense and occupancy costs are allocated based on whether the costs are associated with instructional (program services) or administrative (support services) purposes.

The Academy's expenses by natural classification and function are as follows for the year ended August 31, 2022:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	\$ 3,390,325	\$ 392,720	\$ 297,235	\$ 4,930	\$ -	\$ 4,085,210
Instructional and school leadership	352,020	-	-	10,491	-	362,511
Support services - student	199,849	218,105	300,698	7,626	-	726,278
Support services - nonstudent based	74,830	351,171	42,202	343,685	-	811,888
Interest on debt	-	-	-	-	78,922	78,922
Total program services	4,017,024	961,996	640,135	366,732	78,922	6,064,809
Support Services:						
Support services - nonstudent based	282,100	26,475	24,280	77,547	-	410,402
Total support services	282,100	26,475	24,280	77,547	-	410,402
Total expenses	\$ 4,299,124	\$ 988,471	\$ 664,415	\$ 444,279	\$ 78,922	\$ 6,475,211

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Notes to Financial Statements

12. Subsequent Events

The Academy evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

**Supplemental Information
Required by Texas Education Agency**

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Schedule of Expenses
August 31, 2022

Object Code	Description	Amount
6100	Payroll costs	\$ 4,299,124
6200	Professional and contracted services	988,471
6300	Supplies and materials	664,415
6400	Other operating expenses	444,279
6500	Debt service	78,922
	Total expenses	<u>\$ 6,475,211</u>

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Schedule of Assets
Year Ended August 31, 2022

Description	Ownership Interest		
	Local	State	Federal
1110 Cash and cash equivalents	\$ -	\$ 7,073,571	\$ -
1510 Land	-	1,842,930	-
1520 Buildings and improvements	-	9,754,937	12,640
1531 Vehicles	-	57,200	-
1539 Furniture and equipment	-	334,820	53,639
1560 Library books and media	-	30,200	13,840
	<u>\$ -</u>	<u>\$ 19,093,658</u>	<u>\$ 80,119</u>

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Budgetary Comparison Schedule
Year Ended August 31, 2022

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenue and other support:				
5700 Local support	\$ 35,000	\$ 45,000	\$ 24,123	\$ (20,877)
5800 State program revenue	5,776,858	7,827,158	7,961,528	134,370
5900 Federal program revenue	310,320	1,010,320	1,445,882	435,562
Total revenue and other support	6,122,178	8,882,478	9,431,533	549,055
Expenses:				
11 Instruction	3,067,641	3,067,641	3,980,681	(913,040)
13 Curriculum development and instructional staff development	163,360	102,748	118,076	(15,328)
23 School leadership	463,000	350,000	348,966	1,034
33 Health services	500	200	327	(127)
34 Student transportation	225,100	225,100	220,026	5,074
35 Food services	300,000	441,000	447,263	(6,263)
36 Extracurricular activities	-	-	58,662	(58,662)
41 General administration	275,500	405,412	410,402	(4,990)
51 Facilities maintenance and operations	525,500	775,500	734,033	41,467
52 Security and monitoring services	20,000	225,000	19,691	205,309
53 Data processing services	75,000	60,000	58,162	1,838
71 Debt service	145,000	75,000	78,922	(3,922)
Total expenses	5,260,601	5,727,601	6,475,211	(747,610)
Change in net assets	861,577	3,154,877	2,956,322	(198,555)
Net assets at beginning of year	12,431,966	12,431,966	12,431,966	-
Net assets at end of year	\$ 13,293,543	\$ 15,586,843	\$ 15,388,288	\$ (198,555)

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Education Programs Schedule
Year Ended August 31, 2022

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$1,031,718
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PIC's 24, 26, 28, 29, 30, 34)	\$542,960
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year	\$151,080
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)	\$79,257

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Schedule of Real Property Ownership Interest
Year Ended August 31, 2022

Description	Property Address	Total Assessed Value	Ownership Interest		
			Local	State	Federal
East Campus Block A, Lot 1	1851 Oak Grove Parkway, Little Elm, TX 75068	\$ 1,438,346	\$ -	\$ 1,438,346	\$ -
North Campus (Personal Property-Legal)	4601 N Interstate 35, Denton, TX 76207	38,193	-	38,193	-
South Campus (Personal Property-Charter School)	968 Raldon Drive, Lewisville, TX 75067	89,921	-	89,921	-
East Campus (Additional Property)	5925 Crestwood Place, Little Elm, TX 75068	120,249	-	120,249	-
East Campus, Block B, Lot 1	5901 Crestwood Place, Little Elm, TX 75068	2,732,286	-	2,732,286	-
East Campus, Hilltown 1, Block 1 Lot 11	5917 Greenwood Place, Little Elm, TX 75068	180,225	-	180,225	-
North Campus A0141A BBB & CRR, TR 25B, 1.38 ACRES	4601 N Interstate 35, Denton, TX 76207	863,439	-	863,439	-
North Campus LIFE MARK RECOVERY CENTER BIK 1 Lot 1	4601 N Interstate 35, Denton, TX 76207	3,749,614	-	3,749,614	-
South Campus A1155A J.SUTTON, TR 29, 4.1879 ACRES, OLD DCAD TR#12	968 Raldon Drive, Lewisville, TX 75067	2,226,408	-	2,226,408	-

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Schedule of Related Party Transactions
Year Ended August 31, 2022

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Type of Transaction</u>	<u>Description of Terms and Conditions</u>	<u>Source of Funds Used</u>	<u>Payment Frequency</u>	<u>Total Paid During Fiscal Year</u>	<u>Principal Balance Due</u>
Dr. Pamela Peak	Dr. Pamela Peak	Board Member	Financial	Contractual Special Education Evaluations	Federal	Quarterly	\$ 8,250	\$ -

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Schedule of Related Party Compensation and Benefits
Year Ended August 31, 2022

<u>Related Party Name</u>	<u>Name of Relation to the Related Party</u>	<u>Relationship</u>	<u>Compensation or Benefit</u>	<u>Payment Frequency</u>	<u>Description</u>	<u>Source of Funds Used</u>	<u>Total Paid During Fiscal Year</u>
Dr. Pamela Peak	Dr. Pamela Peak	Board Member	Compensation	Quarterly	Special Education Evaluations (Contracted)	Federal	\$ 8,250

Compliance Reports

**Independent Auditors' 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***

To the Board of Directors of
Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy (Academy), which comprise the statement of financial position as of August 31, 2022, and the related statement of activities, cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 16, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
December 16, 2022

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy's (Academy) compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended August 31, 2022. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effects on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Academy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Academy's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Academy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Academy's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Academy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Academy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



A Limited Liability Partnership

Arlington, Texas
December 16, 2022

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program or cluster:	
Child Nutrition Cluster	ALN 10.553, 10.555
Title I Grants to Local Educational Agencies	ALN 84.010
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section IV – Summary of Prior Year Audit Findings

Finding 2021-1: Significant deficiency in internal control over financial reporting.

Summary: The Academy is responsible for presenting statements that are fairly stated in accordance with accounting principles generally accepted in the United States of America (GAAP). During the audit significant material adjusting journal entries were made to adjust financial statements to be in accordance with GAAP.

Status: this finding was cleared in 2022.

Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2022

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal AL Number	Pass-through entity identifying number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster:			
Passed through Texas Education Agency:			
School Breakfast Program	10.553	202121N109946	\$ 101,054
National School Lunch Program	10.555	202222N109946	<u>371,099</u>
Total Child Nutrition Cluster			<u>472,153</u>
Passed through Texas Department of Agriculture:			
Commodity Supplemental Food Program	10.555		<u>30,755</u>
Total U.S. Department of Agriculture			<u>502,908</u>
U.S. Department of Education:			
Passed through Texas Education Agency:			
Special Education Grants to States (IDEA, Part B)	84.027	H027A200008	209,776
Special Education - Preschool Grants (IDEA Preschool)	84.173	-	<u>4,980</u>
Total Special Education Cluster			<u>214,756</u>
Title I Grants to Local Educational Agencies	84.010	S010A200043	290,028
English Language Acquisition State Grants	84.365	S365A190043	18,378
Supporting Effective Instruction State Grants	84.367	-	22,671
Student Support and Academic Enrichment Program	84.424	S424A190045	18,284
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425	S425U210042	<u>347,273</u>
Total U.S. Department of Education			<u>911,390</u>
U.S. Department of Health and Human Services:			
Passed through Texas Education Agency:			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	HHS001114100001	<u>24,415</u>
Total Expenditures of Federal Awards			<u>\$ 1,438,713</u>

See notes to schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Salvaging Teens at Risk, Inc. dba North Texas Collegiate Academy (Academy). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Academy.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Academy has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance and continues to use the allowable indirect costs for each award as determined by the awarding agency.

2. Food Commodities

Food commodities are recognized as federal expenditures when distributed. Distributed food is reported in the Schedule under the National School Lunch Program and is valued based on amounts reported to the Academy by the Texas Department of Agriculture. These amounts are considered to be non-cash assistance to the Academy.

The Academy received non-cash assistance in the form of food commodities totaling \$30,755 for the year ended August 31, 2022.