

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2019

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
3500 Joe Ramsey Blvd.
Greenville, Texas 75401
(903) 455-6252

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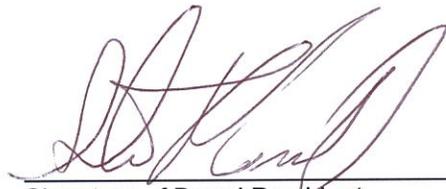
CERTIFICATE OF BOARD

Sails Forever East Texas Charter School
Name of School

76-0574678
Federal Employer ID

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and **approved**/ **disapproved** for the year ended August 30, 2019, at a meeting of the board of school trustees of such school district on January 16, 2020.


Signature of Board Secretary


Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

**RUTHERFORD,
TAYLOR &
COMPANY, P.C.**
Certified Public Accountants

3500 Joe Ramsey Blvd.

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of Sails Forever East Texas Charter School (School) profit organization), which comprise the statements of financial position as of August 31, 2019, and the related statements of activities, and cash flows for the year ended, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sails Forever East Texas Charter School as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report – Continued

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedules of expenses and schedule of capital assets are presented for purpose of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2020, on our consideration the School's internal control over financial reporting and on our 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 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 the School'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 the School's internal control over financial reporting and compliance.

Rutherford, Taylor & Company PC

January 2, 2020
Greenville, Texas

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

3500 Joe Ramsey Blvd.

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S 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*

Members of the Board

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 the governmental activities, each major fund, and the aggregate remaining fund information of the Sails Forever East Texas Charter School (District), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

Report on Internal Control – Continued

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rutherford, Taylor & Company, P.C.

January 2, 2020
Greenville, Texas

BASIC FINANCIAL STATEMENTS

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

	2019
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 472,330
Accounts Receivable	98,868
Prepaid Expenses	3,217
Total Current Assets	574,415
 Net Property and Equipment	 1,514,266
Total Assets	\$ 2,088,681
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 1,302
Accrued Liabilities	50,992
Total Current Liabilities	52,294
Total Liabilities	\$ 52,294
NET ASSETS	
Without Donor Restrictions	\$ 2,001,574
With Donor Restrictions	34,813
Total Net Assets	\$ 2,036,387
Total Liabilities and Net Assets	\$ 2,088,681

The accompanying notes are an integral part of this statement.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
REVENUES			
Local Support:	\$ 31,465	\$ -	\$ 31,465
State Program Revenues	-	1,303,234	1,303,234
Federal Program Revenues	-	26,956	26,956
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	<u>1,330,190</u>	<u>(1,330,190)</u>	<u>-</u>
 Total Revenues	 <u>\$ 1,361,655</u>	 <u>\$ -</u>	 <u>\$ 1,361,655</u>
EXPENSES			
Program Services			
Instructions and Instructional-Related Services	\$ 958,272	\$ -	\$ 958,272
Instructional and School Leadership	123,427	-	123,427
Support Services			
Administrative Support Services	192,059	-	192,059
Support Services - Non-Student Based	129,894	-	129,894
Support Services - Student (Pupil)	<u>66,622</u>	<u>-</u>	<u>66,622</u>
Total Expenses	<u>\$ 1,470,274</u>	<u>\$ -</u>	<u>\$ 1,470,274</u>
Operating Income (Loss)	\$ (108,619)	\$ -	\$ (108,619)
NON OPERATING REVENUE (EXPENSE)			
Gain (Loss) from Sale of Capital Assets	<u>(1,983)</u>	<u>-</u>	<u>(1,983)</u>
Increase (Decrease) in Net Assets	\$ (110,602)	\$ -	\$ (110,602)
Net Assets - Beginning (September 1)	<u>2,112,177</u>	<u>34,813</u>	<u>2,146,990</u>
Net Assets - Ending (August 31)	<u>\$ 2,001,575</u>	<u>\$ 34,813</u>	<u>\$ 2,036,388</u>

The accompanying notes are an integral part of this statement.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019

	2019
Cash Flows from Operating Activities:	
Receipts from Foundation School Program Payments	\$ 1,303,123
Receipts from Grant Payments	24,778
Receipts from Local Sources	31,465
Payments to Vendors for Goods and Services Rendered	(528,950)
Payment to Charter School Personnel for Services Rendered	(830,667)
	<u>(251)</u>
Net Cash Provided by (Used for) Operating Activities	\$ (251)
Cash Flows from Investing Activities	
Purchase of Land, Improvements, Vehicles and Equipment	\$ (35,692)
	<u>(35,692)</u>
Net Cash Provided by (Used for) Investing Activities	(35,692)
Net Increase (Decrease) in Cash	\$ (35,943)
Cash at Beginning of Year	508,273
	<u>508,273</u>
Cash at End of Year	\$ 472,330
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	
Change in Net Assets	(110,602)
Adjustments to Reconcile Change in Net Cash Provided by Operating Activities	
Depreciation	117,392
Loss on Sale of Capital Asset	1,983
(Increase) Decrease in Current Assets:	
Accounts Receivable	(2,289)
Prepaid Expenses	(3,217)
Increase (Decrease) in Current Liabilities	
Accounts Payable	1,298
Accrued Liabilities	(4,816)
	<u>(4,816)</u>
Net Cash (Used) Provided by Operating Activities	\$ (251)

The accompanying notes are an integral part of this statement

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	Program Services	Supporting Services			2019 Total
	Program Expense	General and Administrative	Fundraising	Total Supporting Services	
Expenses					
Salaries	\$ 818,760	\$ 147,809	\$ -	\$ 147,809	\$ 966,569
Payroll Taxes	16,884	2,113	-	2,113	18,997
Employee Benefits	51,763	12,171	-	12,171	63,934
Rental Expense	-	-	-	-	-
Maintenance and Repairs	-	69,046	-	69,046	69,046
Utilities	2,180	15,718	-	15,718	17,898
Depreciation and Amortization	86,929	30,463	-	30,463	117,392
Supplies	30,024	44,415	-	44,415	74,439
Travel	-	3,528	-	3,528	3,528
Insurance	5,749	19,267	-	19,267	25,016
Professional Fees	54,509	30,706	-	30,706	85,215
Other	14,902	13,338	-	13,338	28,240
Total Expenses	\$ 1,081,700	\$ 388,574	\$ -	\$ 388,574	\$ 1,470,274

The accompanying notes are an integral part of this statement

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies

1. Reporting Entity

Sails Forever East Texas Charter School (“School”) is a Texas non-profit corporation. The School is governed by a Board of Directors comprised of five members. The board is selected pursuant to the bylaws of the School, and significantly influence operations. The board has the primary accountability for the fiscal affairs of the School.

The School receives funding from local, state, and federal government sources and must comply with the requirements of the entities providing those funds.

2. Corporate Operations

Sails Forever East Texas Charter High School was organized in 1998 to provide educational services to at-risk students and their programs, services, activities and functions are governed by the School’s board of directors. The School operates a single charter school and does not conduct any other charter or non-charter activities.

3. Basis of Presentation – Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP). The principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from their estimates.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions are general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board of Directors are reported as net assets without donor restrictions board designated.

Net Assets With Donor Restrictions are subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity.

SAILS FOREVER EAST TEXAS CHARTR SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

3. Basis of Presentation – Basis of Accounting (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Concentration of Credit and Market Risk

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash. The School maintains its cash in bank deposit accounts. At August 31, 2019, the bank balance was \$ 481,309. The amount if any that exceeded federally insured limits, was secured by the financial institution.

The School is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; error and omissions; and injuries to employees and students. These risks are covered by commercial insurance purchased from independent third parties. There have been no claims that have exceeded commercial insurance coverage for the past three years.

The School receives 96% of their revenues through state programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency and is subject to audit and adjustment. The programs administered by the School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, the School funds may be subject to refund if so determined by the Texas Education Agency or another grantor agency.

Cash and Cash Equivalents

For financial statement purposes, the School considers all liquid investment instruments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment assets, including buildings and improvements, furniture and equipment, vehicles and other personal property, are reported in the financial statements. Capital assets are defined by the School as assets with an individual cost of more than \$ 5,000. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to twenty-five years, using the straight-line method of depreciation. Expenses 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.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies (Continued)

3. Basis of Presentation – Basis of Accounting (Continued)

Federal Income Tax

The School is a not-for profit School that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is exempt from taxes on income other than unrelated business income, if any. For the year ended August 31, 2019 the School did not have any unrelated business income. Accordingly, the School has not recorded any provision for income taxes.

Management is not aware of any violation of its tax status as an exempt organization, nor of any exposure to unrelated business income tax.

The School files form 990 as a tax-exempt organization. Internal Revenue Code Section 6501(a) provides the general rule that the amount of any tax shall be assessed within three years after the tax return is filed. The Code provides that a return is deemed filed on the due date if it is filed early but is deemed filed on the date filed if it is filed late. . As of August 31, 2019, the prior three fiscal year tax returns are open for examination by the Internal Revenue Service.

Advertising Expense

The School expenses all advertising costs as incurred. The School did not report any advertising cost.

Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or supporting services. Program services are the direct conduct of supervision of activities that fulfill the purpose of which the School exists. Supporting services are not directly identifiable with specific program activities. Expenses that are attributed to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related cost are charged directly either to program services or supporting services based on actual time worked in the area. Information technology costs are allocated based on whether the cost are associated with program services. The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities.

B. Property and Equipment

Property and equipment at year-end were as follows:

Land and Improvements	\$	264,603
Building and Improvements		2,227,909
Vehicles		118,534
Furniture and Equipment		184,912
Total Property and Equipment	\$	2,795,958
Less Accumulated Depreciation		(1,281,692)
Net Property and Equipment	\$	<u>1,514,266</u>

The School charged off \$ 117,392 of depreciation expense for the year. The depreciation was recorded as an expense allocated based on the use of the capital asset.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2019

B. Property and Equipment(Continued)

Property and Equipment assets acquired with public funds received by the School for the operation of the School constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

C. Long-Term Debt

At year ended the School did not have any long-term debt.

D. Multi-employer Defined Benefit Pension Plan

The School participates in a cost-sharing multi-employer defined benefit pension plan that has a special funding situation. The plan is administrated by Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan (Plan) is established and administered in accordance with the Texas Constitution, Articles 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 Plan's Board of Trustees does not have the authority to establish or amend benefit terms. 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 exempt from membership under Texas Government Code, Title 8, Section 822.002 are covered by the plan.

TRS provides service retirement and disability retirement benefits and death benefits to eligible employees (and their beneficiaries) of public and higher education in Texas. Charter schools are legally separate entities from the state and each other. Assets contributed by one charter school or Independent School District (ISD) may be used for the benefit of an employee of another ISD or charter school. The unfunded obligations get passed along to the other charter schools and ISD's. There is not a withdrawal penalty for leaving the TRS system.

Information with respect to the Plan and the School's participation of the Plan for the measurement year ended August 31, 2018 is as follows:

Legal Name of Plan:	Teacher Retirement System of Texas
EIN/Pension Plan Number:	N/A
Total Plan Assets:	\$176,942,453,923
Accumulated Benefot Obligations:	\$209,611,328,793
Plan funded percentage:	73.74% Funded
Is plan covered by collective bargaining agreements:	No
Employer contributions to the plan:	\$15,181
Contribution greater than 5% of total plan contributions?	No
Contribution Rates:	
Member	7.7%
Non-Employer Contributing Entity (State)	6.8%
Employers	6.8%

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

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

E. Health Care Coverage

During the year employees of the School were covered by a Health Insurance Plan (the Plan). The School contributed \$ 225.00 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

The health care coverage cost to the School for the year was \$ 36,966.

F. Temporarily Restricted Net Assets

The School had temporarily restricted net assets at year-end totaling \$ 34,813. The temporarily restricted net assets are released as education expense are incurred.

G. Commitments and Contingencies

The School 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 the Texas Education Agency 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 School have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the Texas Education Agency or another grantor agency.

H. Litigation

No reportable litigation was pending against the School at year-end.

I. Related Party Transactions

The School paid Terry Lopic for wages and other benefits as superintendent for the year. This contract pay totaled \$182,500.

J. Subsequent Event

There were no subsequent events determined by management subsequent to the Statements of Financial Position and through January 2, 2020, which approximates the date the financial statements are available to be issued.

K. Changes in Accounting Principles

The school adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* effective July 1, 2018, using the full retrospective method. Based on the School's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Adoption of this ASU had no impact on total beginning net assets but resulted in additional disclosures and changes in presentation.

The school adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

K. Changes in Accounting Principles (Continued)

The school adopted the amendments of ASU 2018-08, *Not-for Profit Entities (Topic 958): Clarifying the scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 was adopted on a prospective basis and impacted the evaluation of revenue recognition of certain grants and contributions in the 2019 fiscal year.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No 2016-02, *Leases (Topic 842)*. The guidance in This ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position of all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in that statement of activities. The new standard is effective for the school for fiscal year 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The School is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

L. Economic Dependency

During the year, the School recognized revenue of \$ 1,303,234 from the Texas Education Agency (TEA). For the year, this amount constitutes approximately 95.7% of total revenues earned. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the School to continue to provide the current level of services to its students.

SUPPLEMENTAL INFORMATION

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
SCHEDULE OF EXPENSES
YEAR ENDED AUGUST 31, 2019

<u>Object Code</u>	<u>Description</u>	<u>Amount</u>
6100	Payroll Cost	\$ 1,049,500
6200	Professional and Contracted Services	164,951
6300	Supplies and Materials	94,267
6400	Other Operating Cost	<u>161,556</u>
	Total Expenses	<u>\$ 1,470,274</u>

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
STATEMENT OF CAPITAL ASSETS
YEAR ENDED AUGUST 31, 2019

Object Codes	Description	Ownership Interest		
		Local	State	Federal
1510	Land and Improvements	-	264,603	-
1520	Buildings and Improvements	-	2,227,909	-
1531	Vehicles	-	118,534	-
1539	Furniture and Equipment	-	184,912	-
Total Property and Equipment		\$ -	\$ 2,795,958	\$ -

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULES
YEAR ENDED AUGUST 31, 2019

Codes	Original Budget	Final Budget	Actual Amounts	Variance from Final Budget
REVENUES				
5700 Local and Intermediate Sources	\$ 49,000	\$ 45,000	\$ 31,465	\$ (13,535)
5800 State Program Revenues	1,225,000	1,325,000	1,303,234	(21,766)
5900 Federal Program Revenues	24,040	24,040	26,956	2,916
5020 Total Revenues	\$ 1,298,040	\$ 1,394,040	\$ 1,361,655	\$ (32,385)
EXPENSES				
0011 Instruction	\$ 873,741	\$ 882,801	\$ 920,316	\$ (37,515)
0013 Curriculum and Staff Development	45,063	45,063	37,956	7,107
0023 School Leadership	156,038	156,038	123,427	32,611
0031 Guidance, Counseling and Evaluation Services	3,250	3,250	2,371	879
0035 Food Service	-	-	24,375	(24,375)
0036 Cocurricular/Extracurricular Activities	57,625	66,625	39,876	26,749
0041 General Administration	211,923	206,363	192,059	14,304
0051 Plant Maintenance and Operations	103,900	103,900	103,075	825
0052 Security and Monitoring Services	10,000	10,000	7,470	2,530
0053 Data Processing Services	19,750	19,750	19,349	401
Total Expenses	\$ 1,481,290	\$ 1,493,790	\$ 1,470,274	\$ 23,516
Operating Income (Loss)	\$ (183,250)	\$ (99,750)	\$ (108,619)	\$ (8,869)
NONOPERATING REVENUE (EXPENSE)				
Gain (Loss) from Sale of Assets	-	-	(1,983)	(1,983)
Change in Net Assets	\$ (183,250)	\$ (99,750)	\$ (110,602)	\$ (10,852)
Net Assets - Beginning (September 1)	2,146,990	2,146,990	2,146,990	-
Net Assets- Ending (August 31)	\$ 1,963,740	\$ 2,047,240	\$ 2,036,388	\$ (10,852)

SAILS FOREVER EAST TEXAS CHARTER SCHOOL
NOTES TO THE SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2019

A. Budget

The budget was adopted by the Board of Director's prior to the start of the fiscal year and any expenditures of funds. It was prepared in accordance with accounting practices generally accepted in the United States of America. Once the budget is adopted by the Board, the Board at a duly called meeting, can amend the budget as long as the year has not ended. Any amendments adopted by the Board following year end will not be considered valid. All amendments adopted are in turn recorded in the records of the School to provide the guidance and approval to expend funds for the educational and other costs of the School. All budget appropriations lapse at year end.

B. Budget Amendments

Various situations arose during the year requiring the amending of the budget for the year. These amendments approved during the year allowed the School to operate within the budget for all functional expenses except for Function 11 – Instruction and Function 35 – Food Service. Instructional costs were increased during the year and year end for various expenses including salary accruals. Function 35 relates to the various snacks and other food products sold to students for supplementing their individual nutrition goods. These expenses are covered by the sale price generated to provide these items for the students.