

**SAILS FOREVER EAST TEXAS CHARTER SCHOOL**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED AUGUST 31, 2025**

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

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2025

**TABLE OF CONTENTS**

|                                                                                          | <u>Page</u> | <u>Exhibits</u> |
|------------------------------------------------------------------------------------------|-------------|-----------------|
| <b>INTRODUCTORY SECTION</b>                                                              |             |                 |
| Certificate of Board .....                                                               | 3           |                 |
| <b>FINANCIAL SECTION</b>                                                                 |             |                 |
| <u>Independent Auditor's Reports:</u>                                                    |             |                 |
| Report on Basic Financial Statements .....                                               | 5           |                 |
| Report on Compliance and Internal Controls ( <i>Government Auditing Standards</i> )..... | 7           |                 |
| <u>Basic Financial Statements:</u>                                                       |             |                 |
| Financial Statements:                                                                    |             |                 |
| Statement of Net Position .....                                                          | 10          | A-1             |
| Statement of Activities .....                                                            | 11          | B-1             |
| Statement of Cash Flows .....                                                            | 12          | C-1             |
| Statement of Functional Expenses .....                                                   | 13          | D-1             |
| Notes to Financial Statements.....                                                       | 14          |                 |
| <u>Other Information Section:</u>                                                        |             |                 |
| Schedule of Expenses .....                                                               | 20          | E-1             |
| Schedule of Assets .....                                                                 | 21          | E-2             |
| Budgetary Comparison Schedule .....                                                      | 22          | E-3             |
| Schedule of Real Property Ownership .....                                                | 23          | E-4             |
| Schedule of Related Party Transactions .....                                             | 24          | E-5             |
| Notes to the Supplementary Information .....                                             | 25          |                 |
| Schedule of Required Responses to State Mandated Program Requirements .....              | 26          |                 |

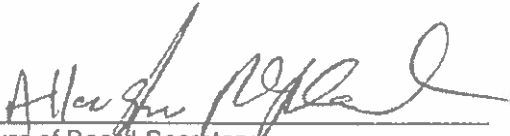
**CERTIFICATE OF BOARD**

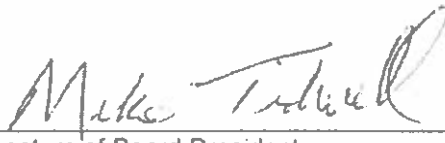
Sails Forever East Texas Charter School  
Name of School

092-801  
Co-School Number

76-0574678  
Federal Employer ID

We, the undersigned, certify that the attached auditor's report of the above named School was reviewed and ✓  
approved/ \_\_\_\_\_ disapproved for the year ended August 31, 2025, at a meeting of the board of school trustees  
of such School on 1-15-26

  
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

**Opinion**

We have audited the accompanying financial statements of Sails Forever East Texas Charter School (School) a nonprofit organization, which comprise the statements of financial position as of August 31, 2025, and the related statements of activities, functional expenses and cash flows for the year ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sails Forever East Texas Charter School, as of August 31, 2025, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Governments Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described by the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent from the School, and to meet our ethical responsibilities, in accordance with the 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 audit opinions.

**Responsibility of Management 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; 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 the School's ability to continue as a going concern within a year after the date that the financial statements are available to be issued.

**Auditor's Responsibility 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 auditor's 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 generally accepted auditing standards 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, misrepresentation, 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 amount and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 school's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies and the reasonableness of a significant accounting estimates made by management, as well as evaluate overall presentation of the financial statements.
- Concluding whether, in our judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about the School'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 supplementary information including the Schedule of Expenses, Schedule of Capital Assets, Budgetary Comparison Schedule, Material Budget Variance Expenditures, State Compensatory Education and Bilingual Education Program Expenditures, Schedule of Real Property Ownership Interest, and Schedule of Related Party Transactions are presented for the purposes of additional analysis as required by the Texas Education Agency and are not a required part of the financial statements. The budget variance explanations have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them. 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 the additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information detailed above 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 January 8, 2026, on our consideration of 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 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 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.



January 8, 2026  
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 (School), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 8, 2026.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 School'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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rutherford, Taylor & Company PC

January 8, 2026  
Greenville, Texas

## BASIC FINANCIAL STATEMENTS

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2025

**ASSETS**

## Current Assets:

|                           |    |         |
|---------------------------|----|---------|
| Cash and Cash Equivalents | \$ | 202,842 |
|---------------------------|----|---------|

|                |  |         |
|----------------|--|---------|
| Due from State |  | 153,435 |
|----------------|--|---------|

|                      |  |         |
|----------------------|--|---------|
| Total Current Assets |  | 356,277 |
|----------------------|--|---------|

|                            |  |           |
|----------------------------|--|-----------|
| Net Property and Equipment |  | 1,002,803 |
|----------------------------|--|-----------|

|                     |           |                  |
|---------------------|-----------|------------------|
| <b>Total Assets</b> | <b>\$</b> | <b>1,359,080</b> |
|---------------------|-----------|------------------|

**LIABILITIES**

## Current Liabilities:

|                  |    |       |
|------------------|----|-------|
| Accounts Payable | \$ | 7,512 |
|------------------|----|-------|

|                     |  |        |
|---------------------|--|--------|
| Accrued Liabilities |  | 74,576 |
|---------------------|--|--------|

|                  |  |       |
|------------------|--|-------|
| Unearned Revenue |  | 3,173 |
|------------------|--|-------|

|                           |  |        |
|---------------------------|--|--------|
| Total Current Liabilities |  | 85,261 |
|---------------------------|--|--------|

|                          |  |               |
|--------------------------|--|---------------|
| <b>Total Liabilities</b> |  | <b>85,261</b> |
|--------------------------|--|---------------|

**NET ASSETS**

|                            |  |           |
|----------------------------|--|-----------|
| Without Donor Restrictions |  | 1,239,006 |
|----------------------------|--|-----------|

|                         |  |        |
|-------------------------|--|--------|
| With Donor Restrictions |  | 34,813 |
|-------------------------|--|--------|

|                  |  |           |
|------------------|--|-----------|
| Total Net Assets |  | 1,273,819 |
|------------------|--|-----------|

|                                         |           |                  |
|-----------------------------------------|-----------|------------------|
| <b>Total Liabilities and Net Assets</b> | <b>\$</b> | <b>1,359,080</b> |
|-----------------------------------------|-----------|------------------|

The accompanying notes are an integral part of this statement.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2025

|                                                 | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|-------------------------------------------------|-------------------------------|----------------------------|---------------------|
| <b>REVENUES</b>                                 |                               |                            |                     |
| Local Support                                   | \$ 66,307                     | \$ -                       | \$ 66,307           |
| State Program Revenues                          | -                             | 1,424,321                  | 1,424,321           |
| Federal Program Revenues                        | -                             | 27,396                     | 27,396              |
| Net Assets Released from Restrictions:          |                               |                            |                     |
| Restrictions Satisfied by Payments              | 1,451,717                     | (1,451,717)                | -                   |
| <b>Total Revenues</b>                           | <b>1,518,024</b>              | <b>-</b>                   | <b>1,518,024</b>    |
| <b>EXPENSES</b>                                 |                               |                            |                     |
| Program Services                                |                               |                            |                     |
| Instructions and Instructional-Related Services | 959,671                       | -                          | 959,671             |
| Instructional and School Leadership             | 204,888                       | -                          | 204,888             |
| Support Services - Student (Pupil)              | 138,068                       | -                          | 138,068             |
| Support Services                                |                               |                            |                     |
| Administrative Support Services                 | 161,061                       | -                          | 161,061             |
| Support Services - Non-Student Based            | 241,712                       | -                          | 241,712             |
| <b>Total Expenses</b>                           | <b>1,705,400</b>              | <b>-</b>                   | <b>1,705,400</b>    |
| <b>Operating Income (Loss)</b>                  | <b>(187,376)</b>              | <b>-</b>                   | <b>(187,376)</b>    |
| <b>Increase (Decrease) in Net Assets</b>        | <b>(187,376)</b>              | <b>-</b>                   | <b>(187,376)</b>    |
| Net Assets - Beginning (September 1)            | 1,426,382                     | 34,813                     | 1,461,195           |
| <b>Net Assets - Ending (August 31)</b>          | <b>\$ 1,239,006</b>           | <b>\$ 34,813</b>           | <b>\$ 1,273,819</b> |

The accompanying notes are an integral part of this statement.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2025

**Cash Flows from Operating Activities:**

|                                                           |                  |
|-----------------------------------------------------------|------------------|
| Receipts from Foundation School Program Payments          | \$ 1,354,244     |
| Receipts from Grant Payments                              | 46,613           |
| Receipts from Local Sources                               | 66,308           |
| Payments to Vendors for Goods and Services Rendered       | (1,092,175)      |
| Payment to Charter School Personnel for Services Rendered | <u>(538,607)</u> |

Net Cash Provided by (Used for) Operating Activities (163,617)

**Cash Flows from Investing Activities**

|                                                        |                 |
|--------------------------------------------------------|-----------------|
| Purchase of Land, Improvements, Vehicles and Equipment | <u>(15,410)</u> |
|--------------------------------------------------------|-----------------|

Net Cash Provided by (Used for) Investing Activities (15,410)

Net Increase (Decrease) in Cash (179,027)

Cash - Beginning (September 1) 381,869

**Cash - Ending (August 31)** **\$ 202,842**

## Reconciliation of Change in Net Assets to Net Cash

|                                             |                 |
|---------------------------------------------|-----------------|
| Provided by Operating Activities            |                 |
| Change in Net Assets                        | \$ (187,376)    |
| Adjustments to Reconcile Change in          |                 |
| Net Cash Provided by Operating Activities : |                 |
| Depreciation                                | 119,296         |
| (Increase) Decrease in Current Assets:      |                 |
| Due from State                              | (28,124)        |
| Increase (Decrease) in Current Liabilities: |                 |
| Accounts Payable                            | 3,868           |
| Accrued Liabilities                         | 7,703           |
| Unearned Revenue                            | <u>(78,984)</u> |

**Net Cash Provided by (Used for) Operating Activities** **\$ (163,617)**

The accompanying notes are an integral part of this statement

**SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2025**

|                               | Program<br>Services | Supporting Services           |                      |                                 |                     |
|-------------------------------|---------------------|-------------------------------|----------------------|---------------------------------|---------------------|
|                               | Program<br>Expense  | General and<br>Administrative | Non-Student<br>Based | Total<br>Supporting<br>Services | Total               |
| <b>Expenses</b>               |                     |                               |                      |                                 |                     |
| Salaries                      | \$ 873,500          | \$ 120,919                    | \$ -                 | \$ 120,919                      | \$ 994,419          |
| Payroll Taxes                 | 12,426              | 1,721                         | -                    | 1,721                           | 14,147              |
| Employee Benefits             | 81,702              | 1,907                         | -                    | 1,907                           | 83,609              |
| Contracted Services           | 56,899              | 2,289                         | 46,437               | 48,726                          | 105,625             |
| Maintenance and Repairs       | 36,593              | -                             | 5,249                | 5,249                           | 41,842              |
| Utilities                     | -                   | -                             | 23,810               | 23,810                          | 23,810              |
| Depreciation and Amortization | 108,551             | 7,722                         | 3,023                | 10,745                          | 119,296             |
| Supplies                      | 90,178              | 2,762                         | 124,816              | 127,578                         | 217,756             |
| Travel                        | 3,553               | 486                           | -                    | 486                             | 4,039               |
| Insurance                     | 6,693               | 6,246                         | 37,273               | 43,519                          | 50,212              |
| Professional Fees             | 11,555              | 13,860                        | 1,104                | 14,964                          | 26,519              |
| Other                         | 20,977              | 3,149                         | -                    | 3,149                           | 24,126              |
| <b>Total Expenses</b>         | <b>\$ 1,302,627</b> | <b>\$ 161,061</b>             | <b>\$ 241,712</b>    | <b>\$ 402,773</b>               | <b>\$ 1,705,400</b> |

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, 2025

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. The Texas Education Agency (TEA) is the state agency that granted this charter for operating a school.

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.

*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.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies (Continued)

*Risk Management*

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. 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.

*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 include 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.

*Federal Income Tax*

The School is a not-for profit organization 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. The School did not have any unrelated business income during the current year. 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 (IRC) 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. IRC 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 year-end, 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 benefited. Salaries and related cost are charged directly 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.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**B. Property and Equipment**

Property and equipment at year-end are as follows:

|                               |                     |
|-------------------------------|---------------------|
| Land and Improvements         | \$ 264,603          |
| Building and Improvements     | 2,427,142           |
| Vehicles                      | 131,505             |
| Furniture and Equipment       | 141,776             |
| Library Books                 | 43,136              |
| Total Property and Equipment  | \$ 3,008,162        |
| Less Accumulated Depreciation | 2,005,359           |
| Net Property and Equipment    | <u>\$ 1,002,803</u> |

The School charged off \$ 119,296 of depreciation expense for the year. The depreciation was recorded as an expense allocated based on the use of the capital asset.

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**

The School did not have any debt, short or long term, at year end.

**D. Multi-employer Defined Benefit Pension Plan**

The charter school 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 of Texas. Charters are legally separate entities from the State and there is no withdrawal penalty for leaving TRS. 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 Texas 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 requires 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 website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

The plan financial statements for the year ending August 31, 2024 reported a plan net position of \$210.5 billion with a total pension liability of \$271.6 billion. Net position of the plan represented 77.51% of the total pension liability.

Contribution requirements are not actuarially determined but are established and amended by the Texas State Legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the 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 1 year, the period would be increased by such action. The following table presents contribution rates and amounts:

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

D. Multi-employer Defined Benefit Pension Plan (Continued)

|                              | <u>Member</u> | <u>State</u> | <u>Employer</u> |
|------------------------------|---------------|--------------|-----------------|
| Rate                         |               |              |                 |
| September 2024 - August 2025 | 8.25%         | 8.25%        | 8.25%           |
| Amounts                      |               |              |                 |
| Fiscal Year 2025             | \$ 65,207     | \$ 52,093    | \$ 60,873       |

Additional employer contributions are required for salaries funded through certain private and federal grants, new members, and salaries over the statutory minimum amount. Contributions for the year were less than 5% of all contributions.

F. Other Post Employment Benefit – Health Plan

TRS also offers retiree health insurance, called TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan. Qualified retirees (and their dependents) receive health insurance paid for by the plan. The statutory authority for the program is Texas Insurance Code, Chapter 1575. The State, employees and employers contribute a portion of covered payroll.

The plan financial statements for the year ending August 31, 2024 reported a plan net position of \$4.8 billion with a total OPEB liability of \$35 billion. Net position of the plan represented 13.7% of the total OPEB liability.

Contribution requirements are not actuarially determined but are established each biennium by the Texas State Legislature. The Contribution rates and amounts were as follows:

|                              | <u>Member</u> | <u>State</u> | <u>Employer</u> | <u>Federal</u> |
|------------------------------|---------------|--------------|-----------------|----------------|
| Rate                         |               |              |                 |                |
| September 2024 - August 2025 | 0.65%         | 1.25%        | 0.75%           | 1.25%          |
| Amounts                      |               |              |                 |                |
| Fiscal Year 2025             | \$ 5,137      | \$ 9,879     | \$ 5,928        | \$ 250         |

Additional contributions are required for salaries funded through certain private and federal grants. Contributions for the year were less than 5% of all contributions.

G. 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 expenses are incurred.

H. 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.

The School receives 95% 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 funds received from these sources may be subject to refund as determined by the Texas Education Agency or another grantor agency.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

I. Litigation

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

J. Related Party Transactions

The School paid Terry Lopic for wages and other benefits as superintendent for the year. Contract payments and other compensation paid totaled \$ 120,000 for the year.

K. Subsequent Event

There were no subsequent events determined by management subsequent to the Statements of Financial Position and through January 8, 2026, which approximates the date the financial statements are available to be issued.

L. Economic Dependency

During the year, the School recognized revenue of \$ 1,326,120 from the TEA. For the year, this amount constitutes approximately 87.36% 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.

L. Liquidity and Availability

Sails Forever East Texas Charter School is substantially supported by the State of Texas Foundation School Program (FSP) which is based on student enrollment. Because that is the primary purpose of Sails Forever East Texas Charter School, it is not considered restricted for liquidity purpose. Most of the private philanthropy received is without restriction and can be used to support operations of the School.

|                                      |                   |
|--------------------------------------|-------------------|
| Current Assets:                      |                   |
| Cash and Cash Equivalents            | \$ 202,842        |
| Grant Receivables                    | <u>153,435</u>    |
| Total Current Assets                 | <u>356,277</u>    |
| Less Current Liabilities:            |                   |
| Accounts Payable                     | 7,512             |
| Wages Payable                        | 74,576            |
| Unearned Grant Revenue               | <u>3,173</u>      |
| Total Liabilities                    | <u>85,261</u>     |
| Less Amounts with Donor Restrictions |                   |
| Other than Foundation School Program | <u>-</u>          |
| Available to Fund Operations         | <u>\$ 271,016</u> |

## SUPPLEMENTAL INFORMATION

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
SCHEDULE OF EXPENSES  
YEAR ENDED AUGUST 31, 2025

| <u>Object<br/>Code</u> | <u>Description</u>                   | <u>Amount</u>       |
|------------------------|--------------------------------------|---------------------|
| 6100                   | Payroll Cost                         | \$ 1,099,593        |
| 6200                   | Professional and Contracted Services | 190,379             |
| 6300                   | Supplies and Materials               | 217,756             |
| 6400                   | Other Operating Cost                 | <u>197,672</u>      |
|                        | Total Expenses                       | <u>\$ 1,705,400</u> |

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
SCHEDULE OF ASSETS  
YEAR ENDED AUGUST 31, 2025

| Object<br>Codes | Description                | Ownership Interest |              |         |
|-----------------|----------------------------|--------------------|--------------|---------|
|                 |                            | Local              | State        | Federal |
| 1110            | Cash and Cash Equivalents  | \$ 202,842         | \$ -         | \$ -    |
| 1510            | Land and Improvements      | -                  | 264,603      | -       |
| 1520            | Buildings and Improvements | -                  | 2,427,142    | -       |
| 1531            | Vehicles                   | -                  | 131,505      | -       |
| 1539            | Furniture and Equipment    | -                  | 184,912      | -       |
|                 | Total Assets               | \$ 202,842         | \$ 3,008,162 | \$ -    |

**SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULES  
YEAR ENDED AUGUST 31, 2025**

| Codes                                             | Original<br>Budget  | Final<br>Budget     | Actual<br>Amounts   | Variance from<br>Final Budget |
|---------------------------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| <b>REVENUES</b>                                   |                     |                     |                     |                               |
| 5700 Local and Intermediate Sources               | \$ 45,000           | \$ 45,000           | \$ 66,307           | \$ 21,307                     |
| 5800 State Program Revenues                       | 1,430,000           | 1,520,200           | 1,424,321           | (95,879)                      |
| 5900 Federal Program Revenues                     | 24,538              | 25,951              | 27,396              | 1,445                         |
| <b>5020 Total Revenues</b>                        | <b>1,499,538</b>    | <b>1,591,151</b>    | <b>1,518,024</b>    | <b>(73,127)</b>               |
| <b>EXPENSES</b>                                   |                     |                     |                     |                               |
| 0011 Instruction                                  | 902,674             | 934,087             | 934,943             | (856)                         |
| 0013 Curriculum and Staff Development             | 29,050              | 29,050              | 24,727              | 4,323                         |
| 0023 School Leadership                            | 223,000             | 211,000             | 204,888             | 6,112                         |
| 0031 Guidance, Counseling and Evaluation Services | 5,200               | 5,200               | 2,538               | 2,662                         |
| 0035 Food Service                                 | 29,000              | 44,000              | 47,990              | (3,990)                       |
| 0036 Cocurricular/Extracurricular Activities      | 60,204              | 73,704              | 65,114              | 8,590                         |
| 0041 General Administration                       | 182,061             | 169,461             | 161,061             | 8,400                         |
| 0051 Facility Maintenance and Operations          | 142,153             | 221,153             | 214,458             | 6,695                         |
| 0052 Security and Monitoring Services             | 10,500              | 27,700              | 27,255              | 445                           |
| 0053 Data Processing Services                     | 23,676              | 23,676              | 22,426              | 1,250                         |
| <b>Total Expenses</b>                             | <b>1,607,518</b>    | <b>1,739,031</b>    | <b>1,705,400</b>    | <b>33,631</b>                 |
| <b>Operating Income (Loss)</b>                    | <b>(107,980)</b>    | <b>(147,880)</b>    | <b>(187,376)</b>    | <b>(39,496)</b>               |
| <b>Change in Net Assets</b>                       | <b>(107,980)</b>    | <b>(147,880)</b>    | <b>(187,376)</b>    | <b>(39,496)</b>               |
| <b>Net Assets - Beginning (September 1)</b>       | <b>1,461,195</b>    | <b>1,461,195</b>    | <b>1,461,195</b>    | <b>-</b>                      |
| <b>Net Assets - Ending (August 31)</b>            | <b>\$ 1,353,215</b> | <b>\$ 1,313,315</b> | <b>\$ 1,273,819</b> | <b>\$ (39,496)</b>            |

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
SCHEDULE OF REAL PROPERTY OWNERSHIP  
YEAR ENDED AUGUST 31, 2025

| Description                                      | Property Address                          | Total Assesed Value | Ownership Interest - Local | Ownership Interest - State | Ownership Interest - Federal |
|--------------------------------------------------|-------------------------------------------|---------------------|----------------------------|----------------------------|------------------------------|
| AB 262 A Jordan Survey<br>Tract 21-07, Section 2 | 2402 Alpine Road<br>Longview, Texas 75601 | \$ 1,779,480        | \$ -                       | \$ 2,427,142               | \$ -                         |

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
SCHEDULE OF RELATED PARTY TRANSACTIONS  
YEAR ENDED AUGUST 31, 2025

| Related<br>Party<br>Name | Name of Relation<br>to the<br>Related Party | Relationship   | Type of<br>Transaction | Description<br>of terms<br>and Conditions | Source<br>and<br>Funds Used | Payment<br>Frequency | Total Paid<br>During FY | Principal<br>Balance Due |
|--------------------------|---------------------------------------------|----------------|------------------------|-------------------------------------------|-----------------------------|----------------------|-------------------------|--------------------------|
| Terry Lopic              | Terry Lopic                                 | Superintendent | Financial              | Employment Contract                       | State                       | Monthly              | \$ 120,000              | n/a                      |

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
NOTES TO THE SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2025

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 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 the following expense categories:

Function 11 – Instruction - Instructional costs were increased during the year and at year end for various expenses including salary accruals.

Function 35 – Food Service – Food costs provided for sale to students increased during the year and at year end including year end payables.

Various functional category budgets increased during the year in excess of 10% of the original budgeted amounts. The following identified budget categories have been identified and an explanation for the change has been provided.

Food Services – The original budget was amended to increase costs due to greater participation by students.

Cocurricular/Extracurricular Activities – Student participation increased during the year over prior year historical data.

Facilities Maintenance and Operations – State grant expenditures were added following the beginning of the year. Safe grants were expended during the year requiring amending the adopted budget.

Safety and Monitoring Services – "State grant expenditures were added following the beginning of the year. Safe grants were expended during the year requiring amending the adopted budget.

SAILS FOREVER EAST TEXAS CHARTER SCHOOL  
SCHEDULE OF REQUIRED RESPONSES TO  
STATE MANDATED PROGRAM REQUIREMENTS  
YEAR ENDED AUGUST 31, 2025

| <u>Data<br/>Control<br/>Codes</u> |                                                                                                                                                    | <u>Response</u> |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
|                                   | <b><u>Section A: Compensatory Education Programs</u></b>                                                                                           |                 |
| <u>AP1</u>                        | Did your District expend any state compensatory education program state allotment funds during the district's fiscal year?                         | Yes             |
| <u>AP2</u>                        | Does the District have written policies and procedures for its state compensatory education program?                                               | Yes             |
| <u>AP3</u>                        | List the total state allotment funds received for state compensatory education programs during the district's fiscal year.                         | \$ 41,734       |
| <u>AP4</u>                        | List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30) | \$ 31,396       |
|                                   | <b><u>Section B: Bilingual Education Programs</u></b>                                                                                              |                 |
| <u>AP5</u>                        | Did your District expend any bilingual education program state allotment funds during the District's fiscal year?                                  | No              |
| <u>AP6</u>                        | Does the District have written policies and procedures for its bilingual education program?                                                        | Yes             |
| <u>AP7</u>                        | List the total state allotment funds received for bilingual education programs during the District's fiscal year.                                  | \$ -            |
| <u>AP8</u>                        | List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC's 25)                         | \$ -            |