

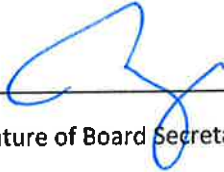
Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Financial Statements
For the Year Ended August 31, 2015

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Legacy21, Inc., dba
Legacy Preparatory Charter Academy
(Federal Employer Identification Number: 27-4013601)
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Legacy21, Inc., dba Legacy Preparatory Charter Academy was reviewed and (check one) approved ___ disapproved for the year ended August 31, 2015, at a meeting of governing body of the charter holder on the 15 day of January, 2016.



Signature of Board Secretary



Signature of Board President



Cunningham, Shavers, Christensen & Wright, L.L.P.

Certified Public Accountants

Fred R. Shavers III, C.P.A.
Paul J. Christensen, C.P.A.
Danny R. Wright, C.P.A.
Nathaniel J. Pringle, C.P.A.
Thomas C. Cunningham, C.P.A.
Partner Emeritus

MEMBERS:

- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Legacy21, Inc., dba Legacy Preparatory Charter Academy (a nonprofit organization) (the "charter holder") which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and cash flows for the year then 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy21, Inc., dba Legacy Preparatory Charter Academy as of August 31, 2015, 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.

Other Information

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Legacy21, Inc., dba Legacy Preparatory Charter Academy's financial statements as of and for the year ended August 31, 2014, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2016, on our consideration of Legacy21, Inc., dba Legacy Preparatory Charter Academy's internal control over financial reporting and 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 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 Legacy21, Inc., dba Legacy Preparatory Charter Academy's internal control over financial reporting and compliance.


January 15, 2016

FINANCIAL STATEMENTS

Legacy21, Inc., dba
 Legacy Preparatory Charter Academy
 Statement of Financial Position
 August 31, 2015
 (With Comparative Totals for August 31, 2014)

	2015	2014
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 483,524	\$ 259,439
Due from governments	87,061	196,727
Other receivables	93,843	854
Total current assets	664,428	457,020
Property and equipment, net	86,943	60,305
Total Assets	\$ 751,371	\$ 517,325
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Current portion of long-term debt	\$ 151,544	\$ 144,151
Accounts payable	203,279	113,012
Accrued interest payable	8,678	8,678
Total current liabilities	363,501	265,841
Long-term debt	548,899	700,551
Total Liabilities	912,400	966,392
Net Assets		
Unrestricted	(161,029)	(449,067)
Temporarily restricted	-	-
Total Net Assets	(161,029)	(449,067)
Total Liabilities and Net Assets	\$ 751,371	\$ 517,325

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

Legacy21, Inc. dba
Legacy Preparatory Charter Academy
Statement of Activities
For the Year Ended August 31, 2015
(With Comparative Totals for the Year Ended August 31, 2014)

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
Revenues and Other Support				
Local support:				
Interest and other income	\$ 219,639	\$ -	\$ 219,639	\$ 116,606
Total local support	219,639	-	219,639	116,606
State program revenues:				
Foundation school program act	-	9,803,532	9,803,532	7,578,003
Other state aid	-	75,818	75,818	80,682
Total state program revenues	-	9,879,350	9,879,350	7,658,685
Federal program revenues:				
ESEA, Title I, Part A	-	251,611	251,611	293,489
ESEA, Title II, Part A	-	40,672	40,672	56,221
Title III, Part A - LEP	-	15,193	15,193	9,125
Summer School LEP	-	1,107	1,107	2,226
National School Lunch and Breakfast Program	-	330,902	330,902	253,916
IDEA - Part B, Formula	-	133,369	133,369	148,561
Title V B SP1 PCS Start-Up Grant	-	-	-	45,404
Total federal program revenues	-	772,854	772,854	808,942
Net assets released from restrictions:				
Restrictions satisfied by payments	10,652,204	(10,652,204)	-	-
Total Revenues and net assets released from restrictions	10,871,843	-	10,871,843	8,584,233
Expenses				
Program Services:				
Instruction and instructional - related services	5,764,658	-	5,764,658	4,627,471
Instructional and school leadership	985,980	-	985,980	1,181,860
Support services:				
Administrative support services	358,495	-	358,495	520,776
Ancillary services	80,745	-	80,745	-
Support services non-student based	2,312,909	-	2,312,909	1,596,607
Support services student (pupil)	1,037,002	-	1,037,002	817,596
Debt service	39,998	-	39,998	53,710
Fund raising	4,018	-	4,018	3,502
Total expenses	10,583,805	-	10,583,805	8,801,522
Change in Net Assets	288,038	-	288,038	(217,289)
Net Assets, beginning of year	(449,067)	-	(449,067)	(231,778)
Net Assets, end of year	\$ (161,029)	\$ -	\$ (161,029)	\$ (449,067)

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

Legacy 21, Inc. dba
 Legacy Preparatory Charter Academy
 Statement of Cash Flows
 For the Year Ended August 31, 2015
 (With Comparative Totals for the Year Ended August 31, 2014)

	2015	2014
Cash Flows from Operating Activities:		
Foundation school program payments	\$9,789,306	\$7,601,673
Other state aid	75,818	80,682
Grant payments	896,776	889,493
Miscellaneous sources	126,619	116,606
Payments to vendors for goods and services rendered	(3,726,701)	(3,197,272)
Payments to charter school personnel for services rendered	(6,659,829)	(5,498,678)
Interest payments	(39,998)	(45,032)
Net Cash Provided/(Used) by Operating Activities	461,991	(52,528)
Cash Flows from Investing Activities:		
Purchase of capital assets	(93,647)	(6,570)
Net Cash Used by Investing Activities	(93,647)	(6,570)
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(144,259)	(103,406)
Net Cash Provided by Financing Activities	(144,259)	(103,406)
Net Increase (Decrease) in Cash	224,085	(162,504)
Cash at Beginning of Year	259,439	421,943
Cash at End of Year	\$ 483,524	\$ 259,439
Reconciliation of Change in Net Assets to Net Cash Provided/(Used)		
by Operating Activities:		
Change in Net Assets	\$ 288,038	\$ (217,289)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	67,009	66,884
(Increase) Decrease in assets:		
Due from governments	109,666	104,221
Other receivables	(92,989)	3,032
Increase (Decrease) in liabilities:		
Accounts payable	90,267	(18,054)
Accrued interest payable	-	8,678
Net Cash Provided/(Used) by Operating Activities	\$ 461,991	\$ (52,528)

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

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Notes To Financial Statements
August 31, 2015

Note 1 Organization and Nature of Activities

Legacy21, Inc., dba Legacy Preparatory Charter Academy (“the Organization”) incorporated in the State of Texas in 2010. It is a not for profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is governed by a Board of Directors comprised of four members. The Board of Directors is selected pursuant to the bylaws of the Organization and has the authority to make decisions, appoint the chief executive officer of the Organization and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the Organization.

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

The Organization provides general education services for students in kindergarten through seventh grade. The school is operated as a single charter, with campuses in Mesquite and Plano, and does not conduct any non-charter related activities. The Organization is part of the public school system of the State of Texas and, therefore, is entitled to distributions from the Foundation School Program, as well as other state and federal grants received through the State of Texas. However, the Organization does not have the authority to impose taxes.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of the Organization’s accounting policies are described below.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

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

Unrestricted Net Assets (Deficit) - Unrestricted net assets consist of net assets that are not subject to donor-imposed stipulations. Unrestricted net assets result from operating revenues, unrestricted contributions, and unrestricted dividend and interest income. Unrestricted net assets may be designated for specific purposes by action of the Board. The Organization had unrestricted net assets (deficit) of (\$161,029) at August 31, 2015.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of assets that are subject to grantor or donor-imposed stipulations that require the passage of time or the occurrence of a specified event (actions by the Organization). When the donor restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The temporarily restricted description requires the Organization to use state funding for the benefit of educating students enrolled in the Organization’s schools. Compliance with this requirement allows the Organization to use these funds for any allowable school purpose to further educate its students. As of August 31, 2015, the Organization has no temporarily restricted net assets.

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Notes To Financial Statements
August 31, 2015

Note 2 Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Permanently Restricted Net Assets - Permanently restricted net assets are those resources subject to donor-imposed restriction that will be maintained permanently by the Organization. The donors of these resources require that the principal be invested in perpetuity and permit the income earned, including unrealized appreciation, to be used, all or in part, for unrestricted or temporarily restricted purposes. As of August 31, 2015, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

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

Due From Governments

The Organization considers all government grants and contracts as exchange transactions rather than contributions. The Organization recognizes revenue from fee-for-service transactions as services are rendered and, for grants, as eligible expenditures are incurred. Advances from government agencies are recorded as deferred revenues. Eligible expenditures incurred in excess of grant fund reimbursements are recorded as receivables.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of any noncompliance with terms of the grant of contract.

Capital Assets

Capital assets, which include furniture and equipment, are reported in the financial statements. Capital assets are defined by the Organization as assets with an estimated useful life of more than one year. Such assets are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to five years, using the straight-line method of depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as cost.

Impairment of Long-Lived Assets

The Organization 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 to result 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 include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Organization did not recognize an impairment loss during the year ended August 31, 2015.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Notes To Financial Statements
August 31, 2015

Note 2 Summary of Significant Accounting Policies (continued)

Contributions (continued)

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.

Use of Estimates

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

State Funding

The amount of state foundation school program act revenue the Organization earns may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation school program act revenue estimate for the year ended August 31, 2015 will change.

Revenue Recognition

Revenues from the State of Texas are based on reported attendance. Public and private grants received are recognized in the period received and when the terms of the grant are met.

Donated Services and Assets

Contributions of donated services that create or enhance nonfinancial assets or that requires specialized skills that are provided by individuals possessing those skills and which would typically need to be purchased if not provided by donation are recorded at the estimated fair market value in the period received.

Contributions of donated noncash assets are recorded at the estimated fair market value in the period received.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities and net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Organization which will only be resolved when one or more future events occur or fail to occur. The Organization's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Notes To Financial Statements
August 31, 2015

Note 2 Summary of Significant Accounting Policies (continued)

Contingencies (continued)

If the assessment of a contingency indicates it is possible that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Organization's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Fair Value Measurements and Disclosures

The requirements of Fair Value Measurements and Disclosures of the Accounting Standards Codification ("ASC") apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair Value Measurements and Disclosures also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets or liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

At August 31, 2015, the Organization had no investments.

The fair value of the Organization's cash and cash equivalents, due from governments, other receivables, accounts payable, and accrued interest payable approximate the carrying amounts of such instruments due to their short-term maturity.

Note 3 Cash and Cash Equivalents

Cash and cash equivalents as of August 31, 2015 consist of the following:

Checking accounts	\$413,289
Money market accounts	<u>70,235</u>
	<u>\$483,524</u>

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Notes To Financial Statements
August 31, 2015

Note 4 Due from Governments

Amounts due from governments consist of the following:

Texas Department of Education, Texas Education Agency	\$42,436
United States Department of Education passed through Texas Education Agency	<u>44,625</u>
Total	<u>\$87,061</u>

Note 5 Capital Assets

A summary of changes in capital assets is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Furniture and Equipment	\$ <u>181,502</u>	\$ <u>93,647</u>	\$ <u>-</u>	\$ <u>275,149</u>	\$ <u>188,206</u>	\$ <u>86,943</u>

Capital assets acquired with public funds received by the Organization for the operation of Legacy21, Inc., dba Legacy Preparatory Charter Academy constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

Depreciation expense for the year ended August 31, 2015 was \$67,009.

Note 6 Leases

The Organization leases its facilities under non-cancellable operating leases, which contain varying renewal options. Approximate aggregate remaining minimum rental commitments as of August 31, 2015 under these leases are summarized as follows:

<u>Fiscal Year Ending August 31,</u>	
2016	\$ 1,827,408
2017	1,829,424
2018	1,831,440
2019	1,833,456
2020	1,779,012
Thereafter	<u>43,775,448</u>
Total	<u>\$52,876,188</u>

Rent expense for all operating leases for the year ended August 31, 2015 was \$1,505,884.

Note 7. Long-Term Debt

In 2012, the Organizations obtained a credit facility of \$1,000,000 from Vintage Bank, Waxahachie, Texas to finance school start-up activities. Advances of \$948,108, with interest at six percent, were made and the initial maturity date of the loan was September 15, 2013. Interest only, of \$61,582, was paid to August 31, 2013.

Legacy21, Inc., dba
 Legacy Preparatory Charter Academy
 Notes To Financial Statements
 August 31, 2015

Note 7 Long-Term Debt (continued)

Effective September 15, 2013, the \$948,108 balance was converted to a term loan, payable in twenty-four quarterly payments of \$46,064 with interest at 5.07 percent. The balance of the loan at August 31, 2015 was \$700,443.

Future maturities of long-term debt at August 31, 2015 are as follows:

Fiscal Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$151,511	\$32,746	\$184,257
2017	159,427	24,830	184,257
2018	167,664	16,593	184,257
2019	176,326	7,931	184,257
2020	<u>45,515</u>	<u>439</u>	<u>45,954</u>
Total	<u>\$700,443</u>	<u>\$82,539</u>	<u>\$782,982</u>

Interest expense for the year ended August 31, 2015 was \$39,998.

Note 8 Retirement Benefits

Plan Description -The Organization contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature.

Participating employers in the System are legal separate entities from the State and from each other. Contributions to the System by one employer may be used for the benefit of a plan member of another participating employer. The unfunded obligations are passed along to the participating employers. There is no withdrawal penalty for a plan member for leaving the System.

Information with respect to the System is shown in the following table:

Name of Plan	Federal Employer ID/Plan Number	Certified Zone Status	Expiration Date of Collective Bargaining Agreement	Improvement or Rehabilitation Plan	Surcharge Paid	Contributions Made 2014-2015
Teacher Retirements System of Texas	n/a	Unknown	n/a	n/a	\$64,529	\$229,558
Total contributions made					<u>\$64,529</u>	<u>\$229,558</u>

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Notes To Financial Statements
August 31, 2015

Note 8 Retirement Benefits (continued)

Notes to the table:

1. Certified Zone Status (as defined by the Pension Protection Act) represents the level at which the plan is funded. Details of the funding status are as follows:
 - i. Total plan assets- \$157,261,707,241
 - ii. Accumulated benefit obligations - \$159,496,075,886
 - iii. The System is 83.25% funded.
2. There is no collective-bargaining agreement.
3. Based on the audited GASB 68 allocation schedules from the TRS website as of August 31, 2014, the year-end of the System, contributions made to the System did not represent more than 5% of the total contributions received by the System.
4. Contribution rates:

Member	6.7%
State	6.8%
Employer	6.8%

There have been no changes that would affect the comparison of employer contributions from year to year. The System's annual financial report and other required disclosure information are available by writing the General Accounting Department, Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698.

In addition, employees may contribute 0.65% of their salary and the Organization must contribute 0.55% of the salary of each active employee to TRS-Care (the TRS health plan for retired employees). The total amount contributed to TRS-Care for the year was \$67,820 which is equal to the employees' contributions and the Organization's required contributions for the year.

Note 9 Health Care Coverage

During the year ended August 31, 2015, employees of the Organization were covered by a Health Insurance Plan ("Plan"). The Organization contributed \$298 per month per employee for the year ended to August 31, 2015 to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

Note 10 Risk Management Program

Worker's compensation coverage, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have historically not exceeded commercial coverage.

Note 11 Back Office Services

The Organization contracts with a company for back office services. The agreement provides, among other things, for the payment of a fee calculated based upon the gross revenues of the Organization. The expense for the services for the year ended August 31, 2015 was \$370,070.

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Notes To Financial Statements
August 31, 2015

Note 12 Income Tax

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business taxable income. The Organization has no material unrelated business income for the year ended August 31, 2015.

Generally accepted accounting principles requires that the Organization recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position. The new requirements also provide guidance on measurement, classification, interest and penalties and disclosure.

Tax positions taken related to the Organization's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. Accordingly, the Organization has not recorded an income tax liability for uncertain tax benefits. For the year ended August 31, 2015, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of August 31, 2015 the Organization's tax years 2012 through 2014 remain subject to examination.

Note 13 Commitments and Contingencies

The Organization 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 Organization 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 the grantor agency.

Note 14 Evaluation of Subsequent Events

The Organization has evaluated subsequent events through January 15, 2016, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Legacy21, Inc., dba
 Legacy Preparatory Charter Academy
 Schedule of Expenses
 For the Year Ended August 31, 2015
 (With Comparative Totals for the Year Ended August 31, 2014)

Expenses	Totals	
	2015	2014
6100 Payroll costs	\$6,659,830	\$5,498,678
6200 Professional and contracted services	3,221,040	2,621,587
6300 Supplies and materials	320,466	309,405
6400 Other operating costs	342,472	318,142
6500 Debt	39,998	53,710
 Total Expenses	 \$10,583,806	 \$8,801,522

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

Legacy21, Inc., dba
 Legacy Preparatory Charter Academy
 Schedule of Capital Assets
 August 31, 2015

		Ownership Interest		
		Local	State	Federal
1539	Furniture and equipment	\$ -	\$ 68,246	\$ -
1549	Furniture and equipment	59,764	37,283	109,856
		<u>\$ 59,764</u>	<u>\$ 105,529</u>	<u>\$ 109,856</u>

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Budgetary Comparison Schedule
For the Year Ended August 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Other Support				
Local support:				
5740 Other revenues from local sources	\$ 184,745	\$ 173,400	\$ 167,231	\$ (6,169)
5750 Revenues from cocurricular, enterprising services or activities	-	50,279	52,408	2,129
Total local support	<u>184,745</u>	<u>223,679</u>	<u>219,639</u>	<u>(4,040)</u>
State program revenues:				
5810 Foundation school program act	10,240,046	9,789,651	9,803,532	13,881
5820 State program revenues distributed by Texas Education Agency	254,000	76,693	75,234	(1,459)
5830 State revenues from State of Texas government agencies	-	-	584	584
Total state program revenues	<u>10,494,046</u>	<u>9,866,344</u>	<u>9,879,350</u>	<u>13,006</u>
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	1,029,379	922,386	757,661	(164,725)
5930 Federal revenues distributed by other State of Texas government agencies	27,536	15,193	15,193	-
Total federal program revenues	<u>1,056,915</u>	<u>937,579</u>	<u>772,854</u>	<u>(164,725)</u>
Total Revenues	<u>11,735,706</u>	<u>11,027,602</u>	<u>10,871,843</u>	<u>(155,759)</u>
Expenses				
11 Instruction	5,290,826	5,310,043	5,378,181	68,138
13 Curriculum development and instructional staff development	321,138	410,223	386,477	(23,746)
21 Instructional leadership	171,306	52,728	38,321	(14,407)
23 School leadership	1,073,799	950,797	947,659	(3,138)
31 Guidance, counseling and evaluation services	263,864	295,920	252,250	(43,670)
33 Health services	174,111	161,627	159,289	(2,338)
35 Food services	550,305	498,624	490,979	(7,645)
36 Cocurricular/extracurricular activities	23,969	138,886	134,484	(4,402)
41 General administration	416,211	360,078	358,495	(1,583)
51 Plant maintenance and operations	2,413,017	1,953,674	1,949,636	(4,038)
52 Security and monitoring services	9,000	9,200	8,871	(329)
53 Data processing services	425,288	358,387	354,402	(3,985)
61 Community services	110,000	89,990	80,745	(9,245)
71 Debt service	184,096	271,826	39,998	(231,828)
81 Fund raising	5,000	4,091	4,018	(73)
Total Expenses	<u>11,431,930</u>	<u>10,866,094</u>	<u>10,583,805</u>	<u>(282,289)</u>
Change in Net Assets	303,776	161,508	288,038	126,530
Net Assets, beginning of year	(449,067)	(449,067)	(449,067)	-
Net Assets, end of year	<u>\$ (145,291)</u>	<u>\$ (287,559)</u>	<u>\$ (161,029)</u>	<u>\$ 126,530</u>

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

COMPLIANCE AND INTERNAL CONTROLS SECTION



Cunningham, Shavers, Christensen & Wright, L.L.P.

Certified Public Accountants

Fred R. Shavers III, C.P.A.
Paul J. Christensen, C.P.A.
Danny R. Wright, C.P.A.
Nathaniel J. Pringle, C.P.A.
Thomas C. Cunningham, C.P.A.
Partner Emeritus

- MEMBERS:*
- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 - TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Dallas, Texas

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 Legacy21, Inc., dba Legacy Preparatory Charter Academy (a nonprofit organization) which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legacy21, Inc., dba Legacy Preparatory Charter 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 of Legacy21, Inc., dba Legacy Preparatory Charter Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Legacy21, Inc., dba Legacy Preparatory Charter 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 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 Legacy21, Inc., dba Legacy Preparatory Charter 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 Organization's internal control or on compliance. This report is in integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


January 15, 2016



Cunningham, Shavers, Christensen & Wright, L.L.P.

Certified Public Accountants

Fred R. Shavers III, C.P.A.
Paul J. Christensen, C.P.A.
Danny R. Wright, C.P.A.
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Partner Emeritus

MEMBERS:

- AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
- TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Dallas, Texas

Report on Compliance For Each Major Federal Program

We have audited Legacy21, Inc., dba Legacy Preparatory Charter Academy's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Legacy21, Inc., dba Legacy Preparatory Charter Academy's major federal programs for the year ended August 31, 2015. Legacy21, Inc., dba Legacy Preparatory Charter Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Legacy21, Inc., dba Legacy Preparatory Charter Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Legacy21, Inc., dba Legacy Preparatory Charter Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Legacy21, Inc., dba Legacy Preparatory Charter Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Legacy21, Inc., dba Legacy Preparatory Charter Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of Legacy21, Inc., dba Legacy Preparatory Charter Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Legacy21, Inc., dba Legacy Preparatory Charter Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Legacy21, Inc., dba Legacy Preparatory Charter Academy's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Legacy21, Inc., dba Legacy Preparatory Charter Academy's 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 a deficiency, or a 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



January 15, 2016

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are
not considered to be material weakness(es)?

Yes No

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Type of auditor's report issued on compliance for
major programs

Unmodified

Internal Control over Major Programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are
not considered to be material weakness(es)?

Yes No

Any audit findings disclosed that are required to be reported
in accordance with section 510 (a) of Circular A-133?

Yes No

Identification of Major Programs:

CFDA Number(s)

10.553

10.555

84.010A

Name of Federal Program

School Breakfast Program

National School Lunch Program

ESEA, Title I, Part A –

Improving Basic Programs

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes No

II. FINANCIAL STATEMENT FINDINGS

None noted.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Schedule of Prior Findings
For the Year Ended August 31, 2015

None

Legacy21, Inc., dba
Legacy Preparatory Charter Academy
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Legacy21, Inc., dba Legacy Preparatory Charter Academy under programs of the Federal Government for the year ended August 31, 2015. The information in the Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Legacy21, Inc., dba Legacy Preparatory Charter Academy it is not intended to, and does not, present the financial position, change in net assets, or cash flows of Legacy21, Inc., dba Legacy Preparatory Charter Academy.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 Standard Financial Accounting System

For all federal programs, Legacy21, Inc., dba Legacy Preparatory Charter Academy used the net asset classes and codes specified by the Texas Education Agency in the *Special Supplement to Financial Accounting and Reporting, Non-Profit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by the grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.