

**LEGACY 21, INC., dba  
LEGACY PREPARATORY CHARTER ACADEMY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2014**

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Legacy 21, 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 Reports of Legacy 21, Inc., dba Legacy Preparatory Charter Academy were reviewed and ( approved ( ) disapproved for the year ended August 31, 2014 at a meeting of governing body of the charter holder on the 15 day of January, 2015.



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Signature of Board Secretary



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Signature of Board President



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

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Partner Emeritus

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Dallas, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of Legacy 21, Inc., dba Legacy Preparatory Charter Academy (a nonprofit organization) (the "charter holder") which comprise the Statement of Financial Position as of August 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 of 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legacy 21, Inc., dba Legacy Preparatory Charter Academy, as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 13 to the financial statements, Legacy 21, Inc., dba Legacy Preparatory Charter Academy's expenses exceeded revenues by \$217,289 for the year ended August 31, 2014 resulting in a cumulative net asset deficit of \$(449,067). Our opinion is not modified with respect to this matter.

**Other Matters****Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 15, 2015, on our consideration of Legacy 21, 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 Legacy 21, Inc., dba Legacy Preparatory Charter Academy's internal control over financial reporting and compliance.

January 15, 2015

**FINANCIAL STATEMENTS**

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Statement of Financial Position  
August 31, 2014 and 2013**

	2014	2013
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 259,439	\$ 421,943
Due from other governments	196,727	300,948
Total current assets	456,166	722,891
Property and equipment, net	60,305	120,619
Other Assets	854	3,886
<b>Total Assets</b>	\$ 517,325	\$ 847,396
<b><u>Liabilities and Net Assets</u></b>		
<b>Current Liabilities</b>		
Current portion on long-term debt	\$ 144,151	\$ 103,548
Accounts payable	113,012	131,066
Accrued interest payable	8,678	-
Total current liabilities	265,841	234,614
Long-term debt	700,551	844,560
<b>Total Liabilities</b>	966,392	1,079,174
<b>Net Assets</b>		
Unrestricted	-	-
Temporarily restricted	(449,067)	(231,778)
<b>Total Net Assets</b>	(449,067)	(231,778)
<b>Total Liabilities and Net Assets</b>	\$ 517,325	\$ 847,396

The notes to the financial statements are an integral part of this statement.

**Legacy 21, Inc., dba**  
**Legacy Preparatory Charter Academy**  
**Statement of Activities**  
**For the Years Ended August 31, 2014 and 2013**

	Unrestricted	Temporarily Restricted	Totals	
			2014	2013
<b>Revenues and Other Support</b>				
Local support:				
Interest and other income	\$ 116,606	\$ -	\$ 116,606	\$ 56,185
Total local support	116,606	-	116,606	56,185
State program revenues:				
Foundation school program act	-	7,578,003	7,578,003	5,981,590
Other state aid	-	80,682	80,682	105
Total state program revenues	-	7,658,685	7,658,685	5,981,695
Federal program revenues:				
ESEA, Title I, Part A	-	293,489	293,489	171,873
ESEA, Title II, Part A	-	56,221	56,221	9,380
Title III, Part A - LEP	-	9,125	9,125	-
Summer School LEP	-	2,226	2,226	-
National School Lunch and Breakfast Program	-	253,916	253,916	-
IDEA - Part B, Formula	-	148,561	148,561	72,983
IDEA - Part B, Preschool	-	-	-	346
Title V B SP1 PCS Start-Up Grant	-	45,404	45,404	199,554
Total federal program revenues	-	808,942	808,942	454,136
Net assets released from restrictions:				
Restrictions satisfied by payments	8,467,627	(8,467,627)	-	-
Total Revenues and net assets released from restrictions	8,584,233	-	8,584,233	6,492,016
<b>Expenses</b>				
Program Services:				
Instruction and instructional - related services	4,627,471	-	4,627,471	3,604,843
Instructional and school leadership	1,181,860	-	1,181,860	853,024
Support services:				
Administrative support services	520,776	-	520,776	404,051
Ancillary services	-	-	-	134
Support services non-student based	1,596,607	-	1,596,607	942,733
Support services student (pupil)	817,596	-	817,596	223,293
Debt service	53,710	-	53,710	57,212
Fund raising	3,502	-	3,502	-
Total expenses	8,801,522	-	8,801,522	6,085,290
Change in Net Assets	(217,289)	-	(217,289)	406,726
Net Assets, beginning of year	(231,778)	-	(231,778)	(638,504)
Net Assets, end of year	\$ (449,067)	\$ -	\$ (449,067)	\$ (231,778)



**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Statement of Cash Flows  
For the Years Ended August 31, 2014 and 2013**

	2014	2013
<b>Cash Flows from Operating Activities:</b>		
Foundation school program payments	7,682,355	\$ 5,929,815
Grant payments	889,493	556,543
Miscellaneous sources	116,606	52,299
Payments to vendors for goods and services rendered	(3,197,272)	(2,277,403)
Payments to charter school personnel for services rendered	(5,498,678)	(3,609,242)
Interest payments	(45,032)	(57,212)
Net Cash Provided/(Used) by Operating Activities	(52,528)	594,800
<b>Cash Flows from Investing Activities:</b>		
Purchase of capital assets	(6,570)	(174,932)
Net Cash Provided/(Used) by Investing Activities	(6,570)	(174,932)
<b>Cash Flows from Financing Activities:</b>		
Issuance of long-term debt	-	150,000
Principal payments on long-term debt	(103,406)	-
Reduction of bank overdraft	-	(131,041)
Net Cash Provided/(Used) by Financing Activities	(103,406)	18,959
<b>Net increase (Decrease) in Cash</b>	(162,504)	438,827
<b>Cash at Beginning of Year</b>	438,827	-
<b>Cash at End of Year</b>	\$ 276,323	\$ 438,827
<b>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in Net Assets	\$ (217,289)	\$ 406,726
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	66,884	54,313
(Increase) Decrease in assets:		
Due from governmental agencies	104,221	62,520
Other assets	3,032	(3,886)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(18,054)	58,243
Accrued interest payable	8,678	-
Net Cash Provided/(Used) by Operating Activities	\$ (52,528)	\$ 577,916

The notes to the financial statements are an integral part of this statement.

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Notes to Financial Statements  
August 31, 2014**

**Note 1 Organization and Nature of Activities**

Legacy 21, 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 three 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 with campuses in Dallas, Mesquite, and Richardson. The school operates under an open enrollment charter granted by the Texas State Board of Education on September 16, 2011 and is effective to July 31, 2017. 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 Accounting**

The financial statements of Legacy 21, Inc., dba Legacy Preparatory Charter Academy were prepared in conformity with accounting principles generally accepted in the United States of America. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

**Basis of Presentation**

In order to comply with accounting principles generally accepted in the United States of America, the organization must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standard Board as described in the AICPA Audit and Accounting Guide for not for profit organizations.

The Financial Accounting Standards Board requires classification of the organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

*Unrestricted* - net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted* - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. 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. Temporarily restricted net assets, as of August 31, 2014, were \$(449,067).

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Notes to Financial Statements  
(continued)  
August 31, 2014**

**Note 2 Summary of Significant Accounting Policies (continued)**

**Basis of Presentation (continued)**

*Permanently restricted* - net assets required to be maintained in perpetuity with only the income to be used for the organization's activities due to donor imposed restrictions. The organization does not have any 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.

**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, of three 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.

**Contributions**

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

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, 2014 will change.

Legacy 21, Inc., dba  
**Legacy Preparatory Charter Academy**  
**Notes to Financial Statements**  
 (continued)  
**August 31, 2014**

**Note 2 Summary of Significant Accounting Policies (continued)**

**Prior Year Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with organization's financial statements for the period ended August 31, 2014, from which the summarized information was derived.

**Note 3 Due from Other Governments**

Amount due from other governments at August 31, 2014 consist of:

Foundation School Program Act	\$ 28,210
ESEA, Title I, Part A	89,736
ESEA, Title II, Part A	40,721
Title III, Part A - LEP	9,125
IDEA - Part B, Formula	<u>28,935</u>
Total	<u>\$ 196,727</u>

**Note 4 Capital Assets**

A summary of changes in capital assets 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>174,932</u>	\$ <u>6,570</u>	\$ <u>-0-</u>	\$ <u>181,502</u>	\$ <u>121,197</u>	\$ <u>60,305</u>

Capital assets acquired with public funds received by the organization for the operation of Legacy 21, 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, 2014 was \$66,884.

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Notes to Financial Statements  
(continued)  
August 31, 2014**

**Note 5 Operating Leases**

The organization leases certain facilities to conduct school operations for its Dallas, Mesquite, and Richardson campuses. Details of these operating leases are as follows:

Location	Dallas	Mesquite	Richardson	Dallas
	Pathway of Life Church	Family Cathedral of Praise	MAS Islamic Center of Dallas	Northcreek Financial Associates
Lease Term	24 months	24 months	month-to-month	72 months
Lease Period	July 1, 2013 to June 30, 2015	July 1, 2013 to June 30, 2015	month to month	September 1, 2013 to August 31, 2019
Monthly Lease Payment	<u>\$26,635</u>	<u>\$31,592</u>	<u>\$23,100</u>	<u>\$4,033</u>

Future annual lease payment obligations as of August 31, 2014 are as follows:

School Year Ended	Dallas	Mesquite	Richardson	Dallas
	Pathway of Life Church	Family Cathedral of Praise	MAS Islamic Center of Dallas	Northcreek Financial Associates
August 31, 2015	\$ 266,350	\$ 315,920	\$ 277,200	\$ 48,396
August 31, 2016	-0-	-0-	-0-	48,396
August 31, 2017	-0-	-0-	-0-	50,412
August 31, 2018	-0-	-0-	-0-	52,429
August 31, 2019	-0-	-0-	-0-	<u>54,446</u>
Total	<u>\$ 266,350</u>	<u>\$ 315,920</u>	<u>\$ 277,200</u>	<u>\$ 254,079</u>

**Note 6 Long-Term Debt**

In 2012, the school 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.

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 loan is payable as follows:

<u>School Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
August 31, 2015	\$ 144,151	\$ 40,106	\$ 184,257
August 31, 2016	151,511	32,746	184,257
August 31, 2017	159,427	24,830	184,257
August 31, 2018	167,664	16,593	184,257
August 31, 2019	176,326	7,931	184,257
August 31, 2020	<u>45,623</u>	<u>439</u>	<u>46,062</u>
Total	<u>\$ 844,702</u>	<u>\$ 122,645</u>	<u>\$ 967,347</u>

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Notes to Financial Statements  
(continued)  
August 31, 2014**

**Note 7 Pension Plan Obligations**

*Plan Description*

The organization 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 organization, but are the liability of the State of Texas. 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 required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications Heading.

*Funding Policy*

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 minimal 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. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2013 and 2014, and a state contribution rate of 6.0% for fiscal year 2012 and 6.4% for fiscal years 2013 and 2014. The organization's employees' contributions to the System for the years ending August 31, 2014 and 2013 were \$300,765 and \$213,540, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the organization for salaries above the statutory minimum for the years ending August 31, 2014 and 2013 were \$13,533 and \$5,740, respectively equal to the required contributions for each year.

**Note 8 Health Care Coverage**

During the year ended August 31, 2014, employees of the organization were covered by a Health Insurance Plan ("Plan"). The organization contributed \$298 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Notes to Financial Statements  
(continued)  
August 31, 2014**

**Note 9 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 10 Management Fees**

The organization contracts with a management company for management and administrative services. The management agreement provides, among other things, for the payment of a management fee calculated based upon the gross revenues. Management fees paid for the year ended August 31, 2014 were \$432,954.

**Note 11 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, 2014.

Generally accepted accounting principles require 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, 2014, there were no interest or penalties related to income taxes recorded or included in the financial statements. As of August 31, 2014, the organization's tax years 2011 through 2013 remain subject to examination.

**Note 12 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, charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

**Note 13 Deficit Net Assets**

The organization's expenses exceeded revenues by \$217,289 for the year ended August 31, 2014 resulting in a cumulative net asset deficit of \$(449,067). Future decreases in net assets could adversely affect the organization's ability to meet current obligations as they become due.

**Note 14 Evaluation of Subsequent Events**

The organization has evaluated subsequent events through January 15, 2015, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**



**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Schedule of Expenses  
For the Years Ended August 31, 2014 and 2013**

<b>Expenses</b>	<b>Totals</b>	
	<b>2014</b>	<b>2013</b>
6100 Payroll costs	\$ 5,498,678	\$ 3,973,092
6200 Professional and contracted services	2,621,587	1,629,582
6300 Supplies and materials	309,405	302,004
6400 Other operating costs	318,142	123,400
6500 Debt	53,710	57,212
<b>Total Expenses</b>	<b>\$ 8,801,522</b>	<b>\$ 6,085,290</b>

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Schedule of Capital Assets  
For the Year Ended August 31, 2014**

		<u>Ownership Interest</u>		
		<u>Local</u>	<u>State</u>	<u>Federal</u>
1110	Cash and cash equivalents	\$ -	\$ 259,439	\$ -
1539	Furniture and equipment	-	68,246	-
1549	Furniture and equipment	-	3,400	109,856
		<u>\$ -</u>	<u>\$ 331,085</u>	<u>\$ 109,856</u>

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Budgetary Comparison Schedule  
For the Year Ended August 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues and Other Support</b>				
Local support:				
5740 Interest income and other income	\$ 94,097	\$ 152,434	\$ 116,606	\$ (35,828)
Total local support	<u>94,097</u>	<u>152,434</u>	<u>116,606</u>	<u>(35,828)</u>
State program revenues:				
5810 Foundation school program act	9,101,189	7,508,207	7,578,003	69,796
5820 State program revenues distributed by Texas Education Agency	63,109	81,695	80,682	(1,013)
Total state program revenues	<u>9,164,298</u>	<u>7,589,902</u>	<u>7,658,685</u>	<u>68,783</u>
Federal program revenues:				
5920 Federal revenues distributed by the Texas Education Agency	745,686	813,738	808,942	(4,796)
5930 Federal revenues distributed by Other State of Texas Agencies	10,019	10,019	-	(10,019)
Total federal program revenues	<u>755,705</u>	<u>823,757</u>	<u>808,942</u>	<u>(14,815)</u>
Total Revenues	<u>10,014,100</u>	<u>8,566,093</u>	<u>8,584,233</u>	<u>18,140</u>
<b>Expenses</b>				
11 Instruction	4,375,769	4,389,959	4,375,349	14,610
13 Curriculum development and instructional staff development	392,998	327,881	252,122	75,759
21 Instructional leadership	336,986	292,997	261,084	31,913
23 School leadership	1,050,641	931,600	920,776	10,824
31 Guidance, counseling and evaluation services	289,089	180,172	160,691	19,481
33 Health services	164,317	120,650	112,043	8,607
35 Food services	288,500	405,424	397,214	8,210
36 Cocurricular/extracurricular activities	95,920	155,756	147,648	8,108
41 General administration	530,355	540,187	520,776	19,411
51 Plant maintenance and operations	1,518,377	1,325,801	1,324,104	1,697
52 Security and monitoring services	80,000	52,569	48,135	4,434
53 Data processing services	180,000	233,465	224,368	9,097
61 Community services	-	723	-	723
71 Debt service	282,875	90,350	53,710	36,640
81 Fund raising	-	3,768	3,502	266
Total Expenses	<u>9,585,827</u>	<u>9,051,302</u>	<u>8,801,522</u>	<u>249,780</u>
Change in Net Assets	428,273	(485,209)	(217,289)	267,920
Net Assets, beginning of year	<u>(231,778)</u>	<u>(231,778)</u>	<u>(231,778)</u>	<u>-</u>
Net Assets, end of year	<u>\$ 196,495</u>	<u>\$ (716,987)</u>	<u>\$ (449,067)</u>	<u>\$ 267,920</u>

**COMPLIANCE AND INTERNAL CONTROL**



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Partner Emeritus

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  
Legacy 21, 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 Legacy 21, Inc., dba Legacy Preparatory Charter Academy (a nonprofit organization) which comprise the statement of financial position as of August 31, 2014, 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, 2015.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legacy 21, 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 Legacy 21, Inc., dba Legacy Preparatory Charter Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Legacy 21, 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 Legacy 21, 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 an 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, 2015

**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  
Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Dallas, Texas

**Report on Compliance For Each Major Federal Program**

We have audited Legacy 21, 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 Legacy 21, Inc., dba Legacy Preparatory Charter Academy's major federal programs for the year ended August 31, 2014. Legacy 21, 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 Legacy 21, 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 Legacy 21, 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 Legacy 21, Inc., dba Legacy Preparatory Charter Academy's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Legacy 21, 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, 2014.

### **Report on Internal Control Over Compliance**

Management of Legacy 21, 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 Legacy 21, 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 Legacy 21, Inc., dba Legacy Preparatory Charter Academy's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Legacy 21, 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, 2015



**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Schedule of Findings and Questioned Costs  
August 31, 2014**

**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified? \_\_\_ Yes X No

Significant deficiencies(s) identified that are not considered to be material weaknesses? \_\_\_ Yes X No

Noncompliance material to financial statements noted? \_\_\_ Yes X No

Federal Awards

Internal Control Over Major Programs:

Material weakness(es) identified? \_\_\_ Yes X No

Significant deficiencies(s) identified that are not considered to be material weaknesses? \_\_\_ Yes X No

Type of auditor's report issued on compliance for Major Programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_ Yes X No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.010A

ESEA, Title I, Part A – Improving Basic Programs

84.027A

IDEA – Part B, Formula

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

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_ Yes X No

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Schedule of Findings and Questioned Costs  
(continued)  
August 31, 2014**

**II. FINANCIAL STATEMENT FINDINGS**

None Noted

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None Noted

**Legacy 21, Inc., dba  
Legacy Preparatory Charter Academy  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2014**

<u>Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education:</b>			
<b><u>Passed Through State Department of Education</u></b>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101057846	\$ 293,489
ESEA, Title II, Part A - Teacher and Principial Training	84.367A	13694501057846	56,221
Title III, Part A - LEP	84.365A	13671001057846	9,125
IDEA - Part B, Formula	84.027A	146600010578466000	148,561
Title V B SP1 PCS Start-Up Grant	84.282A	115900307110007	45,404
Summer School LEP	84.369A	69551302	2,226
<b>Total Passed Through State Department of Education</b>			<b><u>555,026</u></b>
<b>U.S. Department of Agriculture:</b>			
<b><u>Passed Through State Department of Education</u></b>			
National School Lunch Program	10.555	71301401	229,450
School Breakfast Program	10.553	71401401	24,466
<b>Passed Through State Department of Agriculture</b>			<b><u>253,916</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 808,942</u></b>

**Note to the Schedule of Expenditure of Federal Awards:**

**Standard Financial Accounting System**

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