Legacy21, Inc., dba Legacy Preparatory

Financial Statements with Supplemental Information and Compliance Reports
August 31, 2021

Sutton Frost Cary LLP
Certified Public Accountants

Legacy21, Inc., dba Legacy Preparatory
Certificate of Board

Legacy21, Inc.		27-4013601
Name of Charter Holder		Federal Employer ID Number
Legacy Preparatory	DALLAS	057-846
Name of Charter School	County	Co. Dist. Number

We, the undersigned, certify that the attached Financial and Compliance Report of Legacy21, Inc. was reviewed and (check one) _✓_ approved ___ disapproved for the year ended August 31, 2021, at a meeting of the governing body of the charter school on the 21st day of January 2022.

Signature of Board Secretary

Byron Ritko

Signature of Board President

Legacy21, Inc., dba Legacy Preparatory
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Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Legacy21, Inc. dba
Legacy Preparatory

Report on Financial Statements

We have audited the accompanying financial statements of Legacy21, Inc., dba Legacy Preparatory (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 risk 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.

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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 as of August 31, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the accompanying table of contents is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. The supplemental 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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 21, 2022 on our consideration of Legacy21, Inc., dba Legacy Preparatory internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 21, 2022

Legacy21, Inc., dba Legacy Preparatory
Statement of Financial Position
August 31, 2021

Assets

Current assets:	
Cash	$ 4,868,838
Due from government agencies	1,286,693
Prepaid expenses	35,282
Other asset	2,800
Total current assets	6,193,613
Noncurrent assets:	
Restricted cash	2,153,241
Property and equipment, net	31,923,922
Total noncurrent assets	34,077,163
Total assets	$ 40,270,776

Liabilities and Net Assets

Current liabilities:	
Accounts payable and accrued expenses	$ 88,679
Bonds payable, current portion	640,000
Capital lease obligation, current portion	205,587
Total current liabilities	934,266
Noncurrent liabilities:	
Bonds payable, net	35,306,045
Capital lease obligation, net	184,974
Total noncurrent liabilities	35,491,019
Total liabilities	36,425,285
Net assets:	
Without donor restrictions	2,187,721
With donor restrictions	1,657,770
Total net assets	3,845,491
Total liabilities and net assets	$ 40,270,776

Legacy21, Inc., dba Legacy Preparatory
Statement of Activities
August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Local support:			
5740 Other revenue from local sources	$ 205,297	$ -	$ 205,297
Total local support	205,297	-	205,297
State program revenue:			
5810 Foundation school program	-	16,468,063	16,468,063
5820 State program revenues distributed by TEA		46,546	46,546
5830 State revenues from government agencies	-	1,907	1,907
Total state program revenue	-	16,516,516	16,516,516
Federal program revenue:			
5910 Federal revenue distributed by other Texas agencies	-	668,732	668,732
5920 Federal revenue distributed by TEA	-	945,370	945,370
5949 Forgiveness of Paycheck Protection Program loan	877,000	-	877,000
Total federal program revenue	877,000	1,614,102	2,491,102
Net assets released from restrictions- Satisfaction of program restrictions	17,937,749	(17,937,749)	-
Total revenue and other support	19,020,046	192,869	19,212,915
Expenses:			
11 Instruction	9,457,536	-	9,457,536
13 Curriculum development and instructional staff development	523,745	-	523,745
23 School leadership	1,221,203	-	1,221,203
31 Guidance, counseling and evaluation services	313,128	-	313,128
33 Health services	141,141	-	141,141
35 Food services	506,700	-	506,700
36 Extracurricular activities	9,446	-	9,446
41 General administration	1,245,563	-	1,245,563
51 Facilities maintenance and operations	1,035,908	-	1,035,908
52 Security	64,654	-	64,654
53 Data processing services	1,064,650	-	1,064,650
61 Community services	93,662	-	93,662
71 Debt service	2,257,278	-	2,257,278
81 Fundraising	3,135	-	3,135
Total expenses	17,937,749	-	17,937,749
Increase in net assets	1,082,297	192,869	1,275,166
Net assets at beginning of year	1,105,424	1,464,901	2,570,325
Net assets at end of year	$ 2,187,721	$ 1,657,770	$ 3,845,491

See notes to financial statements.

Legacy21, Inc., dba Legacy Preparatory
Statement of Cash Flows
Year Ended August 31, 2021

Cash flows from operating activities:	
Increase in net assets	$ 1,275,166
Adjustments to reconcile increase in net assets	
to net cash provided by operating activities	
Gain on forgiveness of Paycheck Protection Program loan	(877,000)
Depreciation	1,408,849
Amortization	78,784
Changes in operating assets and liabilities:	
Due from government agencies	(535,254)
Other asset	(2,800)
Prepaid expenses	90,499
Accounts payable and accrued expenses	(17,046)
Net cash provided by operating activities	1,421,198
Cash flows from investing activities:	
Purchases of property and equipment	(130,804)
Cash flows from financing activities:	
Principal payments on bonds payable	(605,000)
Principal payments on capital lease obligations	(227,736)
Net cash used by financing activities	(832,736)
Net increase in cash	457,658
Cash at beginning of year	6,564,421
Cash at end of year	$ 7,022,079
Reconciliation of cash reported within the statement of financial position to the statement of cash flows:	
Cash	$ 4,868,838
Restricted cash	2,153,241
Total cash shown in the statement of cash flows	$ 7,022,079
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 2,177,288

See notes to financial statements.

1. Organization and Nature of Activities

Legacy21, Inc., dba Legacy Preparatory (Academy) is a nonprofit organization incorporated on November 17, 2010 under the laws of the state of Texas. The original charter was issued for a period from June 20, 2012 to July 31, 2017. The charter was renewed on March 31, 2017 and now expires on July 31, 2027. The charter is subject to review and renewal prior to expiration. The Academy is governed by a board of directors comprised of four members. The board of directors is selected pursuant to the bylaws of the Academy and has the authority to make decisions, appoint the chief executive officer, significantly influence operations and has the primary accountability for the fiscal affairs of the Academy. The Academy does not conduct any other charter or non-charter activities.

The Academy's mission is to facilitate educational experiences through teaching that engages, a culture that empowers, and technology that enables scholars to be college, career, and military-ready, who produce impactful outcomes.

The Academy is part of the public school system of the State of Texas (State) and is therefore entitled to distribution from the State's Foundation School Program (FSP). The Academy does not have the authority to impose ad valorem taxes or to charge tuition.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The Academy prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The accounting system is organized under the *Special Supplement to Financial Accounting and Reporting – Nonprofit Charter School Chart of Accounts,* a module of the Texas Education Agency Financial Accountability Resource Guide.

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

> *Net assets without donor restrictions* - Net assets not subject to donor or grantor-imposed restrictions even though their use may be limited in other respects, such as by contract or board designation.
>
> *Net assets with donor restrictions* - Net assets subject to donor or grantor stipulations that will be met by actions of the Academy and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash, and amounts due from government agencies. Cash is placed with high credit quality financial institutions to minimize risk. The Academy maintains cash balances at financial institutions located in Texas. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At August 31, 2021, the Academy had no uninsured bank balances. Amounts due from government agencies are unsecured and are due from the Texas Education Agency (TEA). The Academy continually evaluates the collectability of accounts receivable and maintains allowances as necessary. No provision has been made for uncollectible accounts receivable as of the statement of financial position date, given that none have been identified.

For the year ended August 31, 2021, the Academy received 99% of its total revenue and support from the TEA and the federal government. Any unforeseen loss of the charter agreement with TEA or changes in legislative funding could have a material effect on the ability of the Academy to continue to provide the current level of services to its students.

Restricted Cash

Restricted cash is limited as to use under the terms of the bond indenture. The restricted cash represents amounts restricted for debt service requirements for bonds.

Property and Equipment

Property and equipment purchased by the Academy are recorded at cost. Donated assets are reported at the fair market value. Capital assets are defined by the Academy as assets with an individual cost of more than $5,000 and a useful life longer than one year. Depreciation is calculated on the straight-line method based upon the estimated useful lives of 3 to 40 years. Expenditures for maintenance and repairs are expensed when incurred; significant renewals and betterments are capitalized. Property and equipment acquired with public funds received for the operation of the Academy constitute public property pursuant to Chapter 12 of the Texas Education Code.

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

The Academy reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. The Academy did not recognize an impairment loss during the year ended August 31, 2021.

Revenues and Support

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

A portion of the Academy's revenue is derived from cost-reimbursement contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when services are rendered or when the Academy has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to providing services or incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Academy was awarded cost-reimbursable grants of $213,919 that have not been received or recognized at August 31, 2021 because qualifying expenditures have not been incurred.

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

Contributed Goods and Services

Contributed services are recognized in the accompanying financial statements at fair value if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Academy. No donated services were utilized that met the criteria to be recorded as revenue in the Academy's financial statements. Contributions of donated noncash assets are recorded at the estimated fair value in the period the unconditional commitment is received. The related expense is recognized as the item is used. The Academy received $47,276 of donated goods for the year ended August 31, 2021.

Debt Issuance Costs

Costs of obtaining bond financing are recorded as bond issuance costs and are deferred as a direct deduction from the carrying amount of that debt liability and amortized using the interest method over the related bond period. Amortization expense is included in debt service in the accompanying statement of activities.

Federal Income Taxes

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and has not been classified as a private foundation as defined in the Code. Income generated from activities unrelated to the Academy's exempt purposes is subject to tax under Code Section 511. The Academy had no unrelated business income for the year ended August 31, 2021. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Academy's tax returns and recognition of a tax liability (or asset) if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Academy, and has concluded that as of August 31, 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. The Academy considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Academy's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. The new standard is effective for the Academy for the fiscal year beginning September 1, 2022.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in an effort to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU requires NFPs to present contributed nonfinancial assets (gifts in kind) as a separate line item in the statement of activities. The new standard is effective for the Academy for the fiscal year beginning September 1, 2021.

The Academy is currently assessing the impact that adopting this new guidance will have on the financial statements.

3. Restricted Cash

As a result of issuing the series 2018A bond, the Academy is required to maintain separate bank accounts held by the bond trustee that are restricted for debt-related matters. The balance of restricted cash at August 31, 2021 totaled $2,793,241. Cash on the statement of financial position includes the current portion of restricted cash totaling $640,000.

4. Property and Equipment

Property and equipment consist of the following as of August 31, 2021:

Land	$ 2,959,123
Buildings and improvements	31,894,057
Furniture and equipment	827,494
Capital leases	1,021,946
Total property and equipment	36,702,620
Less accumulated depreciation	(4,778,698)
Property and equipment, net	$ 31,923,922

Depreciation expense for the year ended August 31, 2021 totaled $1,408,849.

5. Long-Term Debt

In February 2018, the Academy issued $36,920,000 of Education Revenue Bonds Series 2018A. After paying fees and issuance costs, the remaining balance was used to pay off outstanding debt and purchase, contract, renovate and improve educational facilities located in Plano and Mesquite, Texas. The bond matures over thirty years with varying amounts of principal due each year.

The following is a summary of changes in the Academy's long-term debt for the year ended August 31, 2021:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Bonds payable:					
Series 2018A	$ 36,910,000	$ -	$ (605,000)	$ 36,305,000	$ 640,000
Total bonds payable	36,910,000	-	(605,000)	36,305,000	640,000
Bond premium	291,785	-	(10,808)	280,977	-
Bond discount	(531,420)	-	19,682	(511,738)	-
Bond issuance costs	(133,125)	-	4,931	(128,194)	-
Total bonds payable, net	$ 36,537,240	$ -	$ (591,195)	$ 35,946,045	$ 640,000

The bond was issued as an education revenue bond, and has an interest rate ranging from 5.25% to 6%, maturing in varying amounts through August 2047, and are collateralized by a deed of trust. Interest paid during the year ended August 31, 2021 was $2,177,288. During the year ended August 31, 2021, the Academy was in compliance with the financial covenants and all other applicable covenants contained in the Supplemental Master Trust Indentures and loan agreement.

The required debt service payments to satisfy the requirement of the 2018A bond is as follows for the years ending August 31:

	Principal	Interest	Total
2022	$ 640,000	$ 2,145,525	$ 2,785,525
2023	670,000	2,111,925	2,781,925
2024	705,000	2,076,750	2,781,750
2025	745,000	2,039,738	2,784,738
2026-2030	4,375,000	9,548,738	13,923,738
2031-2035	5,825,000	8,092,500	13,917,500
2036-2040	7,800,000	6,121,800	13,921,800
2041-2045	10,440,000	3,483,900	13,923,900
2046-2047	5,105,000	463,800	5,568,800
Total	$36,305,000	$36,084,676	$72,389,676

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are available to pay expenses as allowed by Section 45.105(c) of the Texas Education Code.

7. Multi-employer Defined Benefit Pension Plan

Plan Description

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

Funding Policy

Plan members contributed 8% of their annual covered salary in 2021. The Academy contributes 7.5% for new members of the first 90 days of employment, and the State contributes 7.5%. Additionally, the Academy makes a 1.6% non-OASDI payment for all TRS eligible employees. The Academy contributions do not represent more than 5% of the TRS' total contributions. For the year ended August 31, 2021, the Academy contributed $740,418 to TRS.

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

Total TRS plan assets as of the most recent fiscal year ended for TRS of August 31, 2020 were $184 billion. Accumulated benefit obligation as of August 31, 2020 was $219 billion. The plan was 75.54% funded as of August 31, 2020.

8. Health Care Coverage

During the year ended August 31, 2021, eligible employees of the Academy were covered by BlueCross BlueShield of Texas Health Insurance Plan. The Academy contributed $417 per month per employee if the employee completed a Health Risk Assessment and $351 per employee if the employee did not complete the Health Risk Assessment for the period from September 1, 2020 to August 31, 2021. Participants, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers.

9. Paycheck Protection Program Loan

On April 27, 2020, the Academy entered into an unsecured loan (PPP Loan) in the aggregate amount of $1,727,000 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration (SBA), and is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), as amended by the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act). The PPP provides for loans to qualifying businesses, the proceeds of which may only be used for payroll costs, rent, utilities, mortgage interest, and interest on other pre-existing indebtedness (Permissible Expenses). The PPP Loan matures on April 27, 2022, bears interest at a fixed rate of 1% percent per annum and is payable in monthly installments commencing on the earlier of the date on which the amount of loan forgiveness is determined or November 27, 2020. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties.

In accordance with ASU 2018-08, the Academy is treating the PPP loan as a conditional contribution. As of August 31, 2020, the Academy had incurred allowable expenditures for forgiveness totaling $850,000, which was recorded as revenue in the statement of activities for the year then ended. The Academy received forgiveness of the full loan amount on February 10, 2021. The remaining balance of the loan of $877,000 was recorded as revenue in the statement of activities for the year ended August 31, 2021.

10. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year from August 31, 2021 are as follows:

Cash and restricted cash	$ 7,022,079
Due from government agencies	1,286,693
Total financial assets	8,308,772
Less financial assets not available for general expenditure:	
Cash contractually restricted for debt service	(2,793,241)
Total financial assets available for general expenditure	$ 5,515,531

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

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

11. Leases

Operating Leases

The Academy leases a copier through a non-cancelable operating lease agreement expiring in January 2023. The Academy also leases office space through a non-cancellable operating lease agreement expiring in August 2022. All other leases are paid on a month-to-month basis.

The following is a schedule of future minimum lease payments for the copier and office space for the years ending August 31:

2022	$	42,440
2023		6,680
	$	49,120

Lease expense during the year ended August 31, 2021 totaled $221,266.

Capital Leases

The Academy leases various equipment totaling $1,021,946 under capital lease obligations at August 31, 2021. Accumulated depreciation on these assets totaled $883,691 at August 31, 2021.

The present value of future minimum lease payments for the years ending August 31 are as follows:

2022	$	222,192
2023		173,847
2024		16,808
		412,847
Less amounts representing interest		22,286
Present value of future minimum lease payments		390,561
Less current maturities		205,587
Capital lease obligations, net of current maturities	$	184,974

12. Contingencies

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

13. Functional Allocation of Expenses

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

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

The following is a schedule of functional expenses for the year ended August 31, 2021:

	Payroll Costs	Professional & Contracted Services	Supplies & Materials	Other Operating Costs	Debt	Total
Program Services:						
Instructional and instructional related services	$ 8,101,450	$ 182,834	$ 159,819	$ 1,018,676	$ 1,426,526	$ 10,889,305
Instructional and school leadership	1,215,684	2,432	47	3,040	-	1,221,203
Support services - Direct student based	598,153	312,819	53,520	102,890	155,363	1,222,745
Support services - Nondirect student based	647,354	939,189	229,194	447,647	157,292	2,420,676
Ancillary services	53,636	-	1,041	47,340	13,386	115,403
Total program services	10,616,277	1,437,274	443,621	1,619,593	1,752,567	15,869,332
Support Services:						
Instructional and school leadership	-	-	-	108,933	174,535	283,468
Administrative support services	818,812	268,893	13,080	255,884	178,016	1,534,685
Support services - Nondirect student based	-	-	-	94,969	152,160	247,128
Fundraising	3,135	-	-	-	-	3,135
Total support services	821,947	268,893	13,080	459,786	504,711	2,068,417
Total expenses	$ 11,438,224	$ 1,706,167	$ 456,701	$ 2,079,379	$ 2,257,278	$ 17,937,749

14. Subsequent Events

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

Supplemental Information Required by Texas Education Agency

Legacy21, Inc., dba Legacy Preparatory
Schedule of Capital Assets
August 31, 2021

		Ownership Interest		
	Description	Local	State	Federal
1110	Cash	$ -	$ 7,022,079	$ -
1510	Land	-	2,959,123	-
1520	Buildings and improvements	-	31,894,057	-
1539	Furniture and equipment	-	104,346	-
1549	Furniture and equipment	8,583	556,526	158,039
1559	Furniture and equipment	-	1,021,946	-
		$ 8,583	$ 43,558,077	$ 158,039

Legacy21, Inc., dba Legacy Preparatory
Schedule of Expenses
Year Ended August 31, 2021

Object Code	Description	Amount
6100	Payroll costs	$ 11,438,224
6200	Professional and contracted services	1,706,167
6300	Supplies and materials	456,701
6400	Other operating expenses	2,079,379
6500	Debt service	2,257,278
		$ 17,937,749

Legacy21, Inc., dba Legacy Preparatory
Budgetary Comparison Schedule
Year Ended August 31, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance from Final Budget
Revenue and other support:				
Local support:				
5740 Other revenue from local sources	$ 169,946	$ 205,297	$ 205,297	$ -
Total local support	169,946	205,297	205,297	-
State program revenue:				
5810 Foundation school program act revenues	17,130,187	16,468,063	16,468,063	-
5820 State program revenues distributed by TEA		46,546	46,546	
5830 State program revenues from government agencies	-	1,907	1,907	-
Total state program revenue	17,130,187	16,516,516	16,516,516	-
Federal program revenue:				
5910 Federal revenue distributed by other Texas agencies	-	668,732	668,732	-
5920 Federal revenue distributed by TEA	293,859	945,370	945,370	-
5949 Forgiveness of Paycheck Protection Program loan	-	877,000	877,000	-
Total federal program revenue	293,859	2,491,102	2,491,102	-
Total revenue and other support	17,593,992	19,212,915	19,212,915	-
Expenses:				
11 Instruction	7,486,614	9,457,536	9,457,536	-
13 Curriculum development and instructional staff development	210,203	523,745	523,745	-
23 School leadership	588,278	1,221,203	1,221,203	-
31 Guidance, counseling and evaluation services	410,188	313,128	313,128	-
33 Health services	198,445	141,141	141,141	-
34 Student transportation	3,000	-	-	-
35 Food services	192,627	506,700	506,700	-
36 Extracurricular activities	13,051	9,446	9,446	-
41 General administration	1,732,479	1,245,563	1,245,563	-
51 Facilities maintenance and operations	1,312,667	1,035,908	1,035,908	-
52 Security	166,364	64,654	64,654	-
53 Data processing services	1,333,663	1,064,650	1,064,650	-
61 Community services	96,006	93,662	93,662	-
71 Debt service	2,788,288	2,257,278	2,257,278	-
81 Fundraising	5,595	3,135	3,135	-
Total expenses	16,537,468	17,937,749	17,937,749	-
Increase in net assets	1,056,524	1,275,166	1,275,166	-
Net assets at beginning of year	2,570,325	2,570,325	2,570,325	-
Net assets at end of year	$ 3,626,849	$ 3,845,491	$ 3,845,491	$ -

Legacy21, Inc., dba Legacy Preparatory
Education Programs Schedule
Year Ended August 31, 2021

Data Codes	Section A: Compensatory Education Programs		Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?		Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?		Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.		$2,062,379
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PIC's 24, 26, 28, 29, 30, 34)		$1,319,975
	Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?		Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?		Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year		$369,257
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)		$479,392

Legacy21, Inc., dba Legacy Preparatory
Schedule of Real Property Ownership Interest
Year Ended August 31, 2021

Description	Property Address	Total Assessed Value	Ownership Interest Local	Ownership Interest State	Ownership Interest Federal
Legacy 21, Inc DB Legacy Prep Charter Academy COLLIN CREEK VILLAGE - TRACT	601 Accent Dr, Plano, TX 75075	$ 9,100,000		$ 9,100,000	
Skyline Village Sec 3	2727 Military Parkway, Mesquite, TX 75149	$23,660,000		$23,660,000	

Legacy21, Inc., dba Legacy Preparatory
Schedule of Related Party Transactions
Year Ended August 31, 2021

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid During Fiscal Year	Principal Balance Due
None								

Legacy21, Inc., dba Legacy Preparatory
Schedule of Related Party Compensation and Benefits
Year Ended August 31, 2021

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During Fiscal Year
None							

Compliance Reports

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Legacy21, Inc., dba Legacy Preparatory

We have audited, in accordance with U.S. generally accepted auditing standards 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 (Academy), which comprise the statement of financial position as of August 31, 2021, 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 21, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 21, 2022

Sutton Frost Cary LLP
Certified Public Accountants

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

To the Board of Directors of
Legacy21, Inc., dba Legacy Preparatory

Report on Compliance for Each Major Federal Program

We have audited Legacy21, Inc., dba Legacy Preparatory's (Academy) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended August 31, 2021. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the Academy's compliance.

Opinion on Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended August 31, 2021.

Report on Internal Control over Compliance

Management of the 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 the 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
January 21, 2022

Legacy21, Inc., dba Legacy Preparatory
Schedule of Findings and Questioned Costs
Year Ended August 31, 2021

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs or cluster:	
Title I, Part A – Improving Basic Programs	ALN 84.010
Elementary and Secondary School Emergency Relief fund	ALN 84.425D
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Summary of Prior Year Audit Findings

None.

Legacy21, Inc., dba Legacy Preparatory
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2021

Federal Grantor/ Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through entity identifying number	Federal Expenditures
U.S. Department of Education:			
Passed through TEA:			
Special Education Grants to States	84.027	206600010578466000	195,053
Total Special Education Cluster			195,053
Passed through TEA/Region 10 Service Center:			
Title I Grants to Local Educational Agencies	84.010	20610101057950	529,049
Total ALN 84.010			529,049
Supporting Effective Instruction State Grants	84.367	20694501057950	53,133
Total ALN 84.367			53,133
English Language Acquisition State Grants	84.365	18671001057950	60,822
Total ALN 84.365			60,822
Student Support and Academic Enrichment Program	84.424	20680101057950	25,780
Total ALN 84.424			25,780
COVID - Elementary and Secondary School Emergency Relief Fund	84.425D	20521001057846	277,296
COVID - Elementary and Secondary School Emergency Relief Fund	84.425D	52102135	116,762
COVID - Elementary and Secondary School Emergency Relief Fund	84.425D	-	154,763
Total ALN 84.425			548,821
Total U.S. Department of Education			1,412,658
U.S. Department of Agriculture:			
Passed through TEA:			
National School Breakfast Program	10.553	714021	33,571
National School Lunch Program	10.555	713021	120,597
USDA Commodities (noncash)	10.555	220-912	47,276
Total Child Nutrition Cluster and U.S. Department of Agriculture			201,444
Total Expenditures of Federal Awards			$ 1,614,102

See notes to schedule of expenditures

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Legacy21, Inc. dba Legacy Preparatory (Academy). The information in this schedule is presented in accordance with the requirements of Title U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Academy.

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

2. Non-Cash Federal Awards

The Academy received non-cash awards in the form of food commodities totaling $47,276 for the year ended August 31, 2021.