

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES**

**FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING**

August 31, 2019

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES
dba LEGACY THE SCHOOL OF SPORT SCIENCES**

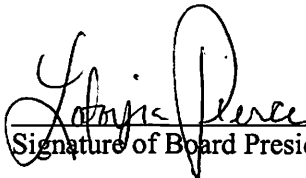
Federal Employer Identification Number: 45-5313065

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) approved disapproved for the year ended August 31, 2019, at a meeting of the Board of Directors of such charter holder on the 26th day of JANUARY, 2020.



Signature of Board Secretary



Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES
dba LEGACY THE SCHOOL OF SPORT SCIENCES
FINANCIAL STATEMENTS WITH COMPLIANCE REPORTING
August 31, 2019**

Table of Contents

Certificate of Board	1
Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-14
Schedule of Expenses	15
Schedule of Capital Assets	16
Budgetary Comparison Schedule	17
Supplementary Information	
Statement of Financial Position	18
Statement of Activities	19
Statement of Functional Expenses	20
Statement of Cash Flows	21
Other Reporting Required	
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 <i>Government Auditing Standards</i>	22-23

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Legacy Collegiate Middle and High School
for Careers in Health and Sciences dba
Legacy the School of Sport Sciences
Spring, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Legacy Collegiate Middle and High School for Careers in Health and Sciences dba Legacy the School of Sport Sciences (the School), a nonprofit organization, which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

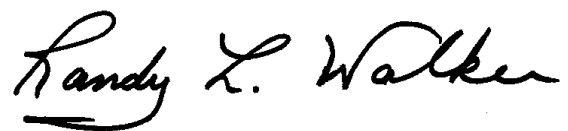
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial statements on pages 18-21 for the inception period from November 1, 2017 – August 31, 2018 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and 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 26, 2020 on pages 22-23 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the School’s internal control over financial reporting and compliance.



San Antonio, Texas
January 26, 2020

FINANCIAL STATEMENTS

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
STATEMENT OF FINANCIAL POSITION
August 31, 2019**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	130,653
Due from Texas Education Agency		134,942
Total Current Assets		265,595
TOTAL ASSETS	\$	265,595

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	176,897
Accrued Expenses		115,079
Short-term Note Payable		0
TOTAL LIABILITIES		291,976

NET ASSETS

Without Donor Restrictions		(149,514)
With Donor Restrictions		123,133
TOTAL NET ASSETS		(26,381)

TOTAL LIABILITIES AND NET ASSETS	\$	265,595
---	-----------	----------------

The accompanying notes are an integral part of this financial statement.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>OPERATING REVENUES AND OTHER SUPPORT</u>			
Local Support:			
5744 Donations	\$ 9,525	\$ -	\$ 9,525
5749 Other Local Services	128,865	-	128,865
5751 Food Service Activity	102,278	-	102,278
5752 Extracurricular Activities	34,282	-	34,282
5769 Miscellaneous Revenues from Intermediate Sources	200,000	-	200,000
Total Local Support	<u>474,950</u>	<u>-</u>	<u>474,950</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	3,103,287	3,103,287
5820 State Program Revenues Distributed by Texas Education Agency	-	43,160	43,160
Total State Program Revenues	<u>-</u>	<u>3,146,447</u>	<u>3,146,447</u>
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	<u>3,428,145</u>	<u>(3,428,145)</u>	<u>-</u>
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>3,903,095</u>	<u>(281,698)</u>	<u>3,621,397</u>
<u>OPERATING EXPENSES</u>			
11 Instruction	1,354,498	-	1,354,498
13 Curriculum Development and Instructional Staff Development	1,500	-	1,500
23 School Leadership	321,160	-	321,160
31 Guidance, Counseling, and Evaluation Services	35,521	-	35,521
33 Health Services	25,244	-	25,244
34 Student Transportation	160,225	-	160,225
35 Food Services	189,015	-	189,015
36 Extracurricular Activities	360,200	-	360,200
41 General Administration	279,424	-	279,424
51 Plant Maintenance and Operations	951,760	-	951,760
52 Security and Monitoring Services	46,581	-	46,581
53 Data Processing	124,451	-	124,451
61 Community Service	44,386	-	44,386
71 Debt Service	16,226	-	16,226
81 Fundraising	19,439	-	19,439
TOTAL OPERATING EXPENSES	<u>3,929,630</u>	<u>-</u>	<u>3,929,630</u>
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY			
	<u>(26,535)</u>	<u>(281,698)</u>	<u>(308,233)</u>
<u>NON-OPERATING ACTIVITY</u>			
Interest Income	1,900	-	1,900
Other Income	13,018	-	13,018
TOTAL NON-OPERATING ACTIVITY	<u>14,918</u>	<u>-</u>	<u>14,918</u>
CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITY			
	(11,617)	(281,698)	(293,315)
NET ASSETS, Beginning of Year	<u>(137,897)</u>	<u>404,831</u>	<u>266,934</u>
NET ASSETS, End of Year	<u>\$ (149,514)</u>	<u>\$ 123,133</u>	<u>\$ (26,381)</u>

The accompanying notes are an integral part of this financial statement.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2019**

<u>OPERATING EXPENSES</u>	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,624,758	\$ 200,813	\$ -	\$ 1,825,571
Benefits	137,860	39,961	-	177,821
Payroll Taxes	<u>23,639</u>	<u>3,523</u>	<u>-</u>	<u>27,162</u>
Total Payroll Expenses	1,786,257	244,297	-	2,030,554
Rental Expense	514,098	128,524	-	642,622
Contract Labor	475,250	118,813	-	594,063
Supplies	247,782	24,287	19,439	291,508
Property Tax Expense	-	71,251	-	71,251
Insurance and Bonding	44,771	14,274	-	59,045
Food	58,423	-	-	58,423
Utilities	46,610	11,652	-	58,262
Instructional Materials	47,029	-	-	47,029
Tournament Expense	21,300	-	-	21,300
Advertising	-	17,486	-	17,486
Interest Expense	-	16,226	-	16,226
Travel	11,075	522	-	11,597
Miscellaneous	7,311	1,828	-	9,139
Professional Fees	<u>-</u>	<u>1,125</u>	<u>-</u>	<u>1,125</u>
TOTAL OPERATING EXPENSES	<u>\$ 3,259,906</u>	<u>\$ 650,285</u>	<u>\$ 19,439</u>	<u>\$ 3,929,630</u>

The accompanying notes are an integral part of this financial statement.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Foundation School Program Payments	\$ 3,094,498
Grant Payments	570,324
Contributions and Fund-Raising Activities	9,525
Miscellaneous Sources	480,343
Payments to Vendors for Goods and Services Rendered	(1,847,895)
Payments to Charter School Personnel for Services Rendered	(1,921,464)
Interest Payments	(16,226)
	<u>369,105</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>369,105</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Line of Credit	(349,549)
	<u>(349,549)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(349,549)</u>

NET INCREASE IN CASH FLOWS	19,556
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>111,097</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 130,653</u>

Reconciliation of Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Change in Net Assets	\$ (293,315)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	
Decrease in Assets:	
Due from Texas Education Agency	518,375
Increase in Liabilities:	
Accounts Payable	34,955
Accrued Expenses	109,090
	<u>369,105</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 369,105</u>

The accompanying notes are an integral part of this financial statement.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Reporting Entity and Operations

Legacy Collegiate Middle and High School for Careers in Health and Sciences (the Charter Holder) is a not-for-profit 501(c)(3) organization incorporated in the State of Texas in 2017. The Charter Holder does business as Legacy the School of Sport Sciences (the School).

The Charter Holder is governed by the Board of Directors (the Board) which is comprised of seven members. The Board is selected pursuant to the bylaws of the School and has the authority to make decisions, appoint the chief executive officer of the School, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of the School.

The Charter Holder receives, for purposes of the activity of the School, the majority of its funding from the Texas Education Agency (the TEA) based on the School's Average Daily Attendance from the Foundation Formula program. Since the School receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

The Charter Holder is the "sponsoring entity" of an "Open-Enrollment Charter" with the TEA pursuant to Chapter 12 of the Texas Education Code, which opened in 2018. Through its open-enrollment charter, the School was organized to provide educational services with a focus on the professions within athletics, and the School's Board of Directors governs its programs, services, activities, and functions.

The Charter Holder began preparations for opening the School in November 2017. The financial activity related to the inception period from November 1, 2017 - August 31, 2018 is included in the Supplementary Information section accompanying these financial statements.

As of August 31, 2019, the School operates one campus located in Spring, Texas.

Basis of Presentation

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

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

The School is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

Contributions

The School accounts for contributions as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (when a stipulated time restriction ends or purpose restriction is fulfilled), 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.

Grant Funds

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require a refund of all or part of the unused amount.

Functional Allocation of Expenses

The costs of providing the services and other activities of the School have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as supplies, travel expenses, utilities, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

Cash and Cash Equivalents

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$17,486 for the year ended August 31, 2019.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Use of Estimates

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 disclosures 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.

Income Taxes

Legacy Collegiate Middle and High School for Careers in Health and Sciences dba Legacy the School of Sport Sciences is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from sales taxes and hotel taxes in the State of Texas. As of August 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this new standard will have on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2020. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued Accounting Standard Update 2015-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017 with early adoption encouraged. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The School adopted this new pronouncement effective September 1, 2018.

NOTE 2 - DUE FROM TEXAS EDUCATION AGENCY

The School had \$134,942 in receivables due from the TEA related to various state grants and Foundation School Program revenue at August 31, 2019. All amounts receivable are due in less than one year and are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019**

NOTE 3 - COMMITMENTS AND CONTINGENCIES

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

NOTE 4 - OPERATING LEASES

In October 2018, the School entered into a rental lease agreement with Education Capital Solutions, LLC for instructional facilities for a term of twenty years. The monthly lease payments under the agreement are \$52,614 plus 8.5% of construction costs until construction is completed, at which time the payments increase 2% annually. The School also maintains an operating lease for office equipment with monthly lease payments of \$650 until September 2023. For the year ended August 31, 2019, rental expense for all leases was \$657,235.

Future minimum lease payments are as follows:

Year Ending August 31,		
2020	\$	1,080,129
2021		1,139,441
2022		1,162,074
2023		1,187,109
2024		1,200,906
Thereafter		<u>19,566,869</u>
Total	\$	<u>25,336,528</u>

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The School adopted the provisions of ASC 820, “*Fair Value Measurements and Disclosures*” (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the School’s financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019**

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The School has no Level 2 or Level 3 assets or liabilities.

The School's financial instruments (Level 1) were as follows at August 31, 2019:

	Carrying Amount	Fair Value
Financial Assets:		
Cash and Cash Equivalents	\$ 130,653	\$ 130,653
Due from Texas Education Agency	\$ 134,942	\$ 134,942
Financial Liabilities:		
Accounts Payable	\$ 176,897	\$ 176,897
Accrued Expenses	\$ 115,079	\$ 115,079

The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 6 - HEALTH INSURANCE PLAN

Employees of the School are covered by a health insurance plan. The School contributes a portion of employee premiums to the plan. The School's contributions towards health insurance were \$106,910 for the year ended August 31, 2019. All premiums were paid to licensed insurers.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$123,150 were available for the Charter Schools Program State Educational Agencies (SEA) Grant at August 31, 2019.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019**

NOTE 8 - PENSION PLAN OBLIGATIONS

Plan Description

The School contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system.

It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the School, but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$176,942,454,000
Accumulated Benefit Obligations - \$181,752,796,715
The plan is 76.9% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 6.7% of their annual covered salary and the state of Texas contributes an amount equal to 6.0% of the School's covered payroll. The School's contributions to TRS were \$46,229 for the year ended August 31, 2019, which includes \$24,196 in Non-OASDI participating surcharges. The School's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

NOTE 9 - REGULATED INDUSTRY

A portion of the School's activities and revenues are a result of contracts with the TEA. The School's operations are concentrated in the education field. As such, the School operates in a heavily regulated environment. The operations of the School are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, the TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by the TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019**

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the School's financial assets as of the statement of financial position date.

Cash and Cash Equivalents	\$ 130,653
Due from Texas Education Agency	<u>134,942</u>
Financial Assets Available to Meet Cash	
Needs for Expenditures Within One Year	<u>\$ 265,595</u>

The School receives SEA funds from the TEA, which are classified as net assets with donor restrictions on the statement of financial position. However, restrictions are part of the School's mission that make them available for general expenditure within one year of the statement of financial position date. The School has a goal to maintain financial assets on hand to meet at least 30 days of normal operating expenses which are, on average, approximately \$327,000 per month, given full programmatic expenditures.

NOTE 11 - SUBSEQUENT EVENTS

In November 2019, Education Capital Solutions, LLC sold the building lease to RM Legacy Sports Sciences TX, LLC, a Delaware limited liability company. The lease is being renegotiated with terms yet to be defined.

The School has evaluated subsequent events through January 26, 2020, which is the date the financial statements were available to be issued.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
SCHEDULE OF EXPENSES
For the Year Ended August 31, 2019**

Expenses

6100	Payroll Costs	\$ 2,030,554
6200	Professional and Contracted Services	1,296,072
6300	Supplies and Materials	397,333
6400	Other Operating Costs	189,445
6500	Debt Interest Expense	<u>16,226</u>
	Total Expenses	<u><u>\$ 3,929,630</u></u>

See independent auditor's report.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
SCHEDULE OF CAPITAL ASSETS
August 31, 2019**

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	Local	Ownership Interest	
		State	Federal
1110 Cash	\$ -	\$ 130,653	\$ -
Total Capital Assets	\$ -	\$ 130,653	\$ -

See independent auditor's report.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
BUDGETARY COMPARISON SCHEDULE
Year Ended August 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable/ (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>OPERATING REVENUES AND OTHER SUPPORT</u>				
Total Local Funds	\$ 241,813	\$ 162,500	\$ 489,868	\$ 327,368
Total State Funds	4,114,776	3,061,367	3,146,447	85,080
TOTAL OPERATING REVENUES AND OTHER SUPPORT	4,356,589	3,223,867	3,636,315	412,448
<u>OPERATING EXPENSES</u>				
11 Instruction	2,135,443	1,412,094	1,354,498	57,596
13 Curriculum Development and Instructional Staff Development	12,000	12,000	1,500	10,500
23 School Leadership	285,539	354,870	321,160	33,710
31 Guidance, Counseling, and Evaluation Services	41,141	51,241	35,521	15,720
33 Health Services	33,673	28,673	25,244	3,429
34 Student Transportation	234,000	234,000	160,225	73,775
35 Food Services	155,000	175,996	189,015	(13,019)
36 Extracurricular Activities	365,026	371,726	360,200	11,526
41 General Administration	432,295	264,695	279,424	(14,729)
51 Plant Maintenance and Operations	393,950	932,532	951,760	(19,228)
52 Security and Monitoring Services	51,500	51,000	46,581	4,419
53 Data Processing	10,500	166,000	124,451	41,549
61 Community Service	46,128	58,128	44,386	13,742
71 Debt Service	15,927	15,927	16,226	(299)
81 Fundraising	21,800	21,800	19,439	2,361
TOTAL OPERATING EXPENSES	4,233,922	4,150,682	3,929,630	218,690
CHANGE IN NET ASSETS	122,667	(926,815)	(293,315)	631,138
NET ASSETS, Beginning of the Year	266,934	266,934	266,934	-
NET ASSETS, End of the Year	\$ 389,601	\$ (659,881)	\$ (26,381)	\$ 631,138

See independent auditor's report.

SUPPLEMENTARY INFORMATION

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
STATEMENT OF FINANCIAL POSITION
August 31, 2018**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 111,097
Due from Texas Education Agency	653,317
	764,414
Total Current Assets	764,414

TOTAL ASSETS	\$ 764,414
---------------------	-------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 141,942
Accrued Expenses	5,989
Line of Credit	349,549
	497,480
TOTAL LIABILITIES	497,480

NET ASSETS

Without Donor Restrictions	(137,897)
With Donor Restrictions	404,831
	266,934
TOTAL NET ASSETS	266,934

TOTAL LIABILITIES AND NET ASSETS	\$ 764,414
---	-------------------

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
STATEMENT OF ACTIVITIES
For the Ten Months Ended August 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>OPERATING REVENUES AND OTHER SUPPORT</u>			
Local Support:			
5749 Other Local Services	\$ 18,277	\$ -	\$ 18,277
5751 Food Service Activity	5,872	-	5,872
5752 Athletic Activities	9,084	-	9,084
Total Local Support	33,233	-	33,233
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	-	800,000	800,000
Total Federal Program Revenues	-	800,000	800,000
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	395,169	(395,169)	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	428,402	404,831	833,233
<u>OPERATING EXPENSES</u>			
11 Instruction	151,552	-	151,552
13 Curriculum Development and Instructional Staff Development	1,690	-	1,690
23 School Leadership	40,039	-	40,039
31 Guidance, Counseling, and Evaluation Services	6,339	-	6,339
35 Food Services	26,376	-	26,376
36 Extracurricular Activities	53,886	-	53,886
41 General Administration	78,860	-	78,860
51 Plant Maintenance and Operations	113,439	-	113,439
52 Security and Monitoring Services	17,000	-	17,000
53 Data Processing	77,471	-	77,471
TOTAL OPERATING EXPENSES	566,652	-	566,652
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITY	(138,250)	404,831	266,581
<u>NON-OPERATING ACTIVITY</u>			
Interest Income	353	-	353
TOTAL NON-OPERATING ACTIVITY	353	-	353
CHANGE IN NET ASSETS AFTER NON- OPERATING ACTIVITY	(137,897)	404,831	266,934
NET ASSETS, Beginning of Period	-	-	-
NET ASSETS, End of Period	\$ (137,897)	\$ 404,831	\$ 266,934

See independant auditor's report.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES
dba LEGACY THE SCHOOL OF SPORT SCIENCES
STATEMENT OF FUNCTIONAL EXPENSES
For the Ten Months Ended August 31, 2018**

<u>OPERATING EXPENSES</u>	<u>Program</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 82,321	\$ 69,420	\$ 151,741
Benefits	6,861	5,017	11,878
Payroll Taxes	1,165	651	1,816
Total Payroll Expenses	90,347	75,088	165,435
Supplies	310,469	1,331	311,800
Contract Labor	34,555	3,840	38,395
Insurance and Bonding	9,833	10,395	20,228
Professional Fees	-	11,479	11,479
Utilities	7,017	1,754	8,771
Food	4,949	-	4,949
Miscellaneous	2,325	1,670	3,995
Rental Expense	1,280	320	1,600
TOTAL OPERATING EXPENSES	\$ 460,775	\$ 105,877	\$ 566,652

See independent auditor's report.

**LEGACY COLLEGIATE MIDDLE AND HIGH SCHOOL
FOR CAREERS IN HEALTH AND SCIENCES dba
LEGACY THE SCHOOL OF SPORT SCIENCES
STATEMENT OF CASH FLOWS
For the Ten Months Ended August 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Grant Payments	\$	146,683
Miscellaneous Sources		33,586
Payments to Vendors for Goods and Services Rendered		(259,275)
Payments to Charter School Personnel for Services Rendered		(159,446)
		(238,452)
NET CASH USED BY OPERATING ACTIVITIES		(238,452)

CASH FLOWS FROM FINANCING ACTIVITIES

New Borrowings on Line of Credit		349,549
		349,549
NET CASH USED BY FINANCING ACTIVITIES		349,549

NET INCREASE IN CASH FLOWS		111,097
CASH AND CASH EQUIVALENTS, Beginning of Period		-
CASH AND CASH EQUIVALENTS, End of Period	\$	111,097

Reconciliation of Change in Net Assets to Net Cash

Used by Operating Activities:

Change in Net Assets \$ 266,934

Adjustments to Reconcile Change in Net Assets to Net Cash

Used by Operating Activities:

Increase in Assets:

Due from Texas Education Agency (653,317)

Increase in Liabilities:

Accounts Payable 141,942

Accrued Expenses 5,989

NET CASH USED BY OPERATING ACTIVITIES \$ (238,452)

OTHER REPORTING REQUIRED

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*

To the Board of Directors
Legacy Collegiate Middle and High School
for Careers in Health and Sciences dba
Legacy the School of Sport Sciences
Spring, 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 Collegiate Middle and High School for Careers in Health and Sciences dba Legacy the School of Sport Sciences (the School), a nonprofit organization, which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2020.

Internal Control Over Financial Reporting

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

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

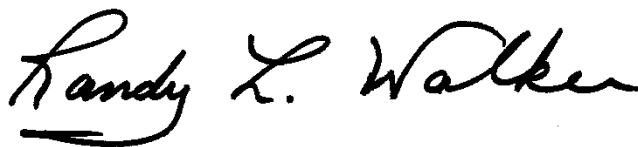
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first name.

San Antonio, Texas
January 26, 2020