

FINANCIAL STATEMENTS
LEGACY SCHOOLS
D/B/A LEGACY PREP
BIRMINGHAM, ALABAMA
SEPTEMBER 30, 2023

LEGACY SCHOOLS
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FINANCIAL SECTION

LEGACY SCHOOLS

BIRMINGHAM, ALABAMA

SEPTEMBER 30, 2023



Independent Auditor's Report

Board of Directors
Legacy Schools
Birmingham, Alabama

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, and the remaining aggregate fund information of Legacy Schools (the School), as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining aggregate fund information of Legacy Schools, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Legacy Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Legacy Schools' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Legacy Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Legacy Schools' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Legacy Schools' basic financial statements. The accompanying budgetary schedules and the schedule of expenditures of federal and state awards as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic 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 June 27, 2024, on our consideration of Legacy Schools' 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 Legacy Schools' internal control over financial reporting and compliance.


Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

June 27, 2024

Management’s Discussion and Analysis Legacy Prep Charter School September 30, 2023

As management of Legacy Prep Charter School, we offer readers of Legacy Prep’s audited financial statements this narrative overview and analysis of the financial activities of Legacy Prep for the fiscal year ending September 30, 2023. We encourage readers to read the information presented herein conjunction with additional information that we have furnished in the school’s financial statements, which follow this narrative.

The Management’s Discussion and Analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements- and Management’s Discussion and Analysis – for State and Local Governments issued in June 1999.

Financial Highlights

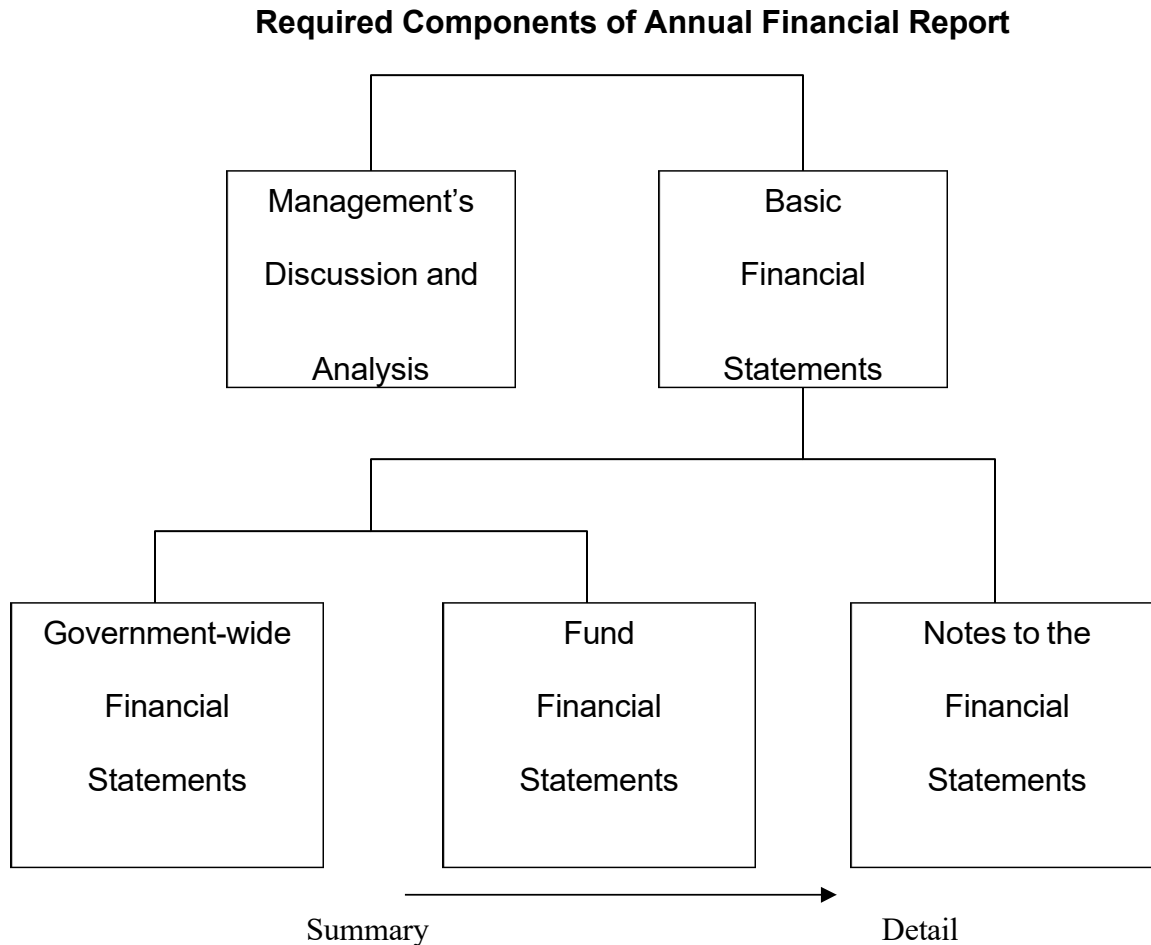
- The assets of Legacy Prep exceeded its liabilities at the close of the fiscal year 2023 by \$1,858,741 (net position), an increase of 130% from prior year.
- As of the close of the 2023 fiscal year, Legacy Prep’s governmental funds reported an ending fund balance of \$1,890,735.
- The Average Daily Membership (ADM) since Legacy Prep’s opening in August 2019 is as following:

- 2019	124.65
- 2020	252.70
- 2021	302.70
- 2022	350.49
- 2023	400.55
- 2024	437.25
- 2025	546.00

Overview of the Financial Statements

This discussion and analysis is intended to serve as a summary to Legacy Prep’s basic financial statements. The school’s basic financial statements consist of three components; 1) government- wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the school through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of Legacy Prep.

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statement are the **Government-wide Financial Statements**. They provide both short and long-term information about the school’s financial standing.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the school’s government and are more detailed than the government-wide financial statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. “Notes”). The Notes offer a detailed explanation of the data contained in those statements. Next, supplemental information is provided to show details about the school’s funds. Budgetary information for the school can also be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the school's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the school's financial states, as a whole.

The two government-wide statements report the school's net position and how they have changed. Net position equals the difference between the school's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the school's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the school's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds. Legacy Prep has no business-type activities, consequently, all of Legacy Prep's net position are reported as governmental activities.

The government-wide financial statements are enumerated in Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the school's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Legacy Prep, like all other governmental entities in Alabama, uses fund accounting to ensure and demonstrate fiscal accountability.

Governmental Funds – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. The governmental funds statements – the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance* - are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash and provide a short-term focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the school's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

Legacy Prep is required by the Alabama statute to adopt an annual budget. The budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules following the notes. The budget incorporates input from the faculty, management and the Board of Directors of the School and specifies which

Management's Discussion and Analysis
Legacy Prep Charter School
September 30, 2023

activities will be pursued and which services the school will provide during the year. It also authorized the school to obtain funds from identified sources to finance current period activities. The budgetary statement demonstrates how well the school has complied with the budget ordinance and whether the school has succeeded in providing the services as originally planned.

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Required Supplementary Information - In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* other than the MD&A consisting of a budgetary comparison schedule for the general fund and each major special revenue fund that has a legally adopted annual budget. If necessary, the schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

Government-Wide Financial Analysis – As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The assets of Legacy Prep exceeded liabilities by \$989,806 as of September 30, 2023. September 30, 2022, the net position of Legacy Prep was \$900,929. The school's net position increased by \$989,806 (110%) for the fiscal year ended September 30, 2023, compared to 2022. This is an unrestricted balance.

Legacy Prep has no business-type activities. Consequently, the school's net position is reported as Governmental Activities.

Figure 2
Legacy Prep's Net Position

	Governmental Activities	Governmental Activities
	<u>FY2023</u>	<u>FY2022</u>
Current and Other Assets	\$ 1,904,125	\$ 992,161
Capital Assets, Net of Depreciation	\$ 516,577	\$ 510,038
Total Assets	<u>\$ 2,420,702</u>	<u>\$ 1,502,199</u>
Deferred outflows of resources	\$ -	\$ -
Total assets and deferred outflows of resources	<u>\$ 2,420,702</u>	<u>\$ 1,502,199</u>
Current and Other Liabilities	\$ 13,390	\$ 91,232
Long-term Liabilities	\$ 548,571	\$ 601,568
Total Liabilities	<u>\$ 561,961</u>	<u>\$ 692,800</u>
Deferred inflows of resources	\$ -	\$ -
Total liabilities and deferred inflows of resources	<u>\$ 561,961</u>	<u>\$ 692,800</u>
Net Investment in Capital Assets	\$ (31,994)	\$ (91,530)
Restricted for:		
CSP Grant Funds	\$ -	\$ -
Unrestricted	<u>\$ 1,890,735</u>	<u>\$ 900,929</u>
Total Net Position	<u><u>\$ 1,858,741</u></u>	<u><u>\$ 809,399</u></u>

Several aspects of the school's financial operations positively influenced the total unrestricted governmental net position:

- The school adopted an annual budget. The school's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The school applied for and was awarded several grants to assist with the meeting educational needs of the student population.
- Funding increased proportionately with an increase in student enrollment.

Figure 3
Legacy Prep's Changes in
Net Assets

	Governmental Activities	Governmental Activities
	<u>FY2023</u>	<u>FY2022</u>
Revenues		
Program revenues:		
Operating grants and contributions	\$ 5,840,642	\$ 4,311,230
General donations and contributions	\$ 378,908	\$ 430,569
Miscellaneous, unrestricted	\$ 179,528	\$ 207,624
Proceeds from forgiveness of debt	-	-
Total revenues	<u>\$ 6,399,078</u>	<u>\$ 4,949,423</u>
Expenditures		
Instructional Services	\$ 2,463,731	\$ 2,334,985
Instructional support services	\$ 1,038,305	\$ 958,631
Operation and maintenance services	\$ 309,660	\$ 123,168
Auxiliary services	\$ 370,342	\$ 401,370
General administrative services and central support services	\$ 802,445	\$ 546,412
Other	\$ 323,995	\$ 133,444
Interest and fiscal charges	<u>\$ 41,258</u>	<u>\$ 43,499</u>
Total expenditures	<u>\$ 5,349,736</u>	<u>\$ 4,539,509</u>
Increase in net position before proceeds	\$ 1,049,342	\$ 409,914
Proceeds from long term debt	<u>\$ -</u>	<u>\$ -</u>
Increase in net position	<u>\$ 809,399</u>	<u>\$ 399,845</u>
Net position – ending Sept 30	<u>\$ 1,858,741</u>	<u>\$ 809,399</u>

Governmental activities. Governmental activities increased the school's net position by \$1,049,342. Program revenues provided 91% of all revenues. Operating grants, and contributions (donations) and miscellaneous revenues contribute 9% of program revenues. The major sources of revenues in this category are State foundation program funds and federal funds restricted for specific programs. General revenues, primarily donations and contributions, are used to provide the revenue to expenses not covered by program revenues.

Management's Discussion and Analysis
Legacy Prep Charter School
September 30, 2023

Instructional expenditures, primarily salaries and benefits for classroom teachers and instructional support, are the largest expense function of the school (65%).

- In addition to teacher salaries and benefits, instructional services include teacher aides, substitute teachers, textbooks, depreciation of instructional buildings, professional development, and classroom instructional materials, supplies and equipment.
- Instructional support services include salaries and benefits for school principals, assistant principals, librarians, counselors, school secretaries, school bookkeepers, speech therapists, and school nurses, and professional development expenses.
- Operation and maintenance services include utilities, security services, janitorial services, maintenance services, and depreciation of maintenance vehicles.
- Auxiliary services include food services and transportation services. Food service expenditures include purchased food, food preparation and service supplies, and kitchen equipment.
- General administrative services include salaries and benefits for the superintendent, assistants, clerical and financial staff, and other personnel that provide system-wide support for the school. Also includes are legal expenses, liability insurance, training for board members and general administrative staff, printing costs, and depreciation of central office equipment and facilities.
- Interest and fiscal charges include interest on long-term debt issues and other expenses related to the issuance and continuance of debt issues.
- Other expenses include the salaries and benefits for extended day personnel, materials, supplies, equipment, related depreciation and other expenses for operating programs outside of those for educating students in the K through 12 instructional programs.
- Capital outlay includes expenditures for leasehold improvements and equipment.

Governmental Funds. The focus of Legacy Prep's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing Legacy Prep's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of Legacy Prep. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,818,549, while total fund balance reached \$1,890,735.

Capital Asset and Debt Administration

Capital assets. Legacy Prep's investment in capital assets for its governmental activities as of September 30, 2023 totals \$317,565 (net of depreciation). Capital assets include leasehold improvements, furniture and equipment costing \$5,000 or more.

Figure 4
Legacy Prep's Capital Assets
 (Net of Depreciation)

	Governmental Activities FY2023	Governmental Activities FY2022
Leasehold improvements	\$ 306,997	\$ 331,999
Furniture and equipment	\$ 10,568	\$ 18,504
Total Capital Assets, net	\$ 317,565	\$ 350,503

Depreciation is required by GASB 34. Additional information about the school’s capital assets can be found in the notes to the basic financial statements.

Long-term Debt. As of September 30, 2023, Legacy Prep’s long-term debt had a balance of \$338,813. Additional information about the school’s long-term debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year’s Budget

The following key economic indicators reflect the growth and prosperity of the school:

- A 7th grade was added for FY2024-25 school year and an 8th grade will be added for the school year 2025-26.
- Legacy Prep purchased an elementary school which will be renovated and converted in a middle school, grades 4-8, and with an anticipated opening date of August 2025.
- The school does not receive funding from local or county governments and Covid Relief Funding will expire on September 30, 2024.

At the time these financial statements were prepared and audited, the Board was unaware of any circumstances that could significantly affect the Board’s financial health in the future.

Requests for Information

This report is designed to provide an overview of the school’s finances for those with an interest in this area and to show the Board’s accountability for the money it receives. Questions concerning any of the information found in this report or requests for additional information should be directed to Willie Davis, Chief School Financial Officer, Legacy Prep, 1500 Daniel Payne Drive, Birmingham, Alabama, 35214, telephone (205) 573-0777, extension #1103.

Legacy Schools
Statement of Net Position
September 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,611,283
Due from other governments	285,689
Food inventory	7,153
Capital assets (Note III):	
Land, improvements, and construction in progress	-
Other capital assets, net of depreciation	516,577
Total capital assets	516,577
Total assets	2,420,702
DEFERRED OUTFLOWS OF RESOURCES	
	-
LIABILITIES	
Accounts payable - trade	13,390
Accrued interest payable	-
Long-term liabilities:	
Due within one year	230,493
Due in more than one year	318,078
Total liabilities	561,961
DEFERRED INFLOWS OF RESOURCES	
	-
NET POSITION	
Net investment in capital assets	(31,994)
Restricted for:	
CSP Grant Funds	-
Unrestricted	1,890,735
Total net position	\$ 1,858,741

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

**Legacy Schools
Statement of Activities
September 30, 2023**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional services	\$ 2,463,731	\$ -	\$ -	\$ -	\$ (2,463,731)	\$ -	\$ (2,463,731)
Instructional support	1,038,305	-	-	-	(1,038,305)	-	(1,038,305)
Operation and maintenance	309,660	-	-	-	(309,660)	-	(309,660)
Transportation	370,342	-	-	-	(370,342)	-	(370,342)
General administration and central support	802,445	-	-	-	(802,445)	-	(802,445)
Other	323,995	-	-	-	(323,995)	-	(323,995)
Interest on long-term debt	41,258	-	-	-	(41,258)	-	(41,258)
Total governmental activities	5,349,736	-	-	-	(5,349,736)	-	(5,349,736)
Business-type activities:							
School food service	-	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-	-
Total primary government	\$ 5,349,736	\$ -	\$ -	\$ -	(5,349,736)	-	(5,349,736)
General revenues:							
Unrestricted State appropriations					4,281,561	-	4,281,561
Unrestricted Federal appropriations					1,559,081	-	1,559,081
Donations - general					378,908	-	378,908
Miscellaneous, unrestricted					179,528	-	179,528
Transfers					-	-	-
Total general revenues, special items, and transfers					6,399,078	-	6,399,078
Change in net position					1,049,342	-	1,049,342
Net position, beginning, as previously reported					809,399	-	809,399
Net position-ending					\$ 1,858,741	\$ -	\$ 1,858,741

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

**Legacy Schools
Balance Sheet
Governmental Funds
September 30, 2023**

	Major Funds		Total Governmental Funds
	General	Federal Grants	
ASSETS			
Cash and cash equivalents	\$ 1,687,118	\$ (75,835)	\$ 1,611,283
Due from other governments	144,821	140,868	285,689
Food inventory	-	7,153	7,153
Total assets	1,831,939	72,186	1,904,125
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable - trade	13,390	-	13,390
Short term note payable	-	-	-
Total liabilities	13,390	-	13,390
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
Fund balances:			
Nonspendable:	-	7,153	7,153
Assigned:			
CSP Grant Funds	-	-	-
Unassigned	1,818,549	65,033	1,883,582
Total fund balances	1,818,549	72,186	1,890,735
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,831,939	\$ 72,186	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	516,577
Net OPEB asset	-
Deferred outflows of resources	-
Liabilities for earned but unavailable revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	(548,571)
Compensated absences	-
Deferred inflows of resources	-
Net position of governmental activities	\$ 1,858,741

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

Legacy Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2023

	Major Funds		Total Governmental Funds
	General	Federal Grants	
Revenues			
State of Alabama	\$ 4,281,561	\$ -	\$ 4,281,561
U.S. Government	241,254	1,317,827	1,559,081
Contributions and donations	375,168	3,740	378,908
Other	138,322	41,206	179,528
Total revenues	5,036,305	1,362,773	6,399,078
EXPENDITURES			
Current:			
Instructional services	1,817,317	425,243	2,242,560
Instructional support	649,152	389,153	1,038,305
Operation and maintenance	309,660	-	309,660
Transportation	1,950	368,392	370,342
General administration and central support	781,373	21,072	802,445
Other	169,212	154,783	323,995
Capital outlay	227,710	-	227,710
Debt service:			
Principal	280,707	-	280,707
Interest and other charges	41,258	-	41,258
Total expenditures	4,278,339	1,358,643	5,636,982
Excess (deficiency) of revenues over expenditures	757,966	4,130	762,096
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(24,676)	24,676	-
Proceeds from lease liability	227,710	-	227,710
Total other financing sources (uses)	203,034	24,676	227,710
Net change in fund balance	961,000	28,806	989,806
Fund balances-beginning	857,549	43,380	900,929
Fund balances-ending	\$ 1,818,549	\$ 72,186	\$ 1,890,735

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

Legacy Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statements of Activities
For the Year Ended September 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 989,806
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	6,539
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	-
Contributions to the OPEB plans in the current fiscal year are not included on the statement of activities	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Proceeds from debt forgiveness	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	52,997
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Pension expense OPEB expense Compensated absences Rounding adjustment	- - - -
Total changes in net position of governmental activities	\$ 1,049,342

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

Legacy Schools
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2023

I. Summary of Significant Accounting Policies

The accounting policies of Legacy Schools, Alabama (the School) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below:

A. Reporting Entity

GASB Statements No. 14, 39, 61 and 80 establish standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency's governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no material component units which should be included as part of the financial reporting entity of the School.

The School is a legally separate agency of the State of Alabama.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the School's finances. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Although other governments may report both governmental activities and business-type activities, the School has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The School does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School funds, including fiduciary funds, if any. Separate statements for each fund category – *governmental and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as other governmental funds. The School currently has no fiduciary funds.

The School reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund. The School's General Fund primarily received

Education revenues from the Education Trust Fund (ETF), appropriated by the Alabama Legislature, and from local taxes. The State Department of Education allocated amounts appropriated from the ETF to the school board on a formula basis.

Federal Fund. The Federal Fund is used to account for the Federal moneys that are received directly from the Department of Education or passed through the State Department of Education to the School.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statement. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental Fund Financial Statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within thirty (30) days after year-end. Revenues from state and federal funds are considered available if transactions eligible for reimbursement have taken place. Expenditures generally are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Local school activity funds under the control of school principals use the cash basis of accounting during the year. However, these funds have been restated to the modified accrual basis of accounting in these financial statements.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Deposits and Investments. Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

The State Attorney General has issued a legal opinion that boards of education may not put public funds at risk by investing in companies not insured by the federal government.

Receivables. Receivables are reported as accounts receivable and due from other governments in the government-wide financial statements and as accounts receivable, due from other funds, and due from other governments in the fund financial statements. Receivables due from other governments include amounts due from grantors for grants issued for specific programs and local taxes. Management has considered the need for an allowance for uncollectible amounts and no allowance has been recorded.

Property Tax Calendar. The Jefferson County omission levies property taxes for all jurisdictions including the school boards and municipalities within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the

preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31.

Inventories and Prepaid Items. Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased except commodities donated by the federal government and purchased food items which are expensed when consumed. Prepaid items, such as insurance premiums and rent are recorded as expenditures in governmental funds when paid.

In the government-wide financial statements, inventories and prepaid items are recorded on an accrual basis using the consumption method. Expenses reflect the amount of materials and supplies consumed and the amount of prepaid items applicable to the current period.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical costs in the statement of net assets. Donated assets are recorded at their estimated fair value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. The School has no general infrastructure assets.

Depreciation of capital assets is recorded in the statement of activities on a straight-line basis over the estimated useful life of the asset. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and the estimated useful lives of capital assets reported in the government-wide financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Leasehold improvements	\$ 5,000.00	15 years
Equipment and furniture	\$ 5,000.00	5-7 years

The capitalization threshold for Land, Construction in Progress, and Inexhaustible Land Improvements is \$1 or more. However, these capital assets are not depreciated.

Right to Use Assets

Legacy Schools has recorded the right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Long-Term Obligations

In the government-wide financial statements, the unmatured principal of long-term debt and compensated absences are reported in the statement of net position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. Debt issuance costs include all costs incurred to issue the debt including insurance, financing and other related costs. Debt issuance cost (except for prepaid insurance costs) are recognized as an expense in the period incurred.

Premiums and discounts on debt are capitalized and amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported in the statement of net position.

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as an other financing source. Debt issuance costs are not deducted from the amount reported as an other financing source but are reported as debt service expenditures. Any discount is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. The balance sheet does not reflect a liability for long-term debt.

Compensated Absences

For vacation leave and other compensated absences with similar characteristics, GASB Statement No. 16 requires the accrual of a liability as the benefits are earned by the employees, if both of these conditions are met:

- a. The employee's right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

An accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

The School does not offer vacation days to its employees. Employees are granted three personal leave days each year and are otherwise free to take time off when school is not in session. The personal leave days must be taken within the School's fiscal year and cannot be carried over to the following year. Since the School has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Pensions

The School does not currently participate in the Teachers' Retirement System of Alabama.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and will be recognized as an outflow of resources (expense/expenditure) in a subsequent period. The School has no items reported in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School has no items reported in this category.

Net Position/Fund Balances

Net Position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

Net investment in capital assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the School.

Fund equity is reported in the fund financial statements. Governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted Fund Balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the School – the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the School removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. – The classification reflects the amounts constrained by the School’s “intent” to be used for specific purposes but are neither restricted nor committed. The Board of Education and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. A total of \$48,649 is assigned to CSP Grant expenditures in the federal Funds.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

II. Deposits and Investments

Deposits

As of September 30, 2023, the carrying amount of the School's bank deposits was \$462,426 and the bank balance was \$519,245, of which \$250,000 was covered by federal depository insurance. The remaining \$269,245 was a credit risk. The School does not have a deposit policy for custodial credit risk.

Investments

The School has no investments at this time.

III. Capital Assets

Changes in capital assets of governmental activities was as follows for the year ended September 30, 2023:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Governmental activities				
Capital assets being depreciated:				
Leasehold improvements	\$ 372,548	\$ -	\$ -	\$ 372,548
Furniture and equipment	51,659	-	-	51,659
Total capital assets being depreciated	<u>424,207</u>	-	-	<u>424,207</u>
Less accumulated depreciation for:				
Leasehold improvements	40,549	25,002	-	65,551
Furniture and equipment	33,155	7,936	-	41,091
Total accumulated depreciation	<u>73,704</u>	<u>\$ 32,938</u>	<u>\$ -</u>	<u>106,642</u>
Total capital assets being depreciated, net	<u>350,503</u>			<u>317,565</u>
Governmental activity capital assets, net	<u><u>\$ 350,503</u></u>			<u><u>\$ 317,565</u></u>

Depreciation was charged to instructional services.

IV. Right to Use Leased Assets

Legacy Schools has recorded one right to use a leased asset. The asset is a right to use assets for the building and land. The related lease is discussed in the lease subsection of the liabilities section of this note. The right to use lease asset is amortized on a straight-line basis over the terms of the related lease.

Right to use asset activity for the primary government for the year ended September 30, 2023, was as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Right to use assets:				
Leased Building and Land	\$ 372,247	\$ -	\$ 372,247	\$ -
Leased Building and Land - New Lease	-	227,710	-	227,710
Total Right to use Assets	<u>372,247</u>	<u>227,710</u>	<u>372,247</u>	<u>227,710</u>
Less accumulated amortization for:				
Leased Building and Land	212,712	159,535	372,247	-
Leased Building and Land - New Lease	-	28,698	-	28,698
Total accumulated amortization	<u>212,712</u>	<u>188,233</u>	<u>372,247</u>	<u>28,698</u>
Right to use assets, net	<u><u>\$ 159,535</u></u>	<u><u>\$ 39,477</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 199,012</u></u>

V. Pension Plan

Plan Description

The School does not currently offer its employees a retirement plan.

V. Long-Term Debt

a. Leases

The School has entered into an agreement to lease their building and unimproved land. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum leases payments as of the date of its inception.

The agreement was executed in July 1, 2021, to lease the building and undeveloped land and requires 24 monthly payments of \$18,717. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 6%, which is the standard rate. As a result of the lease, the School has recorded a right to use assets with a net book value of \$0 at September 30, 2023. The right to use assets is discussed in more detail in the intangible Assets section of these notes. The lease was extended on July 1, 2023 and now requires 24 monthly payments of \$10,092. The lease liability is measured at a discount rate of 6%, which is the standard rate. As a result of the lease, the School has recorded a right to use assets with a net book value of \$199,012 at September 30, 2023.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2023, were as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 111,556	\$ 9,551	\$ 121,107
2025	98,202	2,721	100,923
Total	<u>\$ 209,758</u>	<u>\$ 12,272</u>	<u>\$ 222,030</u>

b. Notes Payable

The School entered into a seventeen-month promissory note direct borrowing for \$300,000 at a rate of LIBOR one month (5.08% at September 30, 2023) for operating expenses and leasehold improvements in July 2019. As of September 30, 2023, the balance on this debt is \$270,943. The School refinanced this note in February 2022 and the future obligations of this debt based on the refinance agreement consist of the following:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 51,067	\$ 26,269	\$ 77,336
2025	56,750	20,586	77,336
2026	63,067	14,269	77,336
2027	70,087	7,249	77,336
2028	29,972	766	30,738
Total	<u>\$ 270,943</u>	<u>\$ 69,139</u>	<u>\$ 340,082</u>

The School entered into a thirty-six-month promissory note direct borrowing for \$213,000 at a rate of 4.050% for operating expenses and leasehold improvements in August 2021. The note is payable in monthly installments of principal and interest of \$6,293. The balance on the note is due in full on August 16, 2024. As of September 30, 2023, the balance on this debt is \$67,870. Future obligations of this debt consist of the following:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 67,870	\$ 1,382	\$ 69,252
Total	<u>\$ 67,870</u>	<u>\$ 1,382</u>	<u>\$ 69,252</u>

c. Changes in General Long-Term Obligations

The following is a summary of changes in the School’s long-term obligations for the fiscal year ended September 30, 2023.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Notes payable direct borrowings	\$ 437,249	\$ -	\$ 98,436	\$ 338,813	\$ 118,937
Lease liabilities	164,319	227,710	182,271	209,758	111,556
Total	<u>\$ 601,568</u>	<u>\$ 227,710</u>	<u>\$ 280,707</u>	<u>\$ 548,571</u>	<u>\$ 230,493</u>

VI. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and claims have not exceeded coverage in any of the past two fiscal years.

VII. Other Revenues and Expenses – Government Activities

Other expenses – governmental activities as reported in the statement of activities on page 16 consisted of the following:

September 30,	2023
After school program	\$ 258,171
School store expenses	6,147
Other expenses	<u>\$ 264,318</u>

VII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

IX. Significant Effects of Subsequent Events

The School has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors’ report. The School has not evaluated subsequent events after that date. There were no subsequent events during this period that requires disclosure.

Legacy Schools
All Fund Types
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended September 30, 2023

	2023		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of Alabama	\$ 3,305,926	\$ 4,281,561	\$ 975,635
U.S. Government	1,644,195	1,559,081	(85,114)
Contributions and donations	400,000	378,908	(21,092)
Others	<u>351,530</u>	<u>179,528</u>	<u>(172,002)</u>
Total revenues	<u>5,701,651</u>	<u>6,399,078</u>	<u>697,427</u>
Expenditures			
Instructional services	2,397,799	2,242,560	155,239
Instructional support	1,132,519	1,038,305	94,214
Operation and maintenance	294,830	309,660	(14,830)
Transportation	496,456	370,342	126,114
General administration and central support	839,155	802,445	36,710
Other	357,235	323,995	33,240
Capital outlay	139,720	227,710	(87,990)
Debt Service - Principal	93,600	280,707	(187,107)
Debt Service - Interest	-	41,258	(41,258)
Total expenditures	<u>5,751,314</u>	<u>5,636,982</u>	<u>114,332</u>
Other financing sources (uses):			
Transfers to other funds	-	-	-
Proceeds from lease liability	<u>133,934</u>	<u>227,710</u>	<u>93,776</u>
Excess of revenues over expenditures	<u>\$ 84,271</u>	989,806	<u>\$ 905,535</u>
Fund balance:			
Beginning of the year, July 1		<u>900,929</u>	
End of the year, September 30		<u>\$ 1,890,735</u>	

Legacy Schools
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2023

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Pass through State of Alabama:			
Idea Part B	84.027		\$ 67,385
Idea Preschool	84.173		1,699
Title I Part A	84.010		120,859
Supporting Effective Instruction	84.367		37,676
Student Support and Academic	84.424		10,000
CARES Act ARP Part B IDEA	84.027X		13,142
CARES Act ARP Part B IDEA	84.173X		4,007
CARES Act ESSER	84.425D		378,663
CARES Act ESSER	84.425D		7,200
CARES Act CRF Governor	84.425U		87,695
CARES Act CRF ESSER III	84.425U		224,041
			<u>952,367</u>
<u>US Department of Agriculture</u>			
Pass through State of Alabama:			
Child Nutrition Program	10.555		<u>365,595</u>
TOTAL FEDERAL CASH ASSISTANCE			<u>1,317,962</u>
STATE AWARDS:			
CASH ASSISTANCE			
<u>State of Alabama</u>			
Direct Award:			
Foundations	XXXX		2,557,117
Various state grants	XXXX		<u>637,430</u>
TOTAL STATE CASH ASSISTANCE			<u>3,194,547</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 4,512,509</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is followed in the schedule of expenditures of federal awards (the SEFA). Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the Susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Board; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

Note 2: Fiscal Period Audited

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2023.

Note 3: Indirect Costs

The Board has not elected to use the 10% de minimis cost rate.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Legacy Schools
Birmingham, Alabama

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 accompanying financial statements of the governmental activities and each major fund of Legacy Schools as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprises Legacy Schools' basic financial statements and have issued our report thereon dated June 27, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legacy Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legacy Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Legacy Schools' 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 School'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legacy Schools' financial statements are free of 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.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

June 27, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Legacy Schools
Birmingham, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Legacy Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, that could have a direct and material effect on each of Legacy Schools' major federal programs for the year ended September 30, 2023. Legacy Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Legacy Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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) and the State Single Audit Implementation Act. Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Legacy Schools and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Legacy Schools' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Legacy Schools' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Legacy Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Legacy Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Legacy Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Legacy Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Legacy Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.


Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

June 27, 2024

Legacy Schools
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2023

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported

Noncompliance material to financial statements noted	_____ yes	_____ <u>X</u> no
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Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported

Type of auditors' report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____ yes	_____ <u>X</u> no
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Identification of major Federal programs:

<u>Program Name</u>	<u>CFDA Number</u>
CARES Act Cluster	84.425

Dollar threshold used to distinguish between Type A and Type B Programs	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	_____ yes	_____ <u>X</u> no
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Legacy Schools
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2023

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

Legacy Schools
Summary Schedule of Prior Year's Audit Findings
For the Fiscal Year Ended September 30, 2023

There were no prior year audit findings.