

# **Lena Pope Home, Inc.**

(The Charter Holder)

Financial Report

August 31, 2019

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**Lena Pope Home, Inc.**

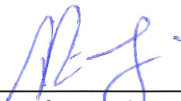
(Federal Employer Identification Number 75-6003583)

Certificate of the Board

We, the undersigned, certify that the attached Financial Report of Lena Pope Home, Inc. was reviewed and (check one)  approved \_\_\_ disapproved for the year ended August 31, 2019, at a meeting of the governing body of the charter holder on the 24 day of January 2020.



\_\_\_\_\_  
Signature of Board Secretary



\_\_\_\_\_  
Signature of Board President

## Independent Auditor's Report

To the Board of Directors of  
Lena Pope Home, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Lena Pope Home, Inc. (the Charter Holder) (the Organization), which comprise the statements of financial position as of August 31, 2019 and 2018, the statement of functional expenses for the year ended August 31, 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Lena Pope Home, Inc. as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors of  
Lena Pope Home, Inc.

### **Emphasis of Matter**

As discussed in Note 1, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses net asset classification requirements and the information presented in financial statements and notes regarding liquidity, financial performance and cash flows. Lena Pope Home, Inc. adopted ASU 2016-14 in year ended August 31 2019. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
January 21, 2020

# Financial Statements

**Lena Pope Home, Inc.**  
 Statements of Financial Position  
 August 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,388,492	\$ 3,882,671
Receivables		
Pledges	68,511	709,573
Grant and other programs	496,918	574,317
Due from related party	239,988	130,000
Beneficial interests in perpetual trusts	10,630,099	11,223,245
Property and equipment, net	25,718,317	26,047,624
Other assets	147,056	118,830
	<b>TOTAL ASSETS</b>	<b>TOTAL ASSETS</b>
	\$ 39,689,381	\$ 42,686,260
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 874,757	\$ 2,030,689
Deferred revenue	303,800	229,535
Interest rate swap	539,744	-
Note payable	5,964,970	6,184,422
Annuity payable	463,401	469,767
	Total liabilities	Total liabilities
	8,146,672	8,914,413
<b>NET ASSETS</b>		
Net assets without donor restrictions	20,695,996	21,534,780
Net assets with donor restrictions	10,846,713	12,237,067
	Total net assets	Total net assets
	31,542,709	33,771,847
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>
	\$ 39,689,381	\$ 42,686,260

**Lena Pope Home, Inc.**  
**Statements of Activities**  
**Years Ended August 31, 2019 and 2018**

	2019		Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Public support			
Contributions	\$ 381,515	\$ 545,755	\$ 927,270
Lena Pope Foundation	235,255	-	235,255
Special events	511,719	-	511,719
United Way	113,603	-	113,603
Trust income	1,731,871	-	1,731,871
Fees and grants	2,704,113	7,664,928	10,369,041
Investment loss, net of expenses of \$190,398 and \$171,270	133,207	(593,146)	(459,939)
Unrealized gain (loss) on interest rate swap	(540,275)	-	(540,275)
Rental income	1,596,746	-	1,596,746
Other	113,113	-	113,113
Net assets released from restrictions	9,007,891	(9,007,891)	-
Total revenues, gains and other support	15,988,758	(1,390,354)	14,598,404
<b>EXPENSES</b>			
Program services			
Charter school	7,233,146	-	7,233,146
Counseling and substance abuse treatment	2,251,004	-	2,251,004
School and community based services	2,029,325	-	2,029,325
Early learning center	3,402,645	-	3,402,645
Chapel and conference center	510,514	-	510,514
Support services			
Management and general	573,595	-	573,595
Fundraising and development	827,313	-	827,313
Total expenses	16,827,542	-	16,827,542
Change in net assets	(838,784)	(1,390,354)	(2,229,138)
<b>NET ASSETS, beginning of year</b>	21,534,780	12,237,067	33,771,847
<b>NET ASSETS, end of year</b>	\$ 20,695,996	\$ 10,846,713	\$ 31,542,709

The Notes to Financial Statements  
are an integral part of these statements.



Exhibit A-2

2018		
Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 364,069	\$ 1,946,157	\$ 2,310,226
181,582	-	181,582
498,393	-	498,393
113,248	-	113,248
1,694,660	-	1,694,660
1,703,681	6,592,478	8,296,159
-	-	-
81,224	(502,324)	(421,100)
226,480	-	226,480
1,522,492	-	1,522,492
263,782	-	263,782
7,820,078	(7,820,078)	-
14,469,689	216,233	14,685,922
5,757,784	-	5,757,784
2,017,498	-	2,017,498
2,056,176	-	2,056,176
2,298,754	-	2,298,754
475,209	-	475,209
590,407	-	590,407
686,480	-	686,480
13,882,308	-	13,882,308
587,381	216,233	803,614
20,947,399	12,020,834	32,968,233
\$ 21,534,780	\$ 12,237,067	\$ 33,771,847

**Lena Pope Home, Inc.**  
Statement of Functional Expenses  
Year Ended August 31, 2019

	Program Services						Total
	School and Community Based Services	Substance Abuse Treatment	Charter School	Chapel and Conference Center	Early Learning Center		
<b>EXPENSES</b>							
Personnel	\$ 1,557,224	\$ 1,892,405	\$ 5,192,895	\$ 229,035	\$ 2,647,819	\$ 11,519,378	
Professional fees	139,609	43,542	169,077	13,245	52,458	417,931	
Supplies, food and printing	3,204	5,842	190,933	1,890	121,751	323,620	
Communications	19,322	30,338	32,814	2,940	25,720	111,134	
Occupancy	131,141	84,265	497,333	66,463	153,635	932,837	
Transportation	32,554	8,887	8,532	528	4,052	54,553	
Conferences and meetings	17,955	25,333	50,352	1,371	32,187	127,198	
Dues and subscriptions	6,953	5,299	15,980	1,961	8,714	38,907	
Client assistance	1,912	1,034	132,470	13,717	24,640	173,773	
Equipment	12,325	16,103	155,536	17,299	26,358	227,621	
Other operating costs	107,126	137,956	787,224	162,065	305,311	1,499,682	
<b>TOTAL EXPENSES</b>	<b>\$ 2,029,325</b>	<b>\$ 2,251,004</b>	<b>\$ 7,233,146</b>	<b>\$ 510,514</b>	<b>\$ 3,402,645</b>	<b>\$ 15,426,634</b>	

The Notes to Financial Statements  
are an integral part of this statement.

Exhibit A-3

Supporting Services			Total Program and Supporting Services
Management and General	Fundraising	Total	2019
\$ 352,204	\$ 579,075	\$ 931,279	\$ 12,450,657
30,285	43,128	73,413	491,344
1,292	27,484	28,776	352,396
1,853	5,358	7,211	118,345
51,342	11,574	62,916	995,753
3,684	1,390	5,074	59,627
7,817	10,608	18,425	145,623
7,632	4,301	11,933	50,840
-	5,753	5,753	179,526
7,321	17,818	25,139	252,760
110,165	120,824	230,989	1,730,671
<u>\$ 573,595</u>	<u>\$ 827,313</u>	<u>\$ 1,400,908</u>	<u>\$ 16,827,542</u>

**Lena Pope Home, Inc.**  
 Statements of Cash Flows  
 Years Ended August 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,229,138)	\$ 803,614
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,186,241	822,739
Change in fair value of beneficial interests in perpetual trusts	593,146	502,324
Loss on disposal of property	30,776	-
Unrealized (gain) loss on interest rate swap	540,275	(227,012)
Changes in operating assets and liabilities		
Pledges receivable	641,062	(575,659)
Grant and other programs receivable	77,399	(247,306)
Due from related party	(109,988)	(130,000)
Other assets	(28,226)	15,938
Accounts payable and accrued expenses	(1,155,932)	1,418,268
Deferred revenue	74,265	(50,694)
	(380,120)	2,332,212
Net cash provided by (used in) operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(853,356)	(7,844,370)
	(853,356)	(7,844,370)
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Annuity payments	(41,251)	(68,750)
Payments on note payable	(219,452)	(15,578)
Proceeds from note payable	-	5,915,909
	(260,703)	5,831,581
Net cash provided by (used in) financing activities		
Net change in cash	(1,494,179)	319,423
<b>CASH, beginning of year</b>	3,882,671	3,563,248
<b>CASH, end of year</b>	\$ 2,388,492	\$ 3,882,671

The Notes to Financial Statements  
are an integral part of these statements.

# Lena Pope Home, Inc.

## Notes to Financial Statements

### **Note 1. Summary of Significant Accounting Policies**

#### **Nature of Operations**

Lena Pope Home, Inc. (the Charter Holder) (Lena Pope) provides a comprehensive range of prevention and early intervention services including education, counseling, family preservation, and alternative education to meet the needs of children, youth, and their families in Tarrant and surrounding counties.

Following its vision of prevention and early intervention, Lena Pope provides counseling, substance use treatment services, juvenile justice programs, and early learning services for families of children with ages from six weeks old to five years.

Lena Pope also operates a public open enrollment charter school, Chapel Hill Academy, whose operations are maintained on a separate accounting system which is more closely aligned with requirements of the Texas Education Agency. The charter school is an open enrollment public charter school that opened on August 25, 2008, to provide education to students in Tarrant County residing in sixteen local traditional public school districts. The Contract for Charter granted by the State Board of Education of the State of Texas pursuant to Chapter 12 of the Texas Education Code was effective April 23, 2008 and has been renewed to July 31, 2023.

The charter 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 the Texas Education Agency and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements, and should state or federal auditors discover areas of noncompliance, the charter school funds may be subject to refund if so determined by the Texas Education Agency or the grantor agency.

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

#### **Contributions**

Unconditional promises to give are recorded as contributions when received and classified as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor stipulations.

Conditional promises to give received by Lena Pope, which stipulate the occurrence of some specified future event before payment will be made, are recognized when the specified future event takes place and the promise to give becomes unconditional.

#### **Donated Non-Cash Assets**

Donated non-cash assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has specified the donated asset to a specific purpose.

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Donated Services

A substantial number of volunteers have donated significant amounts of time to Lena Pope's activities. However, Lena Pope only recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

### Rental Activities

Lena Pope leases certain land and property that it owns under operating leases. Rental income is recorded on the accrual basis of accounting.

### Cash Equivalents

For purposes of the statement of cash flows, Lena Pope considers all highly-liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

### Property and Equipment

Lena Pope capitalizes all expenditures for property and equipment costing in excess of \$5,000 and having a useful life of one year or more. The fair market value of donated assets is similarly capitalized. Depreciation using the straight-line method is recorded over the estimated useful lives of the assets.

Estimated lives of major property categories are as follows:

Land improvements	5 - 30 years
Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 20 years
Vehicles	3 - 5 years

Capital assets acquired with public funds received by Lena Pope for the operation of the charter school constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets for the charter school.

### Impairment of Long-Lived Assets

Management evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

### Interest Rate Swap

Lena Pope utilizes an interest rate swap to reduce its exposure to unfavorable changes in interest rates related to a note payable. Lena Pope recognizes all derivative instruments on the statement of financial position as either an asset or liability based on fair value and recognizes subsequent changes in fair value as a change in net assets in the statement of activities. The note payable is recorded at the value of the unamortized principal balance at year-end.

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, but are not limited to, the fair value of mineral interests included in the beneficial interest in a perpetual trust, valuation of the charitable gift annuities, allowance related to grants and other program receivable, valuation of the interest rate swap, and foundation revenue from the Texas Education Agency. Actual results could differ from those estimates.

### Income Taxes

Lena Pope is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that Lena Pope is not a private foundation within the meaning of Section 509(a) of the Code.

Lena Pope recognizes in its financial statements the financial effect of a tax position if that position is more likely than not to be sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. Tax positions taken related to the Lena Pope's tax exempt status for federal tax purposes and state filing requirements have been reviewed, and management is of the opinion that material positions taken by Lena Pope would more likely than not be sustained by examination. Accordingly, Lena Pope has not recorded an income tax liability for uncertain tax benefits.

### Donor Restrictions

Lena Pope reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. All donor-restricted support is reported as an increase in net assets with donor restrictions – time and purpose or net assets with donor restrictions – held in perpetuity depending on the nature of the restriction.

Lena Pope reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Lena Pope reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

### Charitable Gift Annuities

Lena Pope has entered into charitable gift annuity agreements under which donors contribute assets to Lena Pope in exchange for its commitment to make distributions to the donor or other beneficiaries for a specified period of time or until the death of the beneficiary. Assets received are recorded at fair value on the date the agreement is executed, and a liability equal to the present value of the future distributions is also recorded. The difference between the fair value of the assets received and the liability to the donor or other beneficiaries is recognized as contribution revenue in the period the gift is received. On an annual basis, Lena Pope revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Discount rates on these obligations range from 5.3% - 5.8%.

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Functional Allocation of Expenses

In some cases, expenses are incurred which support the work performed under more than one program. Such expenses are allocated among various programs on the basis which appears most reasonable. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Lena Pope. Personnel expenses are allocated based on estimates of time and effort. Administrative overhead is allocated based on the respective category's percentage of total expenses. Property and common area maintenance (CAM) expenses are allocated based square footage by department. IT and Technology expenses are allocated based on full-time equivalents (FTEs) by department.

### New Accounting Standard Adopted

In fiscal year 2019, Lena Pope adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*.

The requirement of ASU 2016-14 applies to the financial statements of all not-for-profit entities. This update reduced the net asset classifications from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (with donor restrictions and without donor restrictions). In addition, this statement added a liquidity disclosure (Note 19) to show the amount of financial assets available within one year from the balance sheet date and added disclosures related to allocation methodologies.

Accounts recognized in net assets related to the prior period have been reclassified to conform to the presentation requirements under ASU 2016-14. The reclassifications have no effect on total net assets or change in net assets.

### Subsequent Events

Lena Pope evaluated all events or transactions that occurred after August 31, 2019 through January 21, 2020, the date these financial statements were available to be issued.

## Note 2. Financial Instruments

Financial instruments which potentially subject Lena Pope to concentrations of credit risk consist principally of pledges receivable.

At August 31, 2019 and 2018, there were no significant concentrations of credit risk related to financial instruments.

Pledges receivable are reported net of any anticipated losses due to uncollectible accounts. Lena Pope's policy for determining when pledges receivable are past due or delinquent is when all efforts to collect a pledged amount have been exhausted. An allowance for doubtful accounts is estimated by management based on information received by pledged donors and pledge receivable aging schedules. No allowance was necessary at August 31, 2019 and 2018.

Lena Pope maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Lena Pope has not experienced any losses in such accounts. Lena Pope believes it is not exposed to any significant credit risk on cash and cash equivalents.



# Lena Pope Home, Inc.

## Notes to Financial Statements

Lena Pope's charter school's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Education Code. The depository bank places approved pledged securities for safekeeping and trust with the Charter Holder's (Lena Pope) agent bank in an amount sufficient to protect the charter school's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

### Note 3. Promises to Give

During 2012, Lena Pope began a capital campaign to construct new facilities. Additionally, in 2018, Lena Pope began a capital campaign to expand Chapel Hill Academy. Pledges receivable at August 31, 2019 and 2018 were comprised of amounts to be collected in one to three years. Lena Pope discounts pledges that are expected to be collected in more than one year. Amortization of the discount on long-term pledges receivable is included within contributions revenue on the statements of activities for the years ended August 31, 2019 and 2018, respectively.

Pledges receivable at August 31, 2019 and 2018 are as follows:

	2019	2018
Receivable in less than one year	\$ 60,602	\$ 687,539
Receivable beyond one year	9,200	23,325
	69,802	710,864
Less discount to present value (2.46-2.70%)	(1,291)	(1,291)
Total pledges receivable	\$ 68,511	\$ 709,573

As of August 31, 2019 and 2018, Lena Pope has received a conditional promise to give from United Way. The pledge has not met the criteria for recognition in the financial statements as established by GAAP. The following is a summary of outstanding conditional promises to give received by Lena Pope as of August 31:

	2019	2018
United Way of Tarrant County	\$ 70,146	\$ 67,192
Total	\$ 70,146	\$ 67,192

Payment of United Way funding is contingent upon Lena Pope's continued program services to the community, as well as United Way's collection of sufficient public support.

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Note 4. Due from Related Party

During the year ended August 31, 2018, Lena Pope received a \$130,000 contribution to be held in perpetuity which was transferred to the Lena Pope Foundation. The amount was transferred to maximize the benefits received from pooling cash and investments with Lena Pope Foundation. This amount is included in the amounts due from related party and net assets with donor restrictions – held in perpetuity on the Statements of Financial Position and Statements of Activities as of and for year ended August 31, 2019 and 2018, respectively. As of August 31, 2019, amounts due from related party also include \$109,988 due from Lena Pope Foundation related to capital improvements to be reimbursed.

### Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are made up of the following as of August 31:

	2019	2018
Net assets with donor restrictions - time and purpose	\$ 10,562,958	\$ 11,953,312
Net assets with donor restrictions - held in perpetuity	283,755	283,755
 Total	 \$ 10,846,713	 \$ 12,237,067

Net asset with donor restrictions – time and purpose are available for the following as of August 31:

	2019	2018
Purpose restrictions	\$ 18,108	\$ 10,000
Capital campaign donations	-	164,254
Time and purpose restrictions	-	250,000
Time restrictions	68,511	459,573
Earnings on endowment net assets	10,476,339	11,069,485
 Total	 \$ 10,562,958	 \$ 11,953,312

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for years ended August 31:

	2019	2018
Expiration of time restriction	\$ 459,573	\$ -
Used for restricted purpose	8,548,318	7,820,078
 Total	 \$ 9,007,891	 \$ 7,820,078

# Lena Pope Home, Inc.

## Notes to Financial Statements

### **Note 6. Net Assets with Donor Restrictions – Held In Perpetuity**

Net assets with donor restrictions – held in perpetuity consist of two trusts in which Lena Pope is a partial beneficiary and one endowment agreement related to the Early Learning Center. Lena Pope receives a percentage of the income earned on the two trusts, but does not have title of the corpus. Lena Pope's share of the two trusts is carried at fair value, and is included in beneficial interests in perpetual trusts on the Statements of Financial Position. For the Early Learning Center endowment, the donor has required that Lena Pope permanently maintain the original donation as corpus. The amount is held at fair value, and is included in due from related party balance. Permanently restricted net assets of \$283,755 at August 31, 2019 and 2018 represent the fair value of the trusts and endowment at the time they were endowed. See Note 18.

### **Note 7. Beneficial Interests in Perpetual Trusts**

Beneficial interests in perpetual trusts represent the fair value of split-interests in perpetual trusts established from bequests of certain donors. The assets are held in trusts by banks as permanent trustees of the trusts. The assets are recorded in the financial statements as net assets with donor restrictions – time and purpose, and net assets with donor restrictions – held in perpetuity. The unrealized gains and losses are reported as net assets with donor restrictions – time and purpose in the statement of activities. The assets within the trusts include a publicly traded hedge fund, exchange-traded funds, mutual funds, closed-end funds, common stocks, cash and cash equivalents, and mineral interests. The carrying value of the beneficial interests in perpetual trusts reflects these underlying assets at their estimated fair values.

### **Note 8. Fair Value**

A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy are described below:

Level 1 inputs: Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 inputs: Inputs (other than quoted market prices included within level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and fair value is determined through the use of models or other valuation techniques.

Level 3 inputs: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. Fair value for these investments are determined using valuation methodologies that consider a range of factors including but not limited to the nature of the investment, market conditions, current and projected operating performance and changes in operating characteristics of the investment.

# Lena Pope Home, Inc.

## Notes to Financial Statements

Following is a description of the valuation methodologies used for assets measured at fair value. The valuation techniques used to determine fair value have been consistently applied during the years ended August 31, 2019 and 2018.

The beneficial interests in perpetual trusts are valued based on the valuation of the underlying investment assets. The underlying investment assets, other than mineral interests, are primarily valued at the last sales price on the largest securities exchange in which securities have been traded on the valuation date.

Mineral interests held in the beneficial interests in perpetual trusts are valued by reviewing the related cash flows, analyzing current industry methodology and recent market conditions. Fair value of mineral interests are calculated using a revenue multiple. During years ended August 31, 2019 and 2018, respectively, the revenue multiple utilized in the calculation of fair value is three times annual revenue.

The interest rate swap is valued based on third-party developed models that use readily observable market parameters as their inputs that are actively quoted and can be validated using external sources, including industry data services.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Lena Pope believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, Lena Pope's assets and liabilities at fair value as of August 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interests in perpetual trusts	\$ -	\$ 744,407	\$ 9,885,692	\$ 10,630,099
Total assets	-	744,407	9,885,692	10,630,099
Interest rate swap	-	(539,744)	-	(539,744)
Total liabilities	-	(539,744)	-	(539,744)
Total fair value	<u>\$ -</u>	<u>\$ 204,663</u>	<u>\$ 9,885,692</u>	<u>\$ 10,090,355</u>

## Lena Pope Home, Inc.

### Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, Lena Pope's assets at fair value as of August 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interests in perpetual trusts	\$ -	\$ 749,487	\$ 10,473,758	\$ 11,223,245
Total assets	-	749,487	10,473,758	11,223,245
Total fair value	<u>\$ -</u>	<u>\$ 749,487</u>	<u>\$ 10,473,758</u>	<u>\$ 11,223,245</u>

The following table sets forth a summary of changes in the fair value of Lena Pope's level 3 investments for the years ended August 31:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 10,473,758	\$ 11,029,262
Interest and dividends	67,573	66,862
Disbursements	(2,090,727)	(2,081,024)
Oil and gas revenues	2,133,285	2,370,920
Unrealized losses relating to instruments held at year-end	(698,197)	(912,262)
	<u>\$ 9,885,692</u>	<u>\$ 10,473,758</u>

Net investment activity for each of the years ended August 31 is as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 62,493	\$ 55,342
Oil and gas distributions	2,133,285	2,164,856
Unrealized loss	(698,197)	(864,896)
Investment expenses	(138,162)	(162,820)
Disbursements	(1,952,565)	(1,694,806)
	<u>\$ (593,146)</u>	<u>\$ (502,324)</u>

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Note 9. Property and Equipment

Major classes of property and equipment are as follows:

	2019	2018
Land	\$ 2,042,781	\$ 2,042,781
Land improvements	1,217,042	1,151,494
Buildings and improvements	30,841,837	30,635,558
Furniture and equipment	3,191,743	2,696,364
Vehicles	93,348	93,348
Construction in progress	-	38,767
	37,386,751	36,658,312
Less accumulated depreciation	11,668,434	10,610,688
	\$ 25,718,317	\$ 26,047,624

### Note 10. Line of Credit

Pursuant to an agreement with a financial institution, Lena Pope has an available line of credit in the amount of \$500,000 as of August 31, 2019 and 2018, bearing interest at the Wall Street Journal Prime Rate plus .25%. The agreement expired November 2018, and has been renewed to November 2020 with interest at the Wall Street Journal prime rate plus .75%. There were no outstanding borrowings at August 31, 2019 or 2018, respectively.

### Note 11. Note Payable

In 2017, Lena Pope entered into an agreement with a financial institution to finance capital improvements at Chapel Hill Academy, with monthly payments of principal and interest to commence on August 6, 2018, due through July 6, 2032, including a balloon payment. The note payable has an interest rate of 3.482%, matures on July 13, 2032 and is collateralized by certain real property. Advances were made on the debt as construction occurred, with a maximum note amount of \$6,200,000. In 2018, this note was revised to modify the interest rate to a floating rate of 82.4% one-month libor plus 1.58%. As of August 31, 2019 and 2018, the outstanding balance of the note was \$5,964,970 and \$6,184,422, respectively.

# Lena Pope Home, Inc.

## Notes to Financial Statements

Future maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending August 31,		
2020	\$	224,864
2021		233,553
2022		241,987
2023		250,704
2024		258,965
2025 and thereafter		4,754,897
	\$	5,964,970

### Note 12. Interest Rate Swap

In July 2017, Lena Pope entered into an interest rate swap to minimize the interest rate risk associated with a \$6,200,000 note payable related to the expansion of Chapel Hill Academy (see Note 11). The interest rate swap has a 15-year term ending on July 13, 2032, and requires Lena Pope to pay an annual fixed rate of 3.482% on the outstanding balance of the note. In 2018, as a result of the Tax Cuts and Jobs Act of 2017, certain provisions of the capital improvements note payable were exercised by the lender, resulting in an increase to the floating rate of the note (See Note 11). Consequently, Lena Pope modified the swap transaction during 2018 to revise the annual fixed rate to 4.068% on the outstanding balance of the underlying note. The fair value of the swap is reported as a liability in the statement of financial position at August 31, 2019 and asset in the statement of financial position at August 31, 2018. Periodic settlements of the swap are recorded as a component of interest expense in the statement of activities. In accordance with ASC 815, *Derivatives and Hedging*, nonprofit organizations are prohibited from utilizing hedge accounting to report derivatives used to hedge forecasted transactions. Accordingly, the interest rate swap has not been accounted for as a hedge in the accompanying financial statements. The fair value of the interest rate swap as of August 31, 2019 and 2018 was \$(539,744) and \$0, respectively.

### Note 13. Charitable Gift Annuity Agreement

Annuities payable consist of the following at August 31:

	2019	2018
Annuity payable - current portion	\$ 55,000	\$ 55,000
Annuity payable - long -term portion	408,401	414,767
Total	\$ 463,401	\$ 469,767
	2019	2018
Change in annuities, year ending August 31,		
Balance, beginning of year	\$ 469,767	\$ 500,158
Annuity payments	(41,251)	(68,750)
Amortization	34,885	38,359
Balance, end of year	\$ 463,401	\$ 469,767

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Note 14. Rental Activities

In February 1999, Lena Pope entered into a ground lease agreement for certain land owned by Lena Pope. The lease term commenced on August 1, 1999 and expires December 31, 2060. The annual rent for the first ten years of the lease was \$900,000. Thereafter, the annual rent is recalculated for every 10-year period based on total annual rent plus all percentage rent payable during the previous 10 years divided by 10 years. The annual rent for the second ten years of the lease is \$915,540. Percentage rent is payable annually each lease year during the term of the lease, including the initial 10-year term. As of August 31, 2019, calculation of the annual rent for the third ten year term of the lease, effective January 1, 2020, is currently in process.

Percentage rent is calculated as: (a) 30% of gross income (defined as rent) in respect to the lease year in question; minus (b) the annual rent paid to Lena Pope; minus (c) the amount of any rental tax. Lena Pope recorded rental income related to the ground lease of \$1,074,733 and \$1,018,418 for the years ended August 31, 2019 and 2018, respectively.

Based on the current annual rental amount, the future minimum rental income related to the ground lease for the years ending August 31:

Year Ending August 31,	Amount
2020	\$ 915,540
2021	915,540
2022	915,540
2023	915,540
2024	915,540

Lena Pope also leases out other property and facilities, with options for extensions as agreed upon by the lessee and lessor.

Lena Pope recorded rental income of \$522,013 and \$504,074 related to these leases for the years ended August 31, 2019 and 2018, respectively. Future minimum rental income under current lease agreements are:

Year Ending August 31,	Amount
2020	\$ 448,186
2021	204,171
2022	49,996
2023	49,996
2024	49,996
2025 and thereafter	429,132



# Lena Pope Home, Inc.

## Notes to Financial Statements

### Note 15. Commitments

Lena Pope leases a portion of its office space under four operating lease agreements. The aggregate monthly payment under these agreements is approximately \$3,600. The Company also leases certain office equipment under operating leases. Lena Pope reported rental expense of \$118,380 and \$111,208 related to these leases for the years ended August 31, 2019 and 2018, respectively.

Future minimum lease payments for facilities and equipment are as follows for the years ending August 31:

Year Ending August 31,		
2020	\$	71,942
2021		54,270
2022		49,876
2023		48,226
2024		42,360
2025		9,015
	\$	<u>275,689</u>

### Note 16. Related Party Transactions

Lena Pope Foundation, Inc. (the Foundation) was organized under Section 501(c)(3) of the Internal Revenue Code exclusively for the benefit of Lena Pope. All property received by the Foundation and the principal of and all income received by the Foundation is to be accumulated and distributed to create and ensure the continued existence of a permanent fund for the future benefit of Lena Pope. The management of the Foundation is vested in the Foundation's Board of Directors who have discretionary authority to determine the amount, manner, and times for payment of any distributions to Lena Pope.

Effective August 28, 1999, Lena Pope assigned to the Foundation all annual rent and percentage rent due and to become due under the ground lease agreement mentioned in Note 14. Net contributions are shown as public support from Lena Pope Foundation on the statement of activities. For the years ended August 31, 2019 and 2018, transactions with the Foundation were as follows:

	<u>2019</u>	<u>2018</u>
Contributions from the Foundation	\$ 1,309,988	1,200,000
Rentals assigned to the Foundation	<u>(1,074,733)</u>	<u>(1,018,418)</u>
Net contributions	<u>\$ 235,255</u>	<u>\$ 181,582</u>

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Note 17. Retirement Plans

#### Defined Contribution Plan

Lena Pope sponsors a tax deferred annuity plan that covers all regular full time employees with two years or more of service. Contributions to the plan are based on a percentage of compensation. Lena Pope contributed five percent (5%), or \$165,000 and \$148,000, respectively, for the years ended August 31, 2019 and 2018. The plan also allows participants to make elective contributions to the plan.

#### Defined Benefit Plan

##### Plan Description

Lena Pope 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 charter school, but are the liability of the State of Texas. TRS provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The charter school is a legally separate entity from the state and other charter schools and the assets that are contributed by one charter or school district may be used for the benefit of an employee of another school district or charter. The unfunded obligations are passed along to the other charter and school districts. There is no withdrawal penalty for leaving TRS.

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' annual financial report and other required disclosure information are available from the TRS Internet website, [www.trstate.tx.us](http://www.trstate.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

##### Funding Policy

Under provisions in state law, plan members are required to contribute 7.7% of their annual covered salary, and the State of Texas contributes an amount equal to 6.8% of the charter schools' covered payroll.

The Charter School's employees' contributions to TRS, equal to the required contribution for each year, for the years ending August 31, 2019 and 2018 were:

Contributions	2019	2018
Employer contributions	\$ 24,680	\$ 19,818
Member contributions	253,387	203,460
Non-OASDI participating surcharge	49,361	39,692

The contributions do not represent more than 5% of the total contributions to the plan.

# Lena Pope Home, Inc.

## Notes to Financial Statements

As of August 31, 2019, the plan consists of the following:

Plan Name	Plan Number	Total Plan Assets	Accumulated Benefit Obligation	Percentage Funded
Teacher Retirement System of Texas	N/A	\$ 181,800,159,205	\$ 209,961,325,288	86.59%

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. The following contribution rates were in effect for the years ended August 31:

Contribution Rates by Type	2019	2018
Member	7.70%	7.70%
Non-employer contributing entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below, which are paid by the employers. Employers are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code;
- During a new members' first 90 days of employment; and
- When any part or all of an employee's salary is paid by a federal funding source or a privately sponsored source.

In addition to the employer contributions listed above, there is one additional surcharge an employer is subject to. When employing a retiree of the Teachers Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Defined Benefit Postemployment Health Care Plan

#### Plan Description

Lena Pope contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined other benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides a basic health insurance coverage (TRS-Care 1) for certain persons who retired under the Teacher Retirement System of Texas. Optional dependent coverage is available for an additional fee. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698, or by calling (512)542-6592.

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. Contribution rates and amounts are shown in the table below for fiscal years 2019, 2018 and 2017, and are equal to required contribution for each year.

Contribution Rates and Contribution Amounts						
Year	Member		State		Lena Pope	
	Rate	Amount	Rate	Amount	Rate	Amount
2019	0.65%	\$ 21,390	1.00%	\$ 1,639	0.55%	\$ 24,680
2018	0.65%	17,175	1.00%	2,248	0.55%	19,818
2017	0.65%	15,731	1.00%	1,625	0.55%	13,311

The contributions do not represent more than 5% of the total contributions to the plan.

As of August 31, 2019, the plan consists of the following:

Plan Name	Plan Number	Total Plan Assets	Accumulated Benefit Obligation	Percentage Funded
Teacher Retirement System of Texas	N/A	\$ 526,397,969	\$ 43,885,784,621	1.20%

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Prescription Drug Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of Chapel Hill Academy were \$10,238, \$7,573, and \$7,240, respectively.

### Note 18. Adoption of the State Uniform Prudent Management of Institutional Funds Act

The Board of Directors of Lena Pope has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. The State and Lena Pope have both adopted UPMIFA. As a result of this interpretation, Lena Pope classifies as net assets with donor restrictions – held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions – held in perpetuity is classified as net assets with donor restrictions – time and purpose until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The sources of the endowment funds at August 31, 2019 are as follows:

	Net Assets with Donor Restrictions - Time and Purpose	Net Assets with Donor Restrictions - Held in Perpetuity	Total Endowment Net Assets
Donor-restricted	\$ 10,476,344	\$ 283,755	\$ 10,760,099
Total funds	\$ 10,476,344	\$ 283,755	\$ 10,760,099

## Lena Pope Home, Inc.

### Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended August 31, 2019 are as follows:

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Endowment Net Assets
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
Endowment net assets, beginning of year	\$ 11,069,788	\$ 283,755	\$ 11,353,543
Interest and dividends	103,476	-	103,476
Net appreciation (realized and unrealized)	<u>(716,241)</u>	<u>-</u>	<u>(716,241)</u>
Total investment return	10,457,023	283,755	10,740,778
Contributions	-	-	-
Earnings from oil and gas properties	2,133,285	-	2,133,285
Appropriation of endowment assets for expenditure	<u>(2,113,964)</u>	<u>-</u>	<u>(2,113,964)</u>
Endowment net assets, end of year	<u>\$ 10,476,344</u>	<u>\$ 283,755</u>	<u>\$ 10,760,099</u>

The sources of the endowment funds at August 31, 2018 are as follows:

	Net Assets with Donor Restrictions - Time and Purpose	Net Assets with Donor Restrictions - Held in Perpetuity	Total Endowment Net Assets
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>
Donor-restricted	\$ 11,069,488	\$ 283,755	\$ 11,353,243
Total funds	<u>\$ 11,069,488</u>	<u>\$ 283,755</u>	<u>\$ 11,353,243</u>

## Lena Pope Home, Inc.

### Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended August 31, 2018 are as follows:

	Net Assets with Donor Restrictions - Time and Purpose	Net Assets with Donor Restrictions - Held in Perpetuity	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 11,572,112	\$ 153,755	\$ 11,725,867
Interest and dividends	68,722	-	68,722
Net depreciation (realized and unrealized)	(864,896)	-	(864,896)
Total investment return	10,775,938	153,755	10,929,693
Contributions	-	130,000	130,000
Earnings from oil and gas properties	2,164,856	-	2,164,856
Appropriation of endowment assets for expenditure	(1,871,006)	-	(1,871,006)
Endowment net assets, end of year	<u>\$ 11,069,788</u>	<u>\$ 283,755</u>	<u>\$ 11,353,543</u>

#### Investment Policy

The investments are owned and held by a trustee where all investment decisions are made. The trustee is responsible for all investment decisions, managing the trusts and determining the strategy to achieve objectives per the provisions of the trust documents. Lena Pope has a beneficial interest in the assets held by the trustee.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Lena Pope to retain as a fund of perpetual duration. Lena Pope's endowments did not have any deficiencies as of August 31, 2019 or 2018.

# Lena Pope Home, Inc.

## Notes to Financial Statements

### Note 19. Liquidity

As a not-for-profit entity, Lena Pope receives significant funding in the form of grants and contributions each year from federal agencies and donors, which are restricted to be used in a particular manner. Lena Pope must maintain sufficient resources to meet those responsibilities to its grantors and donors. Thus, financial assets may not be available for general expenditure within one year. As part of managing the financial assets, Lena Pope ensures these become available when obligations come due.

The following reflects Lena Pope's financial assets as August 31, 2019, including amounts not available within one year of the statement of financial position date. Amounts not available include contributions with donor restrictions.

Cash and cash equivalents	\$ 2,388,492
Receivables	
Pledges	68,511
Grant and other programs	496,918
Due from related party	239,988
Beneficial interests in perpetual trusts	<u>10,630,099</u>
Total financial assets	13,824,008
Less donor-imposed restrictions	
Net assets with donor restrictions	<u>(10,846,713)</u>
Total financial assets available to meet general expenditures within one year	<u><u>\$ 2,977,295</u></u>



## Supplementary Information

**Chapel Hill Academy**  
 (A Program of Lena Pope Home, Inc.)  
 Statement of Financial Position  
 August 31, 2019

<b>ASSETS</b>		
Cash and cash equivalents		\$ 1,181,648
Grants receivable		151,895
Property and equipment, net		<u>161,617</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 1,495,160</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses		\$ 485,599
Deferred revenue		6,501
Due to Charter Holder		<u>253,583</u>
Total liabilities		745,683
<b>NET ASSETS</b>		
Net assets without donor restrictions		<u>749,477</u>
Total net assets		<u>749,477</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 1,495,160</u></u>

**Chapel Hill Academy**  
(A Program of Lena Pope Home, Inc.)  
Statement of Activities  
Year Ended August 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Time and	Total
<b>REVENUES</b>			
Local support			
5744 Gifts and donations	\$ -	\$ 357,516	\$ 357,516
5751 Food service activity	54,662	-	54,662
	54,662	357,516	412,178
State program revenues			
5812 Foundation entitlements	-	5,411,490	5,411,490
5829 State program revenues distributed by TEA	-	98,659	98,659
	-	5,510,149	5,510,149
Federal program revenues			
5921 School breakfast program	-	59,901	59,901
5922 National school lunch program	-	191,845	191,845
5923 USDA Donated commodities	-	19,163	19,163
5929 Federal revenues distributed by TEA	-	268,973	268,973
	-	539,882	539,882
Funds Released from Restrictions	6,407,547	(6,407,547)	-
Total revenues, grants and other support	6,462,209	-	6,462,209
<b>EXPENSES</b>			
Program services			
11 Instruction	3,948,048	-	3,948,048
12 Instructional resources	-	-	-
13 Curriculum/instructional staff development	6,389	-	6,389
21 Instructional leadership	74,862	-	74,862
23 School leadership	423,783	-	423,783
31 Guidance/counseling/evaluation services	144,979	-	144,979
33 Health services	121,081	-	121,081
35 Food services	391,126	-	391,126
41 General administration	174,134	-	174,134
51 Facilities maintenance and operations	938,167	-	938,167
53 Data processing services	96,361	-	96,361
61 Community services	215	-	215
Total expenses	6,319,145	-	6,319,145
Change in net assets	143,064	-	143,064
<b>NET ASSETS, beginning of period</b>	606,413	-	606,413
<b>NET ASSETS, end of period</b>	\$ 749,477	\$ -	\$ 749,477

**Chapel Hill Academy**  
(A Program of Lena Pope Home, Inc.)  
Statement of Cash Flows  
Year Ended August 31, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 143,064
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	48,028
Changes in operating assets and liabilities	
Grant receivable	(75,248)
Accounts payable and accrued expenses	126,451
Deferred revenue	6,501
Due to Charter Holder	<u>(221,947)</u>
Net cash provided by operating activities	26,849

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(14,791)</u>
Net cash used in investing activities	<u>(14,791)</u>
Net change in cash	12,058

<b>CASH, beginning of year</b>	<u>1,169,590</u>
<b>CASH, end of year</b>	<u><u>\$ 1,181,648</u></u>

**Chapel Hill Academy**  
(A Program of Lena Pope Home, Inc.)  
Schedule of Expenses  
Year Ended August 31, 2019

**EXPENSES**

6100 Payroll costs	\$ 4,595,632
6200 Professional and contracted services	1,135,616
6300 Supplies and materials	392,974
6400 Other operating expenses	<u>194,923</u>

**TOTAL EXPENSES**

\$ <u><u>6,319,145</u></u>
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**Chapel Hill Academy**  
 (A Program of Lena Pope Home, Inc.)  
 Schedule of Capital Assets  
 August 31, 2019

	Ownership Interest		
	Local	State	Federal
<b>PROPERTY AND EQUIPMENT</b>			
1510 Land and improvements	\$ 104,811	\$ -	\$ -
1539 Furniture and equipment	322,888	71,880	19,448
1573 Accumulated depreciation	(330,175)	(7,787)	(19,448)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>\$ 97,524</u>	<u>\$ 64,093</u>	<u>\$ -</u>

**Chapel Hill Academy**  
(A Program of Lena Pope Home, Inc.)  
Budgetary Comparison Schedule  
Year Ended August 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance From Final Budget	Variance - Actual to Final Budget
<b>REVENUES, GRANTS AND OTHER SUPPORT</b>					
Local support	\$ 51,573	\$ 449,997	\$ 412,178	\$ (37,819)	-8%
State support	5,407,909	5,510,810	5,510,149	(661)	0%
Federal program revenues	407,047	548,662	539,882	(8,780)	-2%
Total revenues	5,866,529	6,509,469	6,462,209	(47,260)	
<b>EXPENDITURES</b>					
Program services					
11 Instruction	3,877,935	4,217,850	3,948,048	269,802	6%
12 Instructional resources	1,575	1,575	-	1,575	100%
13 Curriculum and staff development	39,625	24,199	6,389	17,810	74%
21 Instructional leadership	93,416	76,416	74,862	1,554	2%
23 School leadership	236,820	416,133	423,783	(7,650)	-2%
31 Guidance and counseling	68,750	156,750	144,979	11,771	8%
33 Health services	116,718	136,218	121,081	15,137	11%
35 Food services	367,288	401,470	391,126	10,344	3%
41 General administration	225,191	179,691	174,134	5,557	3%
51 Physical plant and maintenance	938,197	956,197	938,167	18,030	2%
53 Data processing	115,470	148,470	96,361	52,109	35%
61 Community services	2,500	2,500	215	2,285	91%
Total expenditures	6,083,485	6,717,469	6,319,145	398,324	
Change in net assets	(216,956)	(208,000)	143,064	351,064	
<b>NET ASSETS, beginning of period</b>	606,413	606,413	606,413	-	
<b>NET ASSETS, end of period</b>	\$ 389,457	\$ 398,413	\$ 749,477	\$ 351,064	

**Explanations for 10% Variances from Original Budget to Final Budget**

**School Leadership** - Variance from original budget to final budget due primarily to underbudgeting payroll and related expenses for school leadership duties.

**Guidance and Counseling** - Variance from original budget to final budget due primarily to additional external contracting of diagnostician/therapist resources.

**Health Services** - Variance from original budget to final budget due primarily to underbudgeting payroll and related expenses for health services duties.

**Data Processing** - Variance from original budget to final budget due primarily to additional internal and external processing services costs.

**Chapel Hill Academy**  
 (A Program of Lena Pope Home, Inc.)  
 Federal Program Disbursements Reconciliation Schedule  
 Year Ended August 31, 2019

Cash received for federal programs from the Texas Education Agency	\$	548,971
Less fiscal year 2017-2018 grants receivable		(50,306)
Plus noncash USDA donated commodities		19,163
Plus deferred revenue		(7,919)
Plus grants receivable		29,973
		29,973
Federal program revenue, per B-2	\$	539,882



# **Internal Controls and Compliance Report**

**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 of  
Lena Pope Home, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lena Pope Home, Inc. (the 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 21, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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*.

The Board of Directors of  
Lena Pope Home, Inc.

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
January 21, 2020