

# **Lena Pope Home, Inc.**

(The Charter Holder)

Financial Report

August 31, 2020

# CONTENTS

	Page	Exhibit
Certificate of the Board .....	1	
Independent Auditor's Report.....	2	
Financial Statements		
Statements of Financial Position.....	4	A-1
Statements of Activities .....	5	A-2
Statement of Functional Expenses - 2020 .....	7	A-3
Statement of Functional Expenses – 2019 .....	9	
Statements of Cash Flows .....	11	A-4
Notes to Financial Statements.....	12	
Supplementary Information		
Specific-Purpose Charter School Financial Statements		
Chapel Hill Academy Statements of Financial Position.....	33	B-1
Chapel Hill Academy Statements of Activities .....	34	B-2
Chapel Hill Academy Statements of Cash Flows .....	36	B-3
Charter School Schedules		
Schedules of Expenses .....	37	C-1
Schedule of Capital Assets.....	38	D-1
Budgetary Comparison Schedule.....	39	E-1
Federal Program Disbursements Reconciliation Schedule .....	40	F-1
Federal Awards Section		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	41	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with <i>Government Auditing Standards</i> .....	43	

# CONTENTS

	Page	Exhibit
Schedule of Expenditures of Federal Awards .....	45	G-1
Notes to Schedule of Expenditures of Federal Awards .....	47	
Schedule of Findings and Questioned Costs .....	48	H-1

**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, 2020, at a meeting of the governing body of the charter holder on the 22 day of January 2021.

Gone Thompson Horton  
Signature of Board Secretary

Wm. A. Hart  
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) (Lena Pope), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses 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, 2020 and 2019, 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.

**Other Matters**

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), and is not a required part of the financial statements. 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 Schedule of Expenditures of Federal Awards and 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, 2021, on our consideration of Lena Pope'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 Lena Pope'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, 2021

## **Financial Statements**

**Exhibit A-1**

**Lena Pope Home, Inc.**  
**Statements of Financial Position**  
**August 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,422,749	\$ 2,388,492
Receivables		
Pledges	90,253	68,511
Grant and other programs	423,507	496,918
Due from related party	130,000	239,988
Beneficial interests in perpetual trusts	10,179,717	10,630,099
Property and equipment, net	24,913,086	25,718,317
Other assets	189,934	147,056
<b>TOTAL ASSETS</b>	<u>\$ 40,349,246</u>	<u>\$ 39,689,381</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,035,224	\$ 874,757
Deferred revenue	286,328	303,800
Interest rate swap	734,219	539,744
Loan payable	1,474,600	-
Note payable	5,740,106	5,964,970
Annuity payable	445,536	463,401
Total liabilities	9,716,013	8,146,672
<b>NET ASSETS</b>		
Net assets without donor restrictions	20,215,160	20,695,996
Net assets with donor restrictions	10,418,073	10,846,713
Total net assets	30,633,233	31,542,709
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 40,349,246</u>	<u>\$ 39,689,381</u>

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



**Lena Pope Home, Inc.**  
**Statements of Activities**  
**Years Ended August 31, 2020 and 2019**

	<b>2020</b>		
	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Public support			
Contributions	\$ 542,391	\$ 739,809	\$ 1,282,200
Lena Pope Foundation	540,971	-	540,971
Special events	462,565	-	462,565
United Way	103,891	-	103,891
Trust income	1,851,883	-	1,851,883
Fees and grants	2,604,769	8,914,903	11,519,672
Investment gain (loss), net of expenses of \$156,036 and \$190,398	65,972	(450,382)	(384,410)
Unrealized loss on interest rate swap	(194,475)	-	(194,475)
Rental income	1,453,542	-	1,453,542
Other	138,946	-	138,946
Net assets released from restrictions	9,632,970	(9,632,970)	-
	<hr/>	<hr/>	<hr/>
Total revenues, gains and other support	17,203,425	(428,640)	16,774,785
<b>EXPENSES</b>			
Program services			
School and community based services	2,009,002	-	2,009,002
Counseling and substance abuse treatment	2,125,894	-	2,125,894
Charter school	8,283,601	-	8,283,601
Chapel and conference center	463,371	-	463,371
Early learning center	3,453,808	-	3,453,808
Support services			
Management and general	546,327	-	546,327
Fundraising and development	802,258	-	802,258
	<hr/>	<hr/>	<hr/>
Total expenses	17,684,261	-	17,684,261
	<hr/>	<hr/>	<hr/>
Change in net assets	(480,836)	(428,640)	(909,476)
<b>NET ASSETS, beginning of year</b>	20,695,996	10,846,713	31,542,709
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS, end of year</b>	\$ 20,215,160	\$ 10,418,073	\$ 30,633,233
	<hr/>	<hr/>	<hr/>

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

Exhibit A-2

2019		
Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 381,515	\$ 545,755	\$ 927,270
235,255	-	235,255
511,719	-	511,719
113,603	-	113,603
1,731,871	-	1,731,871
2,704,113	7,664,928	10,369,041
133,207	(593,146)	(459,939)
(540,275)	-	(540,275)
1,596,746	-	1,596,746
113,113	-	113,113
9,007,891	(9,007,891)	-
15,988,758	(1,390,354)	14,598,404
2,029,325	-	2,029,325
2,251,004	-	2,251,004
7,233,146	-	7,233,146
510,514	-	510,514
3,402,645	-	3,402,645
573,595	-	573,595
827,313	-	827,313
16,827,542	-	16,827,542
(838,784)	(1,390,354)	(2,229,138)
21,534,780	12,237,067	33,771,847
\$ 20,695,996	\$ 10,846,713	\$ 31,542,709

**Lena Pope Home, Inc.**  
Statement of Functional Expenses  
Year Ended August 31, 2020

	Program Services					Total
	School and Community Based Services	Counseling and Substance Abuse Treatment	Charter School	Chapel and Conference Center	Early Learning Center	
<b>EXPENSES</b>						
Personnel	\$ 1,545,809	\$ 1,784,093	\$ 6,066,760	\$ 204,413	\$ 2,696,427	\$ 12,297,502
Professional fees	127,694	21,705	247,956	12,023	41,610	450,988
Supplies, food and printing	1,694	4,184	185,336	936	100,504	292,654
Communications	22,979	33,014	58,453	3,344	27,380	145,170
Occupancy	135,687	103,138	361,417	83,584	183,643	867,469
Transportation	18,950	5,268	8,618	527	4,188	37,551
Conferences and meetings	5,804	13,642	38,618	660	14,044	72,768
Dues and subscriptions	6,454	4,191	33,246	1,686	6,845	52,422
Client assistance	5,301	3,338	225,807	15,127	23,084	272,657
Equipment	33,145	40,984	231,100	15,973	43,274	364,476
Depreciation, amortization and other operating costs	105,485	112,337	826,290	125,098	312,809	1,482,019
<b>TOTAL EXPENSES</b>	<b>\$ 2,009,002</b>	<b>\$ 2,125,894</b>	<b>\$ 8,283,601</b>	<b>\$ 463,371</b>	<b>\$ 3,453,808</b>	<b>\$ 16,335,676</b>

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

# Exhibit A-3

Supporting Services			Total Program and Supporting Services
Management and General	Fundraising	Total	2020
\$ 300,003	\$ 566,132	\$ 866,135	\$ 13,163,637
31,911	60,613	92,524	543,512
1,401	20,678	22,079	314,733
5,114	6,248	11,362	156,532
79,534	16,922	96,456	963,925
4,041	1,070	5,111	42,662
3,558	2,592	6,150	78,918
7,565	3,067	10,632	63,054
1,078	172	1,250	273,907
13,484	43,443	56,927	421,403
98,638	81,321	179,959	1,661,978
<u>\$ 546,327</u>	<u>\$ 802,258</u>	<u>\$ 1,348,585</u>	<u>\$ 17,684,261</u>

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

	Program Services					Total
	School and Community Based Services	Counseling and 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
Depreciation, amortization and 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 these statements.

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>

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

**Lena Pope Home, Inc.**  
**Statements of Cash Flows**  
**Years Ended August 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (909,476)	\$ (2,229,138)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,229,482	1,186,241
Change in fair value of beneficial interests in perpetual trusts	450,382	593,146
Loss on disposal of property	-	30,776
Unrealized loss on interest rate swap	194,475	540,275
Changes in operating assets and liabilities		
Pledges receivable	(21,742)	641,062
Grant and other programs receivable	73,411	77,399
Due from related party	109,988	(109,988)
Other assets	(42,878)	(28,226)
Accounts payable and accrued expenses	160,467	(1,155,932)
Deferred revenue	(17,472)	74,265
	<u>1,226,637</u>	<u>(380,120)</u>
Net cash provided by (used in) operating activities	1,226,637	(380,120)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(387,116)	(853,356)
	<u>(387,116)</u>	<u>(853,356)</u>
Net cash used in investing activities	(387,116)	(853,356)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Annuity payments	(55,000)	(41,251)
Payments on note payable	(224,864)	(219,452)
Proceeds from loan payable	1,474,600	-
	<u>1,194,736</u>	<u>(260,703)</u>
Net cash provided by (used in) financing activities	1,194,736	(260,703)
Net change in cash	2,034,257	(1,494,179)
<b>CASH, beginning of year</b>	<u>2,388,492</u>	<u>3,882,671</u>
<b>CASH, end of year</b>	<u>\$ 4,422,749</u>	<u>\$ 2,388,492</u>

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 through 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.

#### **Special Events**

Special event revenue consists of ticket sales, sponsorships, and contributions. Tickets are recorded as revenue when event has occurred. Sponsorships and contributions are recorded as revenue when the promise to give is determined to be unconditional.

# **Lena Pope Home, Inc.**

## **Notes to Financial Statements**

### **Trust and Investment Income**

Trust income and investment income consists of changes in valuation of trust and investment assets. These amounts are recorded monthly based on change in valuation as of month-end.

### **Fees and grants**

Fees and grants consist of grants, foundation revenue, and other program service fees. Fees and grant revenue are recorded as related expenses and/or services are incurred.

### **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.

### **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.

# **Lena Pope Home, Inc.**

## **Notes to Financial Statements**

### **Net Assets**

Lena Pope is required to report information regarding its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions represent resources that are available for the general operations of Lena Pope.

Net assets with donor restrictions - time and purpose are utilized to record resources received that are expendable only for the purposes specified by the donor. Net assets with donor restrictions - held in perpetuity are utilized to record resources whose use by Lena Pope is limited by donor-imposed stipulations that are to be held or invested in perpetuity.

### **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.

### **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 Home, Inc.**

### **Notes to Financial Statements**

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%.

#### **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.

# **Lena Pope Home, Inc.**

## **Notes to Financial Statements**

### **Revenue Recognition**

In May 2014, the FASB issued ASU 2014-09, which amends ASC Topic 606, "Revenue from Contracts with Customers". The amendments in this ASU provide a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 for private entities. Certain revenue streams, such as grants, contributions and investment income, were scoped out. Lena Pope has adopted the guidance as of September 1, 2019 using the modified retrospective transition method. However, because adoption of this guidance did not change the timing or amount of Lena Pope's recognition of revenue, there was no adjustment to net assets needed as part of adoption of the new standard.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made which amends ASC Topic 958, "Not-for-Profit Entities". The amendments in this ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction, and requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer asset. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 in which the entity serves as the resource recipient. Lena Pope has adopted the guidance as of September 1, 2019 using the modified prospective basis. The adoption of this guidance did not change the timing or amount of Lena Pope's recognition of revenue for grants or contributions, as revenue recognition policies in place were consistent with revenue recognition policies noted in this amendment.

### **Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), a comprehensive new standard that amends various aspects of existing accounting guidance for leases, including the recognition of a right of use asset and a lease liability for leases with duration greater than one year. The guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. This standard can be implemented using a modified retrospective approach, under which provisions are applied to all applicable leases as of the beginning of the earliest period presented, or at the date of adoption with the recognition of a cumulative effect adjustment to the opening balance of net assets in the period of adoption. Early adoption is permitted. Lena Pope is currently evaluating the effect that the new standard will have on its financial statements; however, Lena Pope anticipates that upon adoption of the standard it will recognize additional assets and corresponding liabilities related to leases on its statement of financial position.

### **Note 2. Financial Instruments**

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

At August 31, 2020 and 2019, there were no significant concentrations of credit risk related to financial instruments.



## Lena Pope Home, Inc.

### Notes to Financial Statements

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. Management determined an allowance was not necessary at August 31, 2020 and 2019.

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'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. Lena Pope's cash balances were fully insured or covered by pledged securities as of August 31, 2020.

### 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, 2020 and 2019 were comprised of amounts to be collected in one to four 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, 2020 and 2019, respectively.

Pledges receivable at August 31, 2020 and 2019 are as follows:

	2020	2019
Receivable in less than one year	\$ 90,044	\$ 60,602
Receivable beyond one year	1,500	9,200
	91,544	69,802
Less discount to present value (2.46-2.70%)	(1,291)	(1,291)
Total pledges receivable	<u>\$ 90,253</u>	<u>\$ 68,511</u>

As of August 31, 2020 and 2019, 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, and therefore, amounts have not been recognized in the accompanying financial statements. The following is a summary of outstanding conditional promises to give received by Lena Pope as of August 31:

	2020	2019
United Way of Tarrant County	\$ 55,000	\$ 70,146
Total	<u>\$ 55,000</u>	<u>\$ 70,146</u>

## Lena Pope Home, Inc.

### Notes to Financial Statements

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.

#### 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, 2020 and 2019, respectively. As of August 31, 2019, amounts due from related party also included \$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:

	2020	2019
Net assets with donor restrictions - time and purpose	\$ 10,134,318	\$ 10,562,958
Net assets with donor restrictions - held in perpetuity	283,755	283,755
Total	<u>\$ 10,418,073</u>	<u>\$ 10,846,713</u>

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

	2020	2019
Purpose restrictions	\$ 18,108	\$ 18,108
Time restrictions	90,253	68,511
Earnings on endowment net assets	10,025,957	10,476,339
Total	<u>\$ 10,134,318</u>	<u>\$ 10,562,958</u>

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:

	2020	2019
Expiration of time restriction	\$ 718,067	\$ 459,573
Used for restricted purpose	8,914,903	8,548,318
Total	<u>\$ 9,632,970</u>	<u>\$ 9,007,891</u>



## **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, 2020 and 2019 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, 2020 and 2019.

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, 2020 and 2019, 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, 2020:

	Level 1	Level 2	Level 3	Total
Beneficial interests in perpetual trusts	\$ -	\$ 775,723	\$ 9,403,994	\$ 10,179,717
Total assets	-	775,723	9,403,994	10,179,717
Interest rate swap	-	(734,219)	-	(734,219)
Total liabilities	-	(734,219)	-	(734,219)
Total fair value	\$ -	\$ 41,504	\$ 9,403,994	\$ 9,445,498

## 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, 2019:

	Level 1	Level 2	Level 3	Total
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	\$ -	\$ 204,663	\$ 9,885,692	\$ 10,090,355

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:

	2020	2019
Beginning balance	\$ 9,885,692	\$ 10,473,758
Interest and dividends	86,670	67,573
Disbursements	(2,044,862)	(2,090,727)
Oil and gas revenues	1,883,545	2,133,285
Unrealized losses relating to instruments held at year-end	(407,051)	(698,197)
	<u>\$ 9,403,994</u>	<u>\$ 9,885,692</u>

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

	2020	2019
Interest and dividends	\$ 86,670	\$ 62,493
Oil and gas distributions	1,883,545	2,133,285
Unrealized loss	(407,051)	(698,197)
Investment expenses	(138,260)	(138,162)
Disbursements	(1,875,286)	(1,952,565)
	<u>\$ (450,382)</u>	<u>\$ (593,146)</u>

## Lena Pope Home, Inc.

### Notes to Financial Statements

#### Note 9. Property and Equipment

Major classes of property and equipment are as follows:

	2020	2019
Land	\$ 2,042,781	\$ 2,042,781
Land improvements	1,228,291	1,217,042
Buildings and improvements	30,912,717	30,841,837
Furniture and equipment	3,496,730	3,191,743
Vehicles	93,348	93,348
	37,773,867	37,386,751
Less accumulated depreciation	12,860,781	11,668,434
	<u>\$ 24,913,086</u>	<u>\$ 25,718,317</u>

#### Note 10. Line of Credit

Pursuant to an agreement with a financial institution, Lena Pope had an available line of credit in the amount of \$500,000 as of August 31, 2019, bearing interest at the Wall Street Journal Prime Rate plus .25%. The agreement expired November 2018, and was renewed to November 2020 with interest at the Wall Street Journal prime rate plus .75%. In March 2020, Lena Pope renewed their line of credit through March 2021, increasing the amount to \$1,000,000 with an interest rate of Wall Street Journal Prime rate plus .25%. There were no outstanding borrowings at August 31, 2020 or 2019, 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, is collateralized by certain real property and is subject to certain financial covenants. As of August 31, 2020, Lena Pope was in compliance with all financial covenants. 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% of one-month libor plus 1.58%, which adjusted the amortization schedule. As of August 31, 2020 and 2019, the outstanding balance of the note was \$5,740,106 and \$5,964,970, 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,		
2021	\$	233,553
2022		241,977
2023		250,704
2024		259,265
2025		269,098
2026 and thereafter		4,485,509
	\$	<u>5,740,106</u>

#### 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, 2020 and 2019. 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, 2020 and 2019 was \$(734,219) and \$(539,744), respectively.

#### Note 13. Charitable Gift Annuity Agreement

Annuities payable consist of the following at August 31:

	2020	2019
Annuity payable - current portion	\$ 55,000	\$ 55,000
Annuity payable - long -term portion	390,536	408,401
Total	<u>\$ 445,536</u>	<u>\$ 463,401</u>
	2020	2019
Change in annuities, year ending August 31,		
Balance, beginning of year	\$ 463,401	\$ 469,767
Annuity payments	(55,000)	(41,251)
Amortization	37,135	34,885
Balance, end of year	<u>\$ 445,536</u>	<u>\$ 463,401</u>

## 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.

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 \$939,029 and \$1,074,733 for the years ended August 31, 2020 and 2019, 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
2021	\$ 915,540
2022	915,540
2023	915,540
2024	915,540
2025	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 \$514,513 and \$522,013 related to these leases for the years ended August 31, 2020 and 2019, respectively. Future minimum rental income under current lease agreements are:

Year Ending August 31,	Amount
2021	\$ 481,603
2022	326,932
2023	332,470
2024	338,109
2025	54,399
2026 and thereafter	379,136

# 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 \$4,942. The Company also leases certain office equipment under operating leases. Lena Pope reported rental expense of \$115,922 and \$118,380 related to these leases for the years ended August 31, 2020 and 2019, respectively. Rental expense is included in occupancy expenses on the accompanying statements of functional expenses.

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

Year Ending August 31,		
2021	\$	88,559
2022		79,301
2023		77,886
2024		65,954
2025		29,711
Thereafter		31,960
	\$	373,371

### 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, 2020 and 2019, transactions with the Foundation were as follows:

	2020	2019
Contributions from the Foundation	\$ 1,480,000	\$ 1,309,988
Rentals assigned to the Foundation	(939,029)	(1,074,733)
Net contributions	\$ 540,971	\$ 235,255



## 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 \$126,000 and \$165,000, respectively, for the years ended August 31, 2020 and 2019, and these amounts are included in personnel expenses on the statements of functional expenses. 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, [http://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512)542-6592.

###### Funding Policy

Under provisions in state law, plan members were 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 for fiscal year 2019. For fiscal year 2020, plan members are required to contribute 7.7% of their annual covered salary, and the State of Texas contributes an amount equal to 7.5% 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, 2020 and 2019 were:

Contributions	2020	2019
Employer contributions	\$ 31,225	\$ 24,680
Member contributions	320,566	253,387
Non-OASDI participating surcharge	62,447	49,361

The contributions do not represent more than 5% of the total contributions to the plan. Employer contributions are included in personnel expenses on the statements of functional expenses.

## Lena Pope Home, Inc.

### Notes to Financial Statements

As of August 31, 2020, 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	\$ 184,361,870,581	\$ 218,975,205,084	84.19%

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than six percent of the member's annual compensation and a state contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

The following contribution rates were in effect for the years ended August 31:

Contribution Rates by Type	2020	2019
Member	7.70%	7.70%
Non-employer contributing entity (State)	7.50%	6.80%
Employers	7.50%	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, a privately sponsored source or from non-educational and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5 percent of a member's salary.

## 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.texas.gov/Pages/about\\_archive/cafr.aspx](http://www.trs.texas.gov/Pages/about_archive/cafr.aspx); 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 1575.202 establishes the state's contribution rate which is 1.25 percent of pay. Section 1575.203 establishes the active employee's rate which .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 2020, 2019 and 2018, 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
2020	0.65%	\$ 27,061	1.25%	\$ 2,478	0.55%	\$ 31,225
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

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

As of August 31, 2020, 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	\$ 1,475,509,000	\$ 48,583,247,239	3.04%

## 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, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of Chapel Hill Academy were \$20,369, \$10,238, and \$7,573, 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 Lena Pope in a manner consistent with the standard of prudence prescribed by UPMIFA.

The sources of the endowment funds at August 31, 2020 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	\$ 10,025,962	\$ 283,755	\$ 10,309,717
Total funds	<u>\$ 10,025,962</u>	<u>\$ 283,755</u>	<u>\$ 10,309,717</u>



## Lena Pope Home, Inc.

### Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended August 31, 2020 are as follows:

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 10,476,344	\$ 283,755	\$ 10,760,099
Interest and dividends	117,631	-	117,631
Net appreciation (realized and unrealized)	<u>(338,949)</u>	<u>-</u>	<u>(338,949)</u>
Total investment return	10,255,026	283,755	10,538,781
Contributions	-	-	-
Earnings from oil and gas properties	1,883,545	-	1,883,545
Appropriation of endowment assets for expenditure	<u>(2,112,609)</u>	<u>-</u>	<u>(2,112,609)</u>
Endowment net assets, end of year	<u>\$ 10,025,962</u>	<u>\$ 283,755</u>	<u>\$ 10,309,717</u>

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	<u>\$ 10,476,344</u>	<u>\$ 283,755</u>	<u>\$ 10,760,099</u>

## Lena Pope Home, Inc.

### Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended 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
Endowment net assets, beginning of year	\$ 11,069,788	\$ 283,755	\$ 11,353,543
Interest and dividends	103,476	-	103,476
Net depreciation (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>

#### 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, 2020 or 2019.

#### Note 19. Payroll Protection Program

During year ended August 31, 2020, Lena Pope received a forgivable loan under the Payroll Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security (CARES) Act in the amount of \$1,474,600. If not forgiven, the loan will be required to be paid in full by April 2022. Lena Pope is not required to make any payments of principal or interest on the PPP Loan before the date on which the United States Small Business Administration (SBA) communicates the loan forgiveness amount on the loan to the lender or notifies the lender that no forgiveness amount is allowed. The lender must notify Lena Pope of the SBA loan forgiveness amount or notify Lena Pope that the SBA determined that no loan forgiveness is allowed. If only a portion is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid by Lena Pope on or before the maturity date of the loan.

## Lena Pope Home, Inc.

### Notes to Financial Statements

Lena Pope is currently assessing the funds expended under the PPP and the related forgiveness requirements (including eligible costs and maintenance of employee counts), and, accordingly, the funds are recorded as a loan payable on the accompanying statement of financial position as of August 31, 2020.

#### **Note 20. 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, 2020 and 2019, including amounts not available within one year of the statement of financial position date. Amounts not available include contributions with donor restrictions.

	2020	2019
Cash and cash equivalents	\$ 4,422,749	\$ 2,388,492
Receivables		
Pledges	90,253	68,511
Grant and other programs	423,507	496,918
Due from related party	130,000	239,988
Beneficial interests in perpetual trusts	10,179,717	10,630,099
Total financial assets	15,246,226	13,824,008
Less donor-imposed restrictions		
Net assets with donor restrictions	(10,418,073)	(10,846,713)
Total financial assets available to meet general expenditures within one year	<u>\$ 4,828,153</u>	<u>\$ 2,977,295</u>

#### **Note 21. Subsequent Event**

Lena Pope evaluated all events or transactions that occurred after August 31, 2020 through January 21, 2021, the date the financial statements were available to be issued, and noted no items that would need to be recorded as subsequent events, except as follows:

The extent of the operational and financial impact the COVID-19 pandemic may have on Lena Pope has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. Lena Pope is unable to accurately predict how COVID-19 will affect the results of its operations because the virus's severity and the duration of the pandemic are uncertain.



## **Supplementary Information**

**Exhibit B-1**

**Chapel Hill Academy**  
(A Program of Lena Pope Home, Inc.)  
**Statements of Financial Position**  
August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,875,094	\$ 1,181,648
Grants receivable	186,540	151,895
Property and equipment, net	<u>254,124</u>	<u>161,617</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,315,758</u></u>	<u><u>\$ 1,495,160</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 788,124	\$ 485,599
Deferred revenue	-	6,501
Due to Charter Holder	<u>476,344</u>	<u>253,583</u>
Total liabilities	1,264,468	745,683
<b>NET ASSETS</b>		
Net assets without donor restrictions	<u>1,051,290</u>	<u>749,477</u>
Total net assets	<u>1,051,290</u>	<u>749,477</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,315,758</u></u>	<u><u>\$ 1,495,160</u></u>

**Chapel Hill Academy**  
(A Program of Lena Pope Home, Inc.)  
**Statements of Activities**  
Years Ended August 31, 2020 and 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Time and Purpose	2020 Total
<b>REVENUES</b>			
Local support			
5744 Gifts and donations	\$ -	\$ 89,828	\$ 89,828
5751 Food service activity	1,156	-	1,156
	1,156	89,828	90,984
State program revenues			
5812 Foundation entitlements	-	6,697,542	6,697,542
5829 State program revenues distributed by TEA	-	61,650	61,650
	-	6,759,192	6,759,192
Federal program revenues			
5921 School breakfast program	-	70,790	70,790
5922 National school lunch program	-	197,488	197,488
5923 USDA Donated commodities	-	19,485	19,485
5929 Federal revenues distributed by TEA	-	397,751	397,751
	-	685,514	685,514
Funds Released from Restrictions	7,534,534	(7,534,534)	-
Total revenues, grants and other support	7,535,690	-	7,535,690
<b>EXPENSES</b>			
Program services			
11 Instruction	4,650,441	-	4,650,441
12 Instructional resources	4,213	-	4,213
13 Curriculum/instructional staff development	126	-	126
21 Instructional leadership	12,614	-	12,614
23 School leadership	565,202	-	565,202
31 Guidance/counseling/evaluation services	238,128	-	238,128
33 Health services	123,597	-	123,597
35 Food services	442,492	-	442,492
36 Extracurricular activities	5,464	-	5,464
41 General administration	186,004	-	186,004
51 Facilities maintenance and operations	860,350	-	860,350
53 Data processing services	145,073	-	145,073
61 Community services	173	-	173
Total expenses	7,233,877	-	7,233,877
Change in net assets	301,813	-	301,813
<b>NET ASSETS, beginning of period</b>	749,477	-	749,477
<b>NET ASSETS, end of period</b>	\$ 1,051,290	\$ -	\$ 1,051,290

# Exhibit B-2

Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Time and Purpose	2019 Total
\$ -	\$ 357,516	\$ 357,516
54,662	-	54,662
54,662	357,516	412,178
-	5,411,490	5,411,490
-	98,659	98,659
-	5,510,149	5,510,149
-	59,901	59,901
-	191,845	191,845
-	19,163	19,163
-	268,973	268,973
-	539,882	539,882
6,407,547	(6,407,547)	-
6,462,209	-	6,462,209
3,948,048	-	3,948,048
-	-	-
6,389	-	6,389
74,862	-	74,862
423,783	-	423,783
144,979	-	144,979
121,081	-	121,081
391,126	-	391,126
-	-	-
174,134	-	174,134
938,167	-	938,167
96,361	-	96,361
215	-	215
6,319,145	-	6,319,145
143,064	-	143,064
606,413	-	606,413
\$ 749,477	\$ -	\$ 749,477

**Exhibit B-3**

**Chapel Hill Academy**  
(A Program of Lena Pope Home, Inc.)  
**Statements of Cash Flows**  
Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 301,813	\$ 143,064
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	59,778	48,028
Changes in operating assets and liabilities		
Grants receivable	(34,645)	(75,248)
Accounts payable and accrued expenses	302,525	126,451
Deferred revenue	(6,501)	6,501
Due to Charter Holder	222,761	(221,947)
Net cash provided by operating activities	845,731	26,849
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(152,285)	(14,791)
Net cash used in investing activities	(152,285)	(14,791)
Net change in cash	693,446	12,058
<b>CASH, beginning of year</b>	1,181,648	1,169,590
<b>CASH, end of year</b>	<u>\$ 1,875,094</u>	<u>\$ 1,181,648</u>

**Exhibit C-1**

**Chapel Hill Academy**  
(A Program of Lena Pope Home, Inc.)  
Schedules of Expenses  
Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>EXPENSES</b>		
6100 Payroll costs	\$ 5,277,889	\$ 4,595,632
6200 Professional and contracted services	1,095,658	1,135,616
6300 Supplies and materials	643,424	392,974
6400 Other operating expenses	<u>216,906</u>	<u>194,923</u>
<b>TOTAL EXPENSES</b>	<u>\$ 7,233,877</u>	<u>\$ 6,319,145</u>

**Chapel Hill Academy**  
 (A Program of Lena Pope Home, Inc.)  
 Schedule of Capital Assets  
 August 31, 2020

	Ownership Interest		
	Local	State	Federal
<b>PROPERTY AND EQUIPMENT</b>			
1510 Land and improvements	\$ 104,811	\$ -	\$ -
1539 Furniture and equipment	475,172	71,880	19,448
1573 Accumulated depreciation	(382,761)	(14,978)	(19,448)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>\$ 197,222</u>	<u>\$ 56,902</u>	<u>\$ -</u>



**Chapel Hill Academy**  
 (A Program of Lena Pope Home, Inc.)  
 Budgetary Comparison Schedule  
 Year Ended August 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance From Final Budget	Variance - Actual to Final Budget
<b>REVENUES, GRANTS AND OTHER SUPPORT</b>					
Local support	\$ 32,515	\$ 29,255	\$ 90,984	\$ 61,729	211%
State support	6,712,854	6,745,889	6,759,192	13,303	0%
Federal program revenues	542,316	671,821	685,514	13,693	2%
Total revenues	7,287,685	7,446,965	7,535,690	88,725	
<b>EXPENDITURES</b>					
Program services					
11 Instruction	4,801,171	4,595,946	4,650,441	(54,495)	-1%
12 Instructional resources	1,575	6,575	4,213	2,362	36%
13 Curriculum and staff development	43,780	45,203	126	45,077	100%
21 Instructional leadership	215,994	15,994	12,614	3,380	21%
23 School leadership	285,763	580,604	565,202	15,402	3%
31 Guidance and counseling	151,207	237,207	238,128	(921)	0%
33 Health services	120,962	125,462	123,597	1,865	1%
35 Food services	485,748	460,000	442,492	17,508	4%
36 Extracurricular activities	-	7,500	5,464	2,036	27%
41 General administration	304,779	177,779	186,004	(8,225)	-5%
51 Physical plant and maintenance	925,500	939,500	860,350	79,150	8%
52 Security and monitoring services	-	25,000	-	25,000	100%
53 Data processing	105,233	287,195	145,073	142,122	49%
61 Community services	2,000	2,000	173	1,827	91%
Total expenditures	7,443,712	7,505,965	7,233,877	272,088	
Change in net assets	(156,027)	(59,000)	301,813	360,813	
<b>NET ASSETS, beginning of period</b>	749,477	749,477	749,477	-	
<b>NET ASSETS, end of period</b>	\$ 593,450	\$ 690,477	\$ 1,051,290	\$ 360,813	

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

**Instructional Resources** - Increase from original budget is due to expected increase in resource as a result of the pandemic.

**School Leadership** - Increase from original budget is due to leadership decision to outsource student teachers, rather than hire on a part time basis, and due to additional personnel included elsewhere in the initial budget.

**Guidance and Counseling** - Increase from original budget is due to an additional guidance counselor added to original budget

**Extracurricular Activities** - Increase from original budget is due to leadership decision to add extracurricular activities midway through fiscal year 2020.

**Security and Monitoring** - Increase from original budget is due to planned expenditures for security improvements to the facility.

**Data Processing** - Increase from original budget due to anticipated noncapital expenditures in order to provide virtual education in fiscal year 2020.

**Chapel Hill Academy**  
 (A Program of Lena Pope Home, Inc.)  
 Federal Program Disbursements Reconciliation Schedule  
 Year Ended August 31, 2020

Cash received for federal programs from the Texas Education Agency	\$ 520,861
Less fiscal year 2019-2020 grants receivable	(29,974)
Less fiscal year 2019-2020 deferred revenue	7,919
Plus noncash USDA donated commodities	19,485
Plus deferred revenue	(3,196)
Plus grants receivable	<u>170,419</u>
Federal program revenue, per B-2	<u><u>\$ 685,514</u></u>

## **Federal Awards Section**



**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  
Lena Pope Home, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lena Pope Home, Inc. (Lena Pope), which comprise the statement of financial position as of August 31, 2020 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, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Lena Pope's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lena Pope's internal control. Accordingly, we do not express an opinion on the effectiveness of Lena Pope'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 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 Lena Pope's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Weaver and Tidwell, L.L.P.  
2821 West 7th Street, Suite 700 | Fort Worth, Texas 76107  
Main: 817.332.7905

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The Board of Directors  
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 Lena Pope's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lena Pope'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, 2021





**Independent Auditor's Report on Compliance for Each Major Federal  
Program and Report on Internal Control over Compliance  
In Accordance with the Uniform Guidance**

To the Board of Directors  
Lena Pope Home, Inc.

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

We have audited Lena Pope Home, Inc.'s (Lena Pope) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Lena Pope's major federal programs for the year ended August 31, 2020. Lena Pope's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Lena Pope's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lena Pope's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lena Pope's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Lena Pope complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

The Board of Directors  
Lena Pope Home, Inc.

### **Report on Internal Control over Compliance**

Management of Lena Pope is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lena Pope's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lena Pope's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
January 21, 2021



**Lena Pope Home, Inc.**  
Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2020

Federal Grantor Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the Texas Education Agency			
ESEA, Title I, Part A	84.010A	20610101220815	\$146,371
Total CFDA Number 84.010A			146,371
Special Education Cluster			
IDEA - Part B, Formula	84.027A <sup>(1)</sup>	206600012208156000	95,827
Total CFDA Number 84.027A <sup>(1)</sup>			95,827
IDEA - Preschool	84.173 <sup>(1)</sup>	206610012208156000	3,375
Total CFDA Number 84.173 <sup>(1)</sup>			3,375
Total Special Education Cluster			99,202
ESEA, Title II, Part A	84.367A	20694501220815	28,088
Total CFDA Number 84.367A			28,088
ESEA, Title IV, Part A	84.424A	20680101220815	10,625
Total CFDA Number 84.424A			10,625
Elementary and Secondary School Emergency Relief (ESSER)	84.425D	18610101220815	113,466
Total passed through Texas Education Agency			397,752
Total U.S. Department of Education			397,752
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the Texas Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program	10.553 <sup>(2)</sup>	71402001	70,790
Total CDFA Number 10.553			70,790
National School Program Lunch - Cash Assistance	10.555 <sup>(2)</sup>	71302001	199,190
National School Program Lunch - Non-Cash Assistance	10.555 <sup>(2)</sup>	71302001	19,485
Total CDFA Number 10.555			218,675
Total Child Nutrition Cluster			289,465
Total Passed Through the Texas Department of Agriculture			289,465
Total U.S. Department of Agriculture			289,465

**Lena Pope Home, Inc.**  
Schedule of Expenditures of Federal Awards – Continued  
Year Ended August 31, 2020

Federal Grantor Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the State Department of Health and Human Services Block Grants for Prevention and Treatment of Substance Abuse Programs / Substance Abuse SATS- Adult	93.959	2016-048472-003	<u>59,654</u>
Total U.S. Department of Health and Human Services			59,654
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through Johnson County Juvenile Justice and Delinquency Prevention	16.540	3315403	<u>24,028</u>
Total U.S. Department of Justice			24,028
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 770,899</u>

(1) Reported as Special Education Cluster, as required by Compliance Supplement August 2020

(2) Reported as Child Nutrition Cluster, as required by Compliance Supplement August 2020

# **Lena Pope Home, Inc.**

## **Notes to Schedule of Expenditures of Federal Awards**

### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Lena Pope under programs of the federal government for the year ended August 31, 2020. The information in the Schedule is presented in accordance with the 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).

The accompanying schedule of expenditures of federal awards uses the accrual basis of accounting. This basis of accounting recognizes revenue in the accounting period in which it is earned. Expenditures are recorded in the accounting period in which the liability is incurred.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

### **Note 2. Indirect Cost Rate**

Lena Pope has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

### **Note 3. Basis of Funding**

Federal funding received related to various grant programs is based upon periodic reports detailing reimbursable expenditures made in compliance with the program guidelines to the grantor agencies. The programs are governed by various rules and regulations of the grantors. Amounts received and receivable under the various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that Lena Pope has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding may be required.

In the opinion of management, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the basic financial statements for such contingencies.

### **Note 4. Non-Cash Assistance**

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation. Non-cash assistance was \$19,485 for year ended August 31, 2020.

**Lena Pope Home, Inc.**  
Schedule of Findings and Questioned Costs  
Year Ended August 31, 2020

**Section 1. Summary of Auditors' Results****Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weakness(es)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major programs:

10.553	National School Breakfast Program <sup>(1)</sup>
10.555	National School Lunch Program – Cash Assistance <sup>(1)</sup>
10.555	National School Lunch Program – Non-cash Assistance <sup>(1)</sup>
84.425D	Elementary and Secondary School Emergency Relief (ESSER)

<sup>(1)</sup> Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs?	\$750,000
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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## **Lena Pope Home, Inc.**

### **Schedule of Findings and Questioned Costs - Continued Year Ended August 31, 2020**

#### **Section 2. Financial Statement Findings**

None.

#### **Section 3. Federal Award Findings and Questioned Costs**

None.

#### **Section 4. Schedule of Prior Audit Findings and Questioned Costs**

There were no matters reported.

