

Lena Pope Home, Inc.

(The Charter Holder)

Financial Report

August 31, 2022

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Lena Pope Home, Inc.

(Federal Employer Identification Number 75-6003583)

Certificate of the Board

We, the undersigned, certify that the attached Financial Report of Lena Pope Home, Inc. was reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2022, at a meeting of the governing body of the charter holder on the 20 day of January 2023.



Signature of Board Secretary



Signature of Board President

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lena Pope Home, Inc. (a non-profit organization) (Lena Pope) which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lena Pope as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lena Pope and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended August 31, 2022, Lena Pope adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* effective September 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lena Pope's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lena Pope's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lena Pope's ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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 Regulations (CFR) Part 200, Uniform Guidance 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, as listed in the table of contents, 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.

The Board of Directors of
Lena Pope Home, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023 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 solely 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 the effectiveness of Lena Pope's 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 20, 2023

Financial Statements

Lena Pope Home, Inc.
Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,481,873	\$ 4,762,373
Receivables		
Pledges	85,000	43,709
Grant and other programs	587,101	439,539
Due from related party	217,785	130,000
Beneficial interests in perpetual trusts	15,466,026	11,420,863
Property and equipment, net	23,773,854	23,998,360
Interest rate swap asset	93,743	-
Other assets	367,695	290,016
TOTAL ASSETS	\$ 44,073,077	\$ 41,084,860
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,055,394	\$ 934,543
Deferred revenue	606,238	248,010
Interest rate swap	-	484,001
Note payable	4,264,577	5,506,553
Annuity payable	436,380	427,074
Total liabilities	6,362,589	7,600,181
NET ASSETS		
Net assets without donor restrictions	21,826,049	21,800,708
Net assets with donor restrictions	15,884,439	11,683,971
Total net assets	37,710,488	33,484,679
TOTAL LIABILITIES AND NET ASSETS	\$ 44,073,077	\$ 41,084,860

Lena Pope Home, Inc.
Statements of Activities
Years Ended August 31, 2022 and 2021

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public support			
Contributions	\$ 709,614	\$ 807,679	\$ 1,517,293
Contributions of non-financial assets	35,328	-	35,328
Lena Pope Foundation	183,806	-	183,806
Special events	408,416	-	408,416
United Way	70,000	-	70,000
Income from beneficial interest in perpetual trusts	2,739,446	-	2,739,446
Fees and grants	3,409,140	9,406,883	12,816,023
Investment gain, net of expenses of \$212,908 and \$129,557	106,122	4,132,947	4,239,069
Realized and unrealized gain on interest rate swap	577,744	-	577,744
Rental income	1,425,116	-	1,425,116
PPP loan forgiveness	-	-	-
Other income	449,194	-	449,194
Net assets released from restrictions	10,147,041	(10,147,041)	-
 Total revenues, gains and other support	 20,260,967	 4,200,468	 24,461,435
EXPENSES			
Program services			
School and community based services	1,833,999	-	1,833,999
Counseling and substance abuse treatment	2,706,691	-	2,706,691
Charter school	9,635,187	-	9,635,187
Chapel and conference center	501,315	-	501,315
Early learning center	3,942,302	-	3,942,302
Supporting services			
Management and general	685,140	-	685,140
Fundraising and development	930,992	-	930,992
 Total expenses	 20,235,626	 -	 20,235,626
 Change in net assets	 25,341	 4,200,468	 4,225,809
NET ASSETS, beginning of year	21,800,708	11,683,971	33,484,679
NET ASSETS, end of year	\$ 21,826,049	\$ 15,884,439	\$ 37,710,488

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

Exhibit A-2

2021		
Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 946,650	\$ 526,882	\$ 1,473,532
13,556	-	13,556
693,846	-	693,846
283,472	-	283,472
67,750	-	67,750
1,513,761	-	1,513,761
3,227,622	9,336,670	12,564,292
68,114	1,241,146	1,309,260
250,218	-	250,218
1,456,348	-	1,456,348
1,474,600	-	1,474,600
555,841	-	555,841
9,838,800	(9,838,800)	-
20,390,578	1,265,898	21,656,476
1,944,231	-	1,944,231
2,482,070	-	2,482,070
8,785,666	-	8,785,666
397,399	-	397,399
3,722,121	-	3,722,121
650,869	-	650,869
822,674	-	822,674
18,805,030	-	18,805,030
1,585,548	1,265,898	2,851,446
20,215,160	10,418,073	30,633,233
\$ 21,800,708	\$ 11,683,971	\$ 33,484,679

Lena Pope Home, Inc.

Statement of Functional Expenses

Year Ended August 31, 2022

	Program Services					
	School and Community Based Services	Counseling and Substance Abuse Treatment	Charter School	Chapel and Conference Center	Early Learning Center	Total
EXPENSES						
Personnel	\$ 1,340,202	\$ 2,223,919	\$ 6,513,768	\$ 218,781	\$ 3,008,061	\$ 13,304,731
Professional fees	149,548	68,777	885,168	14,530	68,608	1,186,631
Supplies, food and printing	1,595	4,777	240,736	471	154,664	402,243
Communications	14,898	32,253	64,569	7,167	21,334	140,221
Occupancy	168,411	136,812	539,062	128,700	238,239	1,211,224
Transportation	12,465	3,383	6,922	345	2,822	25,937
Conferences and meetings	12,951	30,726	78,749	993	29,728	153,147
Dues and subscriptions	5,904	4,822	36,706	1,891	7,370	56,693
Client assistance	8,690	21,409	199,766	20,703	29,699	280,267
Equipment	27,639	52,225	185,911	11,817	64,472	342,064
Depreciation, amortization and other operating costs	91,696	127,588	883,830	95,917	317,305	1,516,336
TOTAL EXPENSES	<u>\$ 1,833,999</u>	<u>\$ 2,706,691</u>	<u>\$ 9,635,187</u>	<u>\$ 501,315</u>	<u>\$ 3,942,302</u>	<u>\$ 18,619,494</u>

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 and Development	Total	2022
\$ 409,027	\$ 670,073	\$ 1,079,100	\$ 14,383,831
35,853	35,402	71,255	1,257,886
952	60,182	61,134	463,377
3,853	6,695	10,548	150,769
106,696	30,806	137,502	1,348,726
2,647	2,500	5,147	31,084
7,575	7,438	15,013	168,160
8,180	7,867	16,047	72,740
2,122	2,191	4,313	284,580
8,291	16,109	24,400	366,464
99,944	91,729	191,673	1,708,009
<u>\$ 685,140</u>	<u>\$ 930,992</u>	<u>\$ 1,616,132</u>	<u>\$ 20,235,626</u>

Lena Pope Home, Inc.

Statement of Functional Expenses

Year Ended August 31, 2021

	Program Services					Total
	School and Community Based Services	Counseling and Substance Abuse Treatment	Charter School	Chapel and Conference Center	Early Learning Center	
EXPENSES						
Personnel	\$ 1,443,837	\$ 2,050,679	\$ 6,619,190	\$ 162,433	\$ 2,915,359	\$ 13,191,498
Professional fees	178,708	97,203	267,191	15,599	46,019	604,720
Supplies, food and printing	1,539	3,218	180,729	400	123,947	309,833
Communications	18,582	30,598	69,975	3,187	25,308	147,650
Occupancy	163,236	117,580	496,036	87,302	227,809	1,091,963
Transportation	2,921	3,422	9,198	459	5,927	21,927
Conferences and meetings	10,517	13,367	23,312	439	7,425	55,060
Dues and subscriptions	6,564	5,220	30,574	1,774	8,089	52,221
Client assistance	5,102	5,852	89,189	16,225	18,710	135,078
Equipment	24,324	39,024	124,756	6,173	44,581	238,858
Depreciation, amortization and other operating costs	88,901	115,907	875,516	103,408	298,947	1,482,679
TOTAL EXPENSES	<u>\$ 1,944,231</u>	<u>\$ 2,482,070</u>	<u>\$ 8,785,666</u>	<u>\$ 397,399</u>	<u>\$ 3,722,121</u>	<u>\$ 17,331,487</u>

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

Supporting Services			Total Program and Supporting Services
Management and General	Fundraising and Development	Total	2021
\$ 384,942	\$ 572,288	\$ 957,230	\$ 14,148,728
29,356	48,859	78,215	682,935
1,311	11,236	12,547	322,380
3,604	5,951	9,555	157,205
98,973	22,563	121,536	1,213,499
4,514	931	5,445	27,372
1,688	2,398	4,086	59,146
8,643	10,421	19,064	71,285
1,265	618	1,883	136,961
6,156	13,939	20,095	258,953
110,417	133,470	243,887	1,726,566
<u>\$ 650,869</u>	<u>\$ 822,674</u>	<u>\$ 1,473,543</u>	<u>\$ 18,805,030</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,225,809	\$ 2,851,446
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,297,267	1,229,539
Change in fair value of beneficial interests in perpetual trusts	(4,045,163)	(1,241,146)
Loss on disposal of property	-	22,460
PPP loan forgiveness	-	(1,474,600)
Realized and unrealized gain on interest rate swap	(577,744)	(250,218)
Changes in operating assets and liabilities		
Pledges receivable	(41,291)	46,544
Grant and other programs receivable	(147,562)	(16,032)
Due from related party	(87,785)	-
Other assets	(77,679)	(100,082)
Accounts payable and accrued expenses	120,851	(100,681)
Deferred revenue	<u>358,228</u>	<u>(38,318)</u>
Net cash provided by operating activities	1,024,931	928,912
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,008,455)</u>	<u>(300,735)</u>
Net cash used in investing activities	(1,008,455)	(300,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Annuity payments	(55,000)	(55,000)
Payments on note payable	<u>(1,241,976)</u>	<u>(233,553)</u>
Net cash used in financing activities	<u>(1,296,976)</u>	<u>(288,553)</u>
Net change in cash	(1,280,500)	339,624
CASH, beginning of year	<u>4,762,373</u>	<u>4,422,749</u>
CASH, end of year	<u><u>\$ 3,481,873</u></u>	<u><u>\$ 4,762,373</u></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 the 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

Investment Income

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. Trust and investment assets are held at fair value or net asset value.

Income from Beneficial Interest in Perpetual Trusts

Income from beneficial interest in perpetual trusts consists of monthly and quarterly distributions of Trust income earnings. Trust assets are held at fair value.

Fees and Grants

Fees and grants primarily consist of grants, foundation revenue, and tuition and other fees related to Lena Pope's early learning centers. 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. During the years ended August 31, 2022 and 2021, non-cash donations totaled \$35,328 and \$13,556 and are recorded as contributions of non-financial assets on the statements of activities and supplies, food and printing expenses on the statements of functional expenses.

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.

Lena Pope Home, Inc.

Notes to Financial Statements

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.

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.

Lena Pope Home, Inc.

Notes to Financial Statements

Use of Estimates

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

Income Taxes

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

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

Donor Restrictions

Lena Pope reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions – time and purpose or net assets with donor restrictions – held in perpetuity depending on the nature of the restriction.

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

Charitable Gift Annuities

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

Lena Pope Home, Inc.

Notes to Financial Statements

Functional Allocation of Expenses

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

Reclassifications

Certain reclassification have been made to the 2021 financial statements to conform to the 2022 financial statement presentation. Such reclassifications had no effect on net assets or change in net assets.

Subsequent Events

Lena Pope evaluated all events or transactions that occurred after August 31, 2022 through January 20, 2023, the date the financial statements were available to be issued.

Accounting Pronouncements Implemented

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase transparency of contributed nonfinancial assets for nonprofit entities throughout enhancements to presentation and disclosure. The guidance is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. This standard should be applied on a retrospective basis. Lena Pope implemented this guidance in year ended August 31, 2022.

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.

Lena Pope Home, Inc.

Notes to Financial Statements

Note 2. Financial Instruments

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

At August 31, 2022 and 2021, there were no significant concentrations of credit risk related to financial instruments.

Pledges receivable are reported net of any anticipated losses due to uncollectible accounts. Lena Pope's policy for determining when pledges receivable are past due or delinquent is when all efforts to collect a pledged amount have been exhausted. An allowance for doubtful accounts is estimated by management based on information received by pledged donors and pledge receivable aging schedules. Management determined an allowance was not necessary at August 31, 2022 and 2021.

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 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, 2022 and 2021.

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, 2022 and 2021 were comprised of amounts to be collected in one to two 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, 2022 and 2021, respectively.

Pledges receivable at August 31, 2022 and 2021 are as follows:

	2022	2021
Receivable in less than one year	\$ 85,000	\$ 45,000
	85,000	45,000
Less discount to present value (2.46-2.70%)	-	(1,291)
Total pledges receivable	<u>\$ 85,000</u>	<u>\$ 43,709</u>

Lena Pope Home, Inc.

Notes to Financial Statements

As of August 31, 2022 and 2021, 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:

	2022	2021
United Way of Tarrant County	\$ 20,000	\$ 58,333
Total	<u>\$ 20,000</u>	<u>\$ 58,333</u>

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. Amounts due from related party are \$217,785 and \$130,000 as of August 31, 2022 and 2021, respectively.

Note 5. Net Assets with Donor Restrictions

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

	2022	2021
Net assets with donor restrictions - time and purpose	\$ 15,600,684	\$ 11,400,216
Net assets with donor restrictions - held in perpetuity	283,755	283,755
Total	<u>\$ 15,884,439</u>	<u>\$ 11,683,971</u>

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

	2022	2021
Purpose restrictions	\$ 115,628	\$ 89,399
Time restrictions	85,000	43,709
Earnings on endowment net assets	15,400,056	11,267,108
Total	<u>\$ 15,600,684</u>	<u>\$ 11,400,216</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:

	2022	2021
Expiration of time restriction	\$ 649,167	\$ 501,305
Used for restricted purpose	9,497,874	9,337,495
Total	<u>\$ 10,147,041</u>	<u>\$ 9,838,800</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, 2022 and 2021 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 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, 2022 and 2021.

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, 2022 and 2021, 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 at fair value as of August 31, 2022:

	Level 1	Level 2	Level 3	Total
Beneficial interests in perpetual trusts	\$ -	\$ 764,560	\$ 14,701,466	\$ 15,466,026
Interest rate swap	-	93,743	-	93,743
Total assets	-	858,303	14,701,466	15,559,769
Total fair value	<u>\$ -</u>	<u>\$ 858,303</u>	<u>\$ 14,701,466</u>	<u>\$ 15,559,769</u>

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, 2021:

	Level 1	Level 2	Level 3	Total
Beneficial interests in perpetual trusts	\$ -	\$ 891,512	\$ 10,529,351	\$ 11,420,863
Total assets	-	891,512	10,529,351	11,420,863
Interest rate swap	-	(484,001)	-	(484,001)
Total liabilities	-	(484,001)	-	(484,001)
Total fair value	<u>\$ -</u>	<u>\$ 407,511</u>	<u>\$ 10,529,351</u>	<u>\$ 10,936,862</u>

Lena Pope Home, Inc.

Notes to Financial Statements

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:

	2022	2021
Beginning balance	\$ 10,529,351	\$ 9,403,994
Interest and dividends	137,261	74,679
Disbursements	(3,139,362)	(1,699,070)
Oil and gas revenues	3,408,442	1,898,011
Unrealized gains relating to instruments held at year-end	3,765,774	851,737
	<u>\$ 14,701,466</u>	<u>\$ 10,529,351</u>

Net investment activity for each of the years ended August 31 is as follows for investments held at year-end:

	2022	2021
Interest and dividends	\$ 243,383	\$ 169,669
Oil and gas distributions	3,408,442	1,898,011
Unrealized gain (loss)	3,726,882	894,370
Investment expenses	(210,019)	(80,101)
Disbursements	(2,929,619)	(1,572,689)
	<u>\$ 4,239,069</u>	<u>\$ 1,309,260</u>

Note 9. Property and Equipment

Major classes of property and equipment are as follows:

	2022	2021
Land	\$ 2,042,781	\$ 2,042,781
Land improvements	1,240,922	1,210,091
Buildings and improvements	31,569,958	31,064,595
Furniture and equipment	4,013,557	3,551,560
Vehicles	93,348	93,348
	38,960,566	37,962,375
Less accumulated depreciation	<u>15,186,712</u>	<u>13,964,015</u>
	<u>\$ 23,773,854</u>	<u>\$ 23,998,360</u>

Lena Pope Home, Inc.

Notes to Financial Statements

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, 2021, 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%. Additionally, in March 2021, Lena Pope renewed their line of credit through May 2022, with an interest rate of Wall Street Journal Prime rate plus .25%, and it was subsequently renewed in June 2022 through June 2023 with the same interest rate. There were no outstanding borrowings at August 31, 2022 or 2021, 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, 2022 and 2021, Lena Pope was either in compliance with those covenants, or had obtained a waiver. 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, 2022 and 2021, the outstanding balance of the note was \$4,264,577 and \$5,506,553, respectively.

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

Year Ending August 31,		
2023	\$	173,483
2024		166,426
2025		166,713
2026		166,701
2027		166,702
2028 and thereafter		3,424,552
	\$	<u>4,264,577</u>

Lena Pope Home, Inc.

Notes to Financial Statements

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, 2022 and 2021. 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, 2022 and 2021 was \$93,743 and \$(484,001), respectively.

Note 13. Charitable Gift Annuity Agreement

Annuities payable consist of the following at August 31:

	2022	2021
Annuity payable - current portion	\$ 55,000	\$ 55,000
Annuity payable - long -term portion	381,380	372,074
Total	<u>\$ 436,380</u>	<u>\$ 427,074</u>
	2022	2021
Change in annuities, year ending August 31,		
Balance, beginning of year	\$ 427,074	\$ 445,536
Annuity payments	(55,000)	(55,000)
Amortization	64,306	36,538
Balance, end of year	<u>\$ 436,380</u>	<u>\$ 427,074</u>

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 third 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 \$1,076,194 and \$986,154 for the years ended August 31, 2022 and 2021, respectively.

Lena Pope Home, Inc.

Notes to Financial Statements

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
2023	\$ 915,540
2024	915,540
2025	915,540
2026	915,540
2027	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 \$348,922 and \$470,194 related to these leases for the years ended August 31, 2022 and 2021, respectively. Future minimum rental income under current lease agreements are:

Year Ending August 31,	Amount
2023	\$ 339,270
2024	338,109
2025	54,399
2026	49,996
2027	49,996
2028 and thereafter	279,144

Note 15. Commitments

Lena Pope leases a portion of its office space under four operating lease agreements. The aggregate monthly payment under these agreements is approximately \$3,625. The Company also leases certain office equipment under operating leases. Lena Pope reported rental expense of \$126,122 and \$101,943 related to these leases for the years ended August 31, 2022 and 2021, 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,	
2023	\$ 77,572
2024	71,018
2025	34,775
2026	21,044
2027	17,195
	<u>\$ 221,604</u>

Lena Pope Home, Inc.

Notes to Financial Statements

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, 2022 and 2021, transactions with the Foundation were as follows:

	2022	2021
Contributions from the Foundation	\$ 1,260,000	\$ 1,680,000
Rentals assigned to the Foundation	(1,076,194)	(986,154)
Net contributions	<u>\$ 183,806</u>	<u>\$ 693,846</u>

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 \$208,000 and \$140,000, respectively, for the years ended August 31, 2022 and 2021, and these amounts are included in personnel expenses on the statements of functional expenses. In addition, for the year ended August 31, 2021, Lena Pope made an additional discretionary contribution of \$90,000, which is included in personnel expenses on the statement 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; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512)542-6592.

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Notes to Financial Statements

Funding Policy

Under provisions in state law, plan members are required to contribute 8.0% of their annual covered salary, and the State of Texas contributes an amount equal to 7.75% 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, 2022 and 2021 were:

Contributions	2022	2021
Employer contributions	\$ 30,874	\$ 34,116
Member contributions	227,511	320,251
Non-OASDI participating surcharge	69,980	72,779

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.

As of August 31, 2021, the plan valuation date for the Charter school's August 31, 2022 year-end, 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	\$ 223,172,755,137	\$227,273,463,630	98.20%

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	2022	2021
Member	8.00%	7.70%
Non-employer contributing entity (State)	7.75%	7.50%
Employers	7.75%	7.50%

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.

Lena Pope Home, Inc.

Notes to Financial Statements

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.

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 is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. Contribution rates and amounts are shown in the table below for fiscal years 2022, 2021 and 2020, and are equal to required contribution for each year.

Lena Pope Home, Inc.

Notes to Financial Statements

Contribution Rates and Contribution Amounts						
Year	Member		State		Lena Pope	
	Rate	Amount	Rate	Amount	Rate	Amount
2022	0.65%	\$ 27,061	1.25%	\$ 2,602	0.55%	\$ 34,116
2021	0.65%	\$ 27,061	1.25%	\$ 2,602	0.55%	\$ 34,116
2020	0.65%	\$ 21,061	1.25%	\$ 2,478	0.55%	\$ 31,225

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

As of August 31, 2021, the plan valuation date for the Charter school's August 31, 2022 year-end, 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	\$ 2,733,911,371	\$ 41,113,711,083	6.65%

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 are used to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on behalf of Chapel Hill Academy were \$17,632, \$19,854, and \$20,369, 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.

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Notes to Financial Statements

The sources of the endowment funds at August 31, 2022 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	\$ 15,400,056	\$ 283,755	\$ 15,683,811
Total funds	<u>\$ 15,400,056</u>	<u>\$ 283,755</u>	<u>\$ 15,683,811</u>

Changes in endowment net assets for the fiscal year ended August 31, 2022 are as follows:

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 11,267,108	\$ 283,755	\$ 11,550,863
Interest and dividends	172,574	-	172,574
Net appreciation (realized and unrealized)	<u>3,741,759</u>	<u>-</u>	<u>3,741,759</u>
Total investment return	15,181,441	283,755	15,465,196
Contributions	-	-	-
Earnings from oil and gas properties	3,408,442	-	3,408,442
Appropriation of endowment assets for expenditure	<u>(3,189,827)</u>	<u>-</u>	<u>(3,189,827)</u>
Endowment net assets, end of year	<u>\$ 15,400,056</u>	<u>\$ 283,755</u>	<u>\$ 15,683,811</u>

The sources of the endowment funds at August 31, 2021 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	\$ 11,267,108	\$ 283,755	\$ 11,550,863
Total funds	<u>\$ 11,267,108</u>	<u>\$ 283,755</u>	<u>\$ 11,550,863</u>

Lena Pope Home, Inc.

Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended August 31, 2021 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	\$ 10,025,962	\$ 283,755	\$ 10,309,717
Interest and dividends	101,556	-	101,556
Net appreciation (realized and unrealized)	985,666	-	985,666
Total investment return	11,113,184	283,755	11,396,939
Contributions	-	-	-
Earnings from oil and gas properties	1,898,011	-	1,898,011
Appropriation of endowment assets for expenditure	(1,744,087)	-	(1,744,087)
Endowment net assets, end of year	<u>\$ 11,267,108</u>	<u>\$ 283,755</u>	<u>\$ 11,550,863</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, 2022 or 2021.

Note 19. Payroll Protection Program

During the 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. As of August 31, 2020, Lena Pope was assessing the funds expended under the PPP and the related forgiveness requirements (including eligible costs and maintenance of employee counts). During the year ended August 31, 2021, Lena Pope received notice that the loan was forgiven in its entirety. Therefore, the funds are recorded as PPP loan forgiveness income on the accompanying statement of activities for year ended August 31, 2021.

Lena Pope Home, Inc.

Notes to Financial Statements

Note 20. Liquidity

As a nonprofit 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, 2022 and 2021, including amounts not available within one year of the statement of financial position date. Amounts not available include contributions with donor restrictions.

	2022	2021
Cash and cash equivalents	\$ 3,481,873	\$ 4,762,373
Receivables		
Pledges	85,000	43,709
Grant and other programs	587,101	439,539
Due from related party	217,785	130,000
Beneficial interests in perpetual trusts	15,466,026	11,420,863
Total financial assets	19,837,785	16,796,484
Less: Net assets with donor restrictions	(15,884,439)	(11,683,971)
Total financial assets available to meet general expenditures within one year	<u>\$ 3,953,346</u>	<u>\$ 5,112,513</u>

Lena Pope Home, Inc.

Notes to Financial Statements

Note 21. Contributions of Non-Financial Assets

Contributed nonfinancial assets for the years ended August 31, 2022 and 2021 consisted of the following:

	Revenue Recognized - August 31, 2022	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Food and Beverage	\$ 17,564	Special Events	No associated donor restrictions	Estimated fair value on the basis of values that would be received for selling similar food and beverage items in Fort Worth, Texas.
Auction Item - Gift Certificates	1,075	Special Events	No associated donor restrictions	Estimated fair value on the basis of values that would be received for selling similar products in Fort Worth, Texas.
Auction Item - Goods	8,209	Special Events	No associated donor restrictions	Estimated fair value on the basis of values that would be received for selling similar products in Fort Worth, Texas.
Auction Item - Services	6,490	Special Events	No associated donor restrictions	Estimated fair value on the basis of values that would be received for selling similar services in Fort Worth, Texas.
Auction Item - Dining Services	1,640	Special Events	No associated donor restrictions	Estimated fair value on the basis of values that would be received for selling similar food and dining experiences in Fort Worth, Texas.
Gift certificates	350	Counseling and Substance Abuse Treatment Services	No associated donor restrictions	Estimated fair value on the basis of values that would be received for selling similar products in Fort Worth, Texas.
	<u>\$ 35,328</u>			
	Revenue Recognized - August 31, 2021	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Food and Beverage	\$ 13,556	Special Events	No associated donor restrictions	Estimated fair value on the basis of values that would be received for selling similar food and beverage items in Fort Worth, Texas.
	<u>\$ 13,556</u>			

Supplementary Information

Chapel Hill Academy
(A Program of Lena Pope Home, Inc.)
Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,447,299	\$ 1,485,980
Grants receivable	399,131	176,165
Prepaid assets	91,255	-
Property and equipment, net	301,708	193,922
TOTAL ASSETS	\$ 2,239,393	\$ 1,856,067
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 580,239	\$ 397,509
Deferred revenue	23,507	-
Due to Charter Holder	315,257	277,318
Total liabilities	919,003	674,827
NET ASSETS		
Net assets without donor restrictions	1,320,390	1,181,240
Total net assets	1,320,390	1,181,240
TOTAL LIABILITIES AND NET ASSETS	\$ 2,239,393	\$ 1,856,067

Chapel Hill Academy
(A Program of Lena Pope Home, Inc.)
Statements of Activities
Years Ended August 31, 2022 and 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Time and Purpose	2022 Total
REVENUES			
Local support			
5744 Gifts and donations	\$ -	\$ 399,272	\$ 399,272
5751 Food service activity	1,403	-	1,403
	1,403	399,272	400,675
State program revenues			
5812 Foundation entitlements	-	6,414,973	6,414,973
5829 State program revenues distributed by TEA	-	28,916	28,916
	-	6,443,889	6,443,889
Federal program revenues			
5921 School breakfast program	-	107,268	107,268
5922 National school lunch program	-	368,343	368,343
5923 USDA Donated commodities	-	37,277	37,277
5929 Federal revenues distributed by TEA	-	1,078,193	1,078,193
	-	1,591,081	1,591,081
Funds Released from Restrictions	8,434,242	(8,434,242)	-
Total revenues, grants and other support	8,435,645	-	8,435,645
EXPENSES			
Program services			
11 Instruction	5,474,133	-	5,474,133
13 Curriculum/instructional staff development	22,345	-	22,345
21 Instructional leadership	195,791	-	195,791
23 School leadership	435,391	-	435,391
31 Guidance/counseling/evaluation services	14,960	-	14,960
32 Social work services	76,642	-	76,642
33 Health services	102,440	-	102,440
35 Food services	464,963	-	464,963
36 Extracurricular activities	11,682	-	11,682
41 General administration	315,969	-	315,969
51 Facilities maintenance and operations	1,083,580	-	1,083,580
52 Security and monitoring services	5,280	-	5,280
53 Data processing services	93,298	-	93,298
61 Community services	21	-	21
Total expenses	8,296,495	-	8,296,495
Change in net assets	139,150	-	139,150
NET ASSETS, beginning of period	1,181,240	-	1,181,240
NET ASSETS, end of period	\$ 1,320,390	\$ -	\$ 1,320,390

Exhibit B-2

Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Time and Purpose	2021 Total
\$ -	\$ 68,842	\$ 68,842
900	-	900
900	68,842	69,742
-	7,067,276	7,067,276
-	27,399	27,399
-	7,094,675	7,094,675
-	81,857	81,857
-	165,381	165,381
-	33,739	33,739
-	408,637	408,637
-	689,614	689,614
7,853,131	(7,853,131)	-
7,854,031	-	7,854,031
4,946,018	-	4,946,018
40	-	40
148,065	-	148,065
551,635	-	551,635
71,266	-	71,266
-	-	-
109,772	-	109,772
414,413	-	414,413
13,410	-	13,410
246,957	-	246,957
1,180,174	-	1,180,174
-	-	-
42,331	-	42,331
-	-	-
7,724,081	-	7,724,081
129,950	-	129,950
1,051,290	-	1,051,290
\$ 1,181,240	\$ -	\$ 1,181,240

Chapel Hill Academy
(A Program of Lena Pope Home, Inc.)
Statements of Cash Flows
Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 139,150	\$ 129,950
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	86,967	84,830
Changes in operating assets and liabilities		
Grants receivable	(222,966)	10,375
Prepaid assets	(91,255)	-
Accounts payable and accrued expenses	182,730	(390,615)
Deferred revenue	23,507	-
Due to Charter Holder	37,939	(199,026)
Net cash provided by (used in) operating activities	156,072	(364,486)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(194,753)	(24,628)
Net cash used in investing activities	(194,753)	(24,628)
Net change in cash	(38,681)	(389,114)
CASH, beginning of year	1,485,980	1,875,094
CASH, end of year	<u>\$ 1,447,299</u>	<u>\$ 1,485,980</u>

Chapel Hill Academy
 (A Program of Lena Pope Home, Inc.)
 Schedules of Expenses
 Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
EXPENSES		
6100 Payroll costs	\$ 5,614,273	\$ 5,813,528
6200 Professional and contracted services	1,840,150	1,292,418
6300 Supplies and materials	604,223	422,567
6400 Other operating expenses	<u>237,849</u>	<u>195,568</u>
TOTAL EXPENSES	<u><u>\$ 8,296,495</u></u>	<u><u>\$ 7,724,081</u></u>

Chapel Hill Academy
 (A Program of Lena Pope Home, Inc.)
 Schedule of Capital Assets
 August 31, 2022

	Ownership Interest		
	Local	State	Federal
PROPERTY AND EQUIPMENT			
1510 Land and improvements	\$ 104,811	\$ -	\$ -
1539 Furniture and equipment	355,046	96,508	334,328
1573 Accumulated depreciation	<u>(431,178)</u>	<u>(35,482)</u>	<u>(122,325)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>\$ 28,679</u>	<u>\$ 61,026</u>	<u>\$ 212,003</u>

Chapel Hill Academy

(A Program of Lena Pope Home, Inc.)
Budgetary Comparison Schedule
Year Ended August 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance From Final Budget
REVENUES, GRANTS AND OTHER SUPPORT				
Local support	\$ 409,466	\$ 267,436	\$ 400,675	\$ 133,239
State support	7,084,507	6,582,262	6,443,889	(138,373)
Federal program revenues	1,189,847	1,400,255	1,591,081	190,826
Total revenues	8,683,820	8,249,953	8,435,645	185,692
EXPENDITURES				
Program services				
11 Instruction	5,199,876	5,651,723	5,474,133	177,590
13 Curriculum and staff development	21,026	11,026	22,345	(11,319)
21 Instructional leadership	184,894	177,875	195,791	(17,916)
23 School leadership	1,097,967	425,547	435,391	(9,844)
31 Guidance and counseling	-	10,000	14,960	(4,960)
32 Social work services	-	67,000	76,642	(9,642)
33 Health services	90,647	98,628	102,440	(3,812)
35 Food services	379,535	449,961	464,963	(15,002)
36 Extracurricular activities	14,900	9,900	11,682	(1,782)
41 General administration	362,267	195,732	315,969	(120,237)
51 Physical plant and maintenance	1,209,963	1,069,963	1,083,580	(13,617)
52 Security and monitoring services	-	500	5,280	(4,780)
53 Data processing	120,953	80,953	93,298	(12,345)
61 Community services	325	325	21	304
Total expenditures	8,682,353	8,249,133	8,296,495	(47,362)
Change in net assets	1,467	820	139,150	138,330
NET ASSETS, beginning of period	1,181,240	1,181,240	1,181,240	-
NET ASSETS, end of period	\$ 1,182,707	\$ 1,182,060	\$ 1,320,390	\$ 138,330

Explanations for 10% Variances from Final Budget to Actual

Curriculum and Staff Development - Difference between final budget and actual is due to TCLAS GR expenses that were excluded from final budget consideration. Management will ensure all expenses are included in final budget considerations going forward.

Guidance and Counseling - Difference between final budget and actual is due to Title IV expenses that were excluded from final budget consideration. Management will ensure all expenses are included in final budget considerations going forward.

Social Work Services - Difference between final budget and actual is due to additional payroll of a social worker that was excluded from consideration in final budget. Management will ensure all expenses are included in final budget considerations going forward.

Extracurricular Activities - Difference between final budget and actual is due to sports league fees and equipment purchased in August 2022 being excluded from final budget consideration. Management will ensure all expenses are included in final budget considerations going forward.

General Administration - Difference between final budget and actual is due to expenditures incurred through the State TCLAS program being excluded from final budget projections. Management will ensure all expenses are included in final budget considerations going forward.

Security and Monitoring Services - Difference between final budget and actual is due to Title IV expenses that were excluded from final budget consideration. Management will ensure all expenses are included in final budget considerations going forward.

Data Processing - Difference between final budget and actual is due to the purchase of firewall licenses being excluded from final budget consideration. Management will ensure all expenses are included in final budget considerations going forward.

Explanations for 10% Variances from Original Budget to Final Budget

Food Services - Increase from original budget is due to higher than expected food costs anticipated in Spring of 2022.

Guidance and Counseling - Increase from original budget is due to Title IV expenses that were not included in the original budget.

Social Work Services - Increase from original budget is due to additional payroll of a social worker that was not included in the original budget.

Security and Monitoring - Increase from original budget is due to Title IV expenses that were not included in the original budget.

Chapel Hill Academy
(A Program of Lena Pope Home, Inc.)
Federal Program Disbursements Reconciliation Schedule
Year Ended August 31, 2022

Cash received for federal programs from the Texas Education Agency	\$ 1,406,320
Less fiscal year 2020-2021 grants receivable	(80,757)
Plus noncash USDA donated commodities	37,277
Plus grants receivable	<u>228,241</u>
Federal program revenue, per B-2	<u><u>\$ 1,591,081</u></u>

Chapel Hill Academy
 (A Program of Lena Pope Home, Inc.)
 Use of Funds Report – Select State Allotment Programs
 Year Ended August 31, 2022

<u>Data Codes</u>		<u>Responses</u>
Section A: Compensatory Education Programs		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 686,298
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 3,602
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 46,325
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 4,135

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, 2022 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 20, 2023.

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*.

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 20, 2023



**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

Opinion on Each Major Federal Program

We have audited Lena Pope Home's (Lena Pope) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Lena Pope's major federal programs for the year ended August 31, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or 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.

The Board of Directors
Lena Pope Home, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance Section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 20, 2023

Lena Pope Home, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2022

Federal Grantor Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the Texas Education Agency			
ESEA, Title I, Part A	84.010A	22610100000000	\$178,714
Total Federal Assistance Listing Number 84.010A			178,714
Special Education Cluster			
IDEA - Part B, Formula	84.027A ⁽¹⁾	226600000000000000	117,773
COVID-19: IDEA - Part B, Formula ARP	84.027X ⁽¹⁾	225350000000000000	20,812
Total Federal Assistance Listing Number 84.027 (1)			138,585
IDEA - Preschool	84.173A ⁽¹⁾	226610000000000000	3,585
COVID-19: IDEA - Preschool ARP	84.173X ⁽¹⁾	225360000000000000	786
Total Federal Assistance Listing Number 84.173 (1)			4,371
Total Special Education Cluster			142,956
ESEA, Title II, Part A	84.367A	22694501220815	16,047
Total Federal Assistance Listing Number 84.367A			16,047
ESEA, Title IV, Part A	84.424A	20680101220815	26,501
Total Federal Assistance Listing Number 84.424A			26,501
COVID-19: CRRSA - ESSER II	84.425D	21521001220815	532,998
COVID-19: ARP ESSER III	84.425U	21528001220815	29,369
COVID-19: TCLAS High-Quality After-School ESSER III	84.425U	2152800000000000	18,695
COVID-19: TCLAS - ESSER III	84.425U	2152800000000000	132,912
Total Federal Assistance Listing Number 84.425			713,974
Total passed through Texas Education Agency			1,078,192
Total U.S. Department of Education			1,078,192
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Texas Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program	10.553 ⁽²⁾	71402201	108,453
Total Federal Assistance Listing Number 10.553			108,453
National School Program Lunch - Cash Assistance	10.555 ⁽²⁾	71302201	374,083
National School Program Lunch - Non-Cash Assistance	10.555 ⁽²⁾	71302201	37,277
Total Federal Assistance Listing Number 10.555			411,360
Total Child Nutrition Cluster			519,813
Total Passed Through the Texas Department of Agriculture			519,813
Total U.S. Department of Agriculture			519,813

Lena Pope Home, Inc.
Schedule of Expenditures of Federal Awards – Continued
Year Ended August 31, 2022

Federal Grantor Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
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	HHS000663700012	<u>12,851</u>
Total U.S. Department of Health and Human Services			12,851
U.S. DEPARTMENT OF JUSTICE			
Support for Adam Walsh Act Implementation Grant Program	16.750	2020-17050	<u>140,489</u>
Total U.S. Department of Justice			<u>140,489</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,751,345</u>

(1) Reported as Special Education Cluster, as required by April 2022 Compliance Supplement

(2) Reported as Child Nutrition Cluster, as required by April 2022 Compliance Supplement

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, 2022. 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 financial statements for such contingencies.

Note 4. Non-Cash Assistance

National School Lunch Program non-cash commodities are recorded at their estimated fair value at the time of donation. Non-cash assistance was \$37,277 for year ended August 31, 2022.

Lena Pope Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section 1. Summary of Auditor's 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:

84.425 COVID-19: ESSER	
84.425D	COVID-19: CRRSA – ESSER II
84.425U	COVID-19: ARP ESSER III
84.425U	COVID-19: TCLAS High-Quality After-School ESSER III
84.425U	COVID-19: TCLAS - ESSER III

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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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Lena Pope Home, Inc.

Schedule of Findings and Questioned Costs - Continued Year Ended August 31, 2022

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.