

Lena Pope Home, Inc.

(The Charter Holder)

Financial Report

August 31, 2023

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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, 2023, at a meeting of the governing body of the charter holder on the 25 day of January 2024.



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, 2023 and 2022, 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, 2023 and 2022, 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, 2023, Lena Pope adopted Accounting Standards Update (ASU) 2016-02, *Leases*, and related amendments ("Topic 842") effective September 1, 2022. 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 25, 2024 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 25, 2024

Financial Statements

Lena Pope Home, Inc.
Statements of Financial Position
August 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 3,690,525	\$ 3,481,873
Receivables		
Pledges	340,000	85,000
Grant and other programs	984,324	587,101
Due from related party	185,594	217,785
Beneficial interests in perpetual trusts	18,298,162	15,466,026
Property and equipment, net	23,370,674	23,773,854
Interest rate swap asset	212,614	93,743
Other assets	326,570	367,695
Right-of-use assets, operating	140,355	-
TOTAL ASSETS	\$ 47,548,818	\$ 44,073,077
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,146,139	\$ 1,055,394
Deferred revenue	525,474	606,238
Note payable	4,014,148	4,264,577
Annuity payable	417,613	436,380
Right-of-use liabilities, operating	141,522	-
Total liabilities	6,244,896	6,362,589
NET ASSETS		
Net assets without donor restrictions	22,064,136	21,826,049
Net assets with donor restrictions	19,239,786	15,884,439
Total net assets	41,303,922	37,710,488
TOTAL LIABILITIES AND NET ASSETS	\$ 47,548,818	\$ 44,073,077

Lena Pope Home, Inc.

Statements of Activities

Years Ended August 31, 2023 and 2022

	2023		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public support			
Contributions	\$ 719,546	\$ 1,051,886	\$ 1,771,432
Contributions of non-financial assets	86,193	-	86,193
Lena Pope Foundation	755,000	-	755,000
Special events	410,033	-	410,033
United Way	24,676	-	24,676
Income from beneficial interest in perpetual trusts	3,205,043	-	3,205,043
Fees and grants	3,642,868	11,060,885	14,703,753
Investment gain, net of expenses of \$296,666 and \$212,908	217,825	2,799,945	3,017,770
Realized and unrealized gain on interest rate swap	118,871	-	118,871
Rental income	1,459,282	-	1,459,282
Other income	294,524	-	294,524
Net assets released from restrictions	11,557,369	(11,557,369)	-
Total revenues, gains and other support	22,491,230	3,355,347	25,846,577
EXPENSES			
Program services			
School and community based services	2,271,147	-	2,271,147
Counseling and substance abuse treatment	2,827,345	-	2,827,345
Charter school	10,307,966	-	10,307,966
Chapel and conference center	586,019	-	586,019
Early learning center	4,407,424	-	4,407,424
Supporting services			
Management and general	708,293	-	708,293
Fundraising and development	1,144,949	-	1,144,949
Total expenses	22,253,143	-	22,253,143
Change in net assets	238,087	3,355,347	3,593,434
NET ASSETS, beginning of year	21,826,049	15,884,439	37,710,488
NET ASSETS, end of year	\$ 22,064,136	\$ 19,239,786	\$ 41,303,922

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

2022		
Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 709,614	\$ 807,679	\$ 1,517,293
35,328	-	35,328
183,806	-	183,806
408,416	-	408,416
70,000	-	70,000
2,739,446	-	2,739,446
3,409,140	9,406,883	12,816,023
106,122	4,132,947	4,239,069
577,744	-	577,744
1,425,116	-	1,425,116
449,194	-	449,194
10,147,041	(10,147,041)	-
20,260,967	4,200,468	24,461,435
1,833,999	-	1,833,999
2,706,691	-	2,706,691
9,635,187	-	9,635,187
501,315	-	501,315
3,942,302	-	3,942,302
685,140	-	685,140
930,992	-	930,992
20,235,626	-	20,235,626
25,341	4,200,468	4,225,809
21,800,708	11,683,971	33,484,679
\$ 21,826,049	\$ 15,884,439	\$ 37,710,488

Lena Pope Home, Inc.

Statement of Functional Expenses

Year Ended August 31, 2023

	Program Services					Total
	School and Community Based Services	Counseling and Substance Abuse Treatment	Charter School	Chapel and Conference Center	Early Learning Center	
EXPENSES						
Personnel	\$ 1,679,721	\$ 2,305,702	\$ 7,301,167	\$ 248,695	\$ 3,379,358	\$ 14,914,643
Professional fees	176,664	64,452	500,183	22,514	76,679	840,492
Supplies, food and printing	4,208	4,033	316,278	744	189,690	514,953
Communications	27,505	41,847	56,722	12,721	37,468	176,263
Occupancy	172,904	171,246	612,793	132,531	279,127	1,368,601
Transportation	27,951	4,144	9,694	442	6,160	48,391
Conferences and meetings	26,434	40,676	162,062	1,541	28,715	259,428
Dues and subscriptions	5,638	3,984	34,086	4,846	6,347	54,901
Client assistance	15,974	20,825	236,262	27,239	57,640	357,940
Equipment	30,039	53,436	199,389	17,895	79,602	380,361
Depreciation, amortization and other operating costs	104,109	117,000	879,330	116,851	266,638	1,483,928
TOTAL EXPENSES	\$ 2,271,147	\$ 2,827,345	\$ 10,307,966	\$ 586,019	\$ 4,407,424	\$ 20,399,901

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	2023
\$ 452,671	\$ 646,799	\$ 1,099,470	\$ 16,014,113
48,694	110,975	159,669	1,000,161
958	224,913	225,871	740,824
5,134	9,631	14,765	191,028
105,925	34,828	140,753	1,509,354
3,150	1,165	4,315	52,706
10,125	9,808	19,933	279,361
6,391	9,510	15,901	70,802
591	1,074	1,665	359,605
8,815	18,540	27,355	407,716
65,839	77,706	143,545	1,627,473
<u>\$ 708,293</u>	<u>\$ 1,144,949</u>	<u>\$ 1,853,242</u>	<u>\$ 22,253,143</u>

Lena Pope Home, Inc.

Statement of Functional Expenses

Year Ended August 31, 2022

	Program Services					Total
	School and Community Based Services	Counseling and Substance Abuse Treatment	Charter School	Chapel and Conference Center	Early Learning Center	
EXPENSES						
Personnel	\$ 1,340,202	\$ 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	\$ 1,833,999	\$ 2,706,691	\$ 9,635,187	\$ 501,315	\$ 3,942,302	\$ 18,619,494

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	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.
Statements of Cash Flows
Years Ended August 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,593,434	\$ 4,225,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,325,075	1,297,267
Change in fair value of beneficial interests in perpetual trusts	(2,832,136)	(4,045,163)
Realized and unrealized gain on interest rate swap	(118,871)	(577,744)
Operating lease amortization	44,701	-
Changes in operating assets and liabilities		
Pledges receivable	(255,000)	(41,291)
Grant and other programs receivable	(397,223)	(147,562)
Due from related party	32,191	(87,785)
Other assets	41,125	(77,679)
Accounts payable and accrued expenses	90,745	120,851
Deferred revenue	(80,764)	358,228
Operating lease liability	(43,534)	-
Net cash provided by operating activities	1,399,743	1,024,931
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(885,662)	(1,008,455)
Net cash used in investing activities	(885,662)	(1,008,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
Annuity payments	(55,000)	(55,000)
Payments on note payable	(250,429)	(1,241,976)
Net cash used in financing activities	(305,429)	(1,296,976)
Net change in cash	208,652	(1,280,500)
CASH, beginning of year	3,481,873	4,762,373
CASH, end of year	\$ 3,690,525	\$ 3,481,873
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-use assets, operating, obtained through lease liabilities	\$ 185,056	\$ -

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, 2023 and 2022, non-cash donations totaled \$56,370 and \$35,328 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.

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.

Lena Pope Home, Inc.

Notes to Financial Statements

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%.

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.

Lena Pope Home, Inc.

Notes to Financial Statements

Subsequent Events

Lena Pope evaluated all events or transactions that occurred after August 31, 2023 through January 25, 2024, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (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. This new standard supersedes Accounting Standards Codification (ASC) 840, *Leases*, and replaces it with ASC 842, *Leases*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

Lena Pope adopted the standard effective September 1, 2022 (the beginning of the period of adoption), and recorded ROU assets and liabilities of \$185,056 at that date. Lena Pope has elected the package of practical expedients to account for any existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under ASC Topic 842, (b) whether the classification of capital leases or operating leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

Note 2. Financial Instruments

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

At August 31, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022.

Lena Pope Home, Inc.

Notes to Financial Statements

Note 3. Promises to Give

Pledges receivable at August 31, 2023 and 2022 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 two years.

Pledges receivable at August 31, 2023 and 2022 are as follows:

	2023	2022
Receivable in less than one year	\$ 240,000	\$ 85,000
Receivable beyond one year	100,000	-
Total pledges receivable	<u>\$ 340,000</u>	<u>\$ 85,000</u>

As of August 31, 2023 and 2022, 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:

	2023	2022
United Way of Tarrant County	\$ 36,630	\$ 20,000
Total	<u>\$ 36,630</u>	<u>\$ 20,000</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 \$185,594 and \$217,785 as of August 31, 2023 and 2022, respectively.

Note 5. Net Assets with Donor Restrictions

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

	2023	2022
Net assets with donor restrictions - time and purpose	\$ 18,956,031	\$ 15,600,684
Net assets with donor restrictions - held in perpetuity	283,755	283,755
Total	<u>\$ 19,239,786</u>	<u>\$ 15,884,439</u>

Lena Pope Home, Inc.

Notes to Financial Statements

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

	2023	2022
Purpose restrictions	\$ 416,030	\$ 115,628
Time restrictions	340,000	85,000
Earnings on endowment net assets	18,200,001	15,400,056
Total	<u>\$ 18,956,031</u>	<u>\$ 15,600,684</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:

	2023	2022
Expiration of time restriction	\$ 496,484	\$ 649,167
Used for restricted purpose	11,060,885	9,497,874
Total	<u>\$ 11,557,369</u>	<u>\$ 10,147,041</u>

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, 2023 and 2022 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.

Lena Pope Home, Inc.

Notes to Financial Statements

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.

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, 2023 and 2022.

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, 2023 and 2022, 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.

Lena Pope Home, Inc.

Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, Lena Pope's assets at fair value as of August 31, 2023:

	Level 1	Level 2	Level 3	Total
Beneficial interests in perpetual trusts	\$ -	\$ 804,745	\$ 17,493,417	\$ 18,298,162
Interest rate swap	-	212,614	-	212,614
Total fair value	<u>\$ -</u>	<u>\$ 1,017,359</u>	<u>\$ 17,493,417</u>	<u>\$ 18,510,776</u>

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 fair value	<u>\$ -</u>	<u>\$ 858,303</u>	<u>\$ 14,701,466</u>	<u>\$ 15,559,769</u>

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

	2023	2022
Beginning balance	\$ 14,701,466	\$ 10,529,351
Interest and dividends	145,733	137,261
Disbursements	(3,306,720)	(3,139,362)
Oil and gas revenues	3,646,338	3,408,442
Unrealized gains relating to instruments held at year-end	2,306,600	3,765,774
	<u>\$ 17,493,417</u>	<u>\$ 14,701,466</u>

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

	2023	2022
Interest and dividends	\$ 363,558	\$ 243,383
Oil and gas distributions	3,646,338	3,408,442
Unrealized gain (loss)	2,306,600	3,726,882
Investment expenses	(235,941)	(210,019)
Disbursements	(3,062,785)	(2,929,619)
	<u>\$ 3,017,770</u>	<u>\$ 4,239,069</u>

Lena Pope Home, Inc.

Notes to Financial Statements

Note 9. Property and Equipment

Major classes of property and equipment are as follows:

	2023	2022
Land	\$ 2,042,781	\$ 2,042,781
Land improvements	1,258,226	1,240,922
Buildings and improvements	31,987,628	31,569,958
Furniture and equipment	4,442,427	4,013,557
Vehicles	93,348	93,348
	39,824,410	38,960,566
Less accumulated depreciation	16,453,736	15,186,712
	<u>\$ 23,370,674</u>	<u>\$ 23,773,854</u>

Note 10. Line of Credit

Pursuant to an agreement with a financial institution, Lena Pope had an available line of credit in the amount of \$1,000,000 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. It was renewed in July 2023 through July 2025 with the same interest rate. There were no outstanding borrowings at August 31, 2023 or 2022, respectively.

Note 11. Note Payable

In 2017, Lena Pope, acting as a conduit borrower, entered into a note agreement with Northeast Higher Education Facilities Corporation, who then privately placed and assigned the note to 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, 2023 and 2022, 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 labor plus 1.58%, which adjusted the amortization schedule. In 2023, the note was revised to modify the interest rate to a floating rate of 82.4% of the secured overnight financing rate published by the Federal Reserve Bank of New York plus 1.65%. As of August 31, 2023 and 2022, the outstanding balance of the note was \$4,014,148 and \$4,264,577, respectively.

Lena Pope Home, Inc.

Notes to Financial Statements

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

Year Ending August 31,	
2024	\$ 166,426
2025	166,713
2026	166,701
2027	166,702
2028	166,702
2029 and thereafter	3,180,904
	\$ 4,014,148

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, 2023 and 2022. The swap agreement was modified in 2023 as a result of the transaction noted in Note 11, with no change to the annual fixed rate. 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, 2023 and 2022 was \$212,614 and \$93,743, respectively.

Note 13. Charitable Gift Annuity Agreement

Annuities payable consist of the following at August 31:

	2023	2022
Annuity payable - current portion	\$ 55,000	\$ 55,000
Annuity payable - long -term portion	362,613	381,380
Total	\$ 417,613	\$ 436,380
	2023	2022
Change in annuities, year ending August 31,		
Balance, beginning of year	\$ 436,380	\$ 427,074
Annuity payments	(55,000)	(55,000)
Amortization	36,233	64,306
Balance, end of year	\$ 417,613	\$ 436,380

Lena Pope Home, Inc.

Notes to Financial Statements

Note 14. Rental Activities

In February 1999, Lena Pope entered into a ground lease agreement for certain land owned by Lena Pope. The lease term commenced on August 1, 1999 and expires December 31, 2060. The annual rent for the first ten years of the lease was \$900,000. Thereafter, the annual rent is recalculated for every 10-year period based on total annual rent plus all percentage rent payable during the previous 10 years divided by 10 years. The annual rent for the 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 \$1,118,161 and \$1,076,194 for the years ended August 31, 2023 and 2022, respectively.

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

Year Ending August 31,	Amount
2024	\$ 915,540
2025	915,540
2026	915,540
2027	915,540
2028	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 \$341,121 and \$348,922 related to these leases for the years ended August 31, 2023 and 2022, respectively. Future minimum rental income under current lease agreements are:

Year Ending August 31,	Amount
2024	\$ 345,309
2025	54,399
2026	49,996
2027	49,996
2028	49,996
2029 and thereafter	229,148

There are no variable lease payments, residual value guarantees, nonlease components, or options to terminate the above leases. Additionally, the above leases contain no options to purchase the underlying assets. There were no significant assumptions or judgments made in determining whether a contract contained a lease, residual value guarantees, or nonlease components. The lessor manages its risk associated with residual values through risk management strategies related to contract management and selection of lessors.

Lena Pope Home, Inc.

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Note 15. Leases

Lena Pope leases certain real estate and equipment under long-term, non-cancelable lease agreements. Lena Pope determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term, utilizing the discount rate implicit in the lease. The ROU assets also include any lease pre-payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, Lena Pope considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

None of Lena Pope's lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The depreciable life of related leasehold improvements is based on the shorter of the useful life or the lease term. Lena Pope has no sublease agreements. Lena Pope performs interim reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and Lena Pope did not recognize an impairment expense associated with operating lease assets during 2023.

Lena Pope has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, Lena Pope accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. The present value of Lena Pope's lease payments may include: (1) rental payments adjusted for inflation or market rates, and (2) lease terms with options to renew the lease when it is reasonably certain Lena Pope will exercise such an option.

The exercise of lease renewal options is generally at Lena Pope's discretion. Payments based on a change in an index or market rate are not considered in the determination of lease payments for purposes of measuring the related lease liability. Lena Pope also elected not to restate comparative prior periods, and to utilize the transition date (September 1, 2022) as the date of initial application, as permitted by ASC Topic 842. Lena Pope has elected to apply the short-term lease exemption whereby leases that are less than twelve months in duration are not included as ROU assets and lease liabilities.

Lena Pope has lease agreements with lease and non-lease components, which are generally accounted for separately. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

Lena Pope's leases contain various terms and expire at various dates. For leases containing renewal options, Lena Pope has evaluated whether it is reasonably certain to renew.

Lena Pope Home, Inc.

Notes to Financial Statements

The components of lease expense, cash flow information, and other information for the year-ended August 31, 2023 were as follows:

Lease cost	
Operating lease cost	\$ 79,333
Short-term lease cost	6,190
	<hr/>
Total lease cost	85,523
	<hr/>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 79,333
Operating lease assets obtained in exchange for lease liabilities, net	187,933
Weighted-average remaining lease term - operating leases	2.68 years
Weighted-average discount rate - operating leases	6.04%

The supplemental statement of financial position information related to leases for the period is as follows:

Current portion of lease liabilities - operating	\$ 80,168
Lease liabilities - long-term portion - operating	79,945
	<hr/>
Total future minimum lease payments	160,113
Less imputed interest	(18,591)
	<hr/>
Total future minimum lease payments	\$ 141,522
	<hr/>

Maturities of Lena Pope's lease liabilities are as follows:

Year Ending August 31	
	<hr/>
2024	\$ 80,168
2025	41,975
2026	21,044
2027	16,926
	<hr/>
Total future minimum lease payments	160,113
Less: imputed interest	(18,591)
	<hr/>
Total future minimum lease payments	\$ 141,522
	<hr/>

Lena Pope Home, Inc.

Notes to Financial Statements

Prior Disclosures under ASC 840

Total rental expense was \$126,122 for the year ended August 31, 2022. Rental expense is included in occupancy expenses on the accompanying statement of functional expenses. Future minimum lease payments for facilities and equipment as of August 31, 2022 were as follows:

Year Ending August 31,	
2023	\$ 77,572
2024	71,018
2025	34,775
2026	21,044
2027	17,195
	\$ 221,604

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. This assignment was rescinded effective August 31, 2022. Net contributions are shown as public support from Lena Pope Foundation on the statement of activities. For the years ended August 31, 2023 and 2022, transactions with the Foundation were as follows:

	2023	2022
Contributions from the Foundation	\$ 755,000	\$ 1,260,000
Rentals assigned to the Foundation	-	(1,076,194)
Net contributions	\$ 755,000	\$ 183,806

Lena Pope Home, Inc.

Notes to Financial Statements

Note 17. Retirement Plans

Defined Contribution Plan

Lena Pope sponsors a tax deferred annuity plan that covers all regular full time employees with two years or more of service. Contributions to the plan are based on a percentage of compensation. Lena Pope contributed five percent (5%), or \$224,000 and \$208,000, respectively, for the years ended August 31, 2023 and 2022, and these amounts are included in personnel expenses on the statements of functional expenses. The plan also allows participants to make elective contributions to the plan.

Defined Benefit Plan

Plan Description

Lena Pope contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school, but are the liability of the State of Texas. TRS provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The charter school is a legally separate entity from the state and other charter schools and the assets that are contributed by one charter or school district may be used for the benefit of an employee of another school district or charter. The unfunded obligations are passed along to the other charter and school districts. There is no withdrawal penalty for leaving TRS.

TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. TRS' annual financial report and other required disclosure information are available from the TRS Internet website, http://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512)542-6592.

Funding Policy

Under provisions in state law, plan members 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, 2023 and 2022 were:

Contributions	2023	2022
Employer contributions	\$ 35,777	\$ 30,874
Member contributions	188,766	227,511
Non-OASDI participating surcharge	85,863	69,980

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

Lena Pope Home, Inc.

Notes to Financial Statements

As of August 31, 2022, the plan valuation date for the Charter school's August 31, 2023 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	\$ 207,621,897,538	\$ 243,553,045,455	85.25%

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	2023	2022
Member	8.00%	8.00%
Non-employer contributing entity (State)	8.00%	7.75%
Employers	8.00%	7.75%

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

Employers are required to pay the employer contribution rate in the following instances:

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

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

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

Lena Pope Home, Inc.

Notes to Financial Statements

Defined Benefit Postemployment Health Care Plan

Plan Description

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of pay. Section 1575.203 establishes the active employee's rate which 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 2023, 2022 and 2021, and are equal to required contribution for each year.

Contribution Rates and Contribution Amounts						
Year	Member		State		Lena Pope	
	Rate	Amount	Rate	Amount	Rate	Amount
2023	0.65%	\$ -	1.25%	\$ 2,602	0.55%	\$ 35,777
2022	0.65%	\$ 21,061	1.25%	\$ 2,478	0.55%	\$ 30,874
2021	0.65%	\$ 27,061	1.25%	\$ 2,478	0.55%	\$ 34,116

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

As of August 31, 2022, the plan valuation date for the Charter school's August 31, 2023 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	\$ 3,308,391,215	\$ 27,061,942,520	12.23%

Lena Pope Home, Inc.

Notes to Financial Statements

Prescription Drug Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government are used to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2023, 2022, and 2021, the subsidy payments received by TRS-Care on behalf of Chapel Hill Academy were \$26,813, \$17,632, and \$19,854, respectively.

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

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

The sources of the endowment funds at August 31, 2023 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	\$ 18,200,001	\$ 283,755	\$ 18,483,756
Total funds	<u>\$ 18,200,001</u>	<u>\$ 283,755</u>	<u>\$ 18,483,756</u>

Lena Pope Home, Inc.

Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended August 31, 2023 are as follows:

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 15,400,056	\$ 283,755	\$ 15,683,811
Interest and dividends	198,408	-	198,408
Net appreciation (realized and unrealized)	<u>2,340,289</u>	<u>-</u>	<u>2,340,289</u>
Total investment return	17,938,753	283,755	18,222,508
Contributions	-	-	-
Earnings from oil and gas properties	3,646,338	-	3,646,338
Appropriation of endowment assets for expenditure	<u>(3,385,090)</u>	<u>-</u>	<u>(3,385,090)</u>
Endowment net assets, end of year	<u>\$ 18,200,001</u>	<u>\$ 283,755</u>	<u>\$ 18,483,756</u>

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>

Lena Pope Home, Inc.

Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended 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
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)	3,741,759	-	3,741,759
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	(3,189,827)	-	(3,189,827)
Endowment net assets, end of year	<u>\$ 15,400,056</u>	<u>\$ 283,755</u>	<u>\$ 15,683,811</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, 2023 or 2022.

Lena Pope Home, Inc.

Notes to Financial Statements

Note 19. 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, 2023 and 2022, including amounts not available within one year of the statement of financial position date. Amounts not available include contributions with donor restrictions.

	2023	2022
Cash and cash equivalents	\$ 3,690,525	\$ 3,481,873
Receivables		
Pledges	340,000	85,000
Grant and other programs	984,324	587,101
Due from related party	185,594	217,785
Beneficial interests in perpetual trusts	18,298,162	15,466,026
Total financial assets	23,498,605	19,837,785
Less: Net assets with donor restrictions	(19,239,786)	(15,884,439)
Total financial assets available to meet general expenditures within one year	<u>\$ 4,258,819</u>	<u>\$ 3,953,346</u>

Lena Pope Home, Inc.

Notes to Financial Statements

Note 20. Contributions of Non-Financial Assets

Contributed nonfinancial assets for the years ended August 31, 2023 and 2022 consisted of the following:

	Revenue Recognized - August 31, 2023	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Food and Beverage	\$ 20,418	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	1,575	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 & Services	44,073	Special Events	No associated donor restrictions	Estimated fair value on the basis of values that would be received for selling similar products or services in Fort Worth, Texas.
Goods	20,127	Counseling and Substance Abuse Treatment Services; 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.
	<u>\$ 86,193</u>			
	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>			

Supplementary Information

Chapel Hill Academy
(A Program of Lena Pope Home, Inc.)
Statements of Financial Position
August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,678,032	\$ 1,447,299
Grants receivable	437,935	399,131
Prepaid assets	57,050	91,255
Property and equipment, net	<u>234,357</u>	<u>301,708</u>
TOTAL ASSETS	<u><u>\$ 2,407,374</u></u>	<u><u>\$ 2,239,393</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 517,067	\$ 580,239
Deferred revenue	10,704	23,507
Due to Charter Holder	<u>280,160</u>	<u>315,257</u>
Total liabilities	807,931	919,003
NET ASSETS		
Net assets without donor restrictions	<u>1,599,443</u>	<u>1,320,390</u>
Total net assets	<u>1,599,443</u>	<u>1,320,390</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,407,374</u></u>	<u><u>\$ 2,239,393</u></u>

Chapel Hill Academy
(A Program of Lena Pope Home, Inc.)
Statements of Activities
Years Ended August 31, 2023 and 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Time and Purpose	2023 Total
REVENUES			
Local support			
5744 Gifts and donations	\$ -	\$ 335,886	\$ 335,886
5751 Food service activity	1,048	-	1,048
	1,048	335,886	336,934
State program revenues			
5812 Foundation entitlements	-	6,430,074	6,430,074
5829 State program revenues distributed by TEA	-	314,368	314,368
	-	6,744,442	6,744,442
Federal program revenues			
5921 School breakfast program	-	116,398	116,398
5922 National school lunch program	-	395,513	395,513
5923 USDA Donated commodities	-	43,981	43,981
5929 Federal revenues distributed by TEA	-	1,488,316	1,488,316
	-	2,044,208	2,044,208
Funds Released from Restrictions	9,124,536	(9,124,536)	-
Total revenues, grants and other support	9,125,584	-	9,125,584
EXPENSES			
Program services			
11 Instruction	5,398,030	-	5,398,030
12 Instructional resources	17,337	-	17,337
13 Curriculum/instructional staff development	91,714	-	91,714
21 Instructional leadership	264,846	-	264,846
23 School leadership	792,044	-	792,044
31 Guidance/counseling/evaluation services	114,796	-	114,796
32 Social work services	-	-	-
33 Health services	142,973	-	142,973
35 Food services	537,799	-	537,799
36 Extracurricular activities	14,686	-	14,686
41 General administration	269,507	-	269,507
51 Facilities maintenance and operations	1,137,101	-	1,137,101
52 Security and monitoring services	53,751	-	53,751
53 Data processing services	11,947	-	11,947
61 Community services	-	-	-
Total expenses	8,846,531	-	8,846,531
Change in net assets	279,053	-	279,053
NET ASSETS, beginning of period	1,320,390	-	1,320,390
NET ASSETS, end of period	<u>\$ 1,599,443</u>	<u>\$ -</u>	<u>\$ 1,599,443</u>

Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions - Time and Purpose	2022 Total
\$ -	\$ 399,272	\$ 399,272
1,403	-	1,403
1,403	399,272	400,675
-	6,414,973	6,414,973
-	28,916	28,916
-	6,443,889	6,443,889
-	107,268	107,268
-	368,343	368,343
-	37,277	37,277
-	1,078,193	1,078,193
-	1,591,081	1,591,081
8,434,242	(8,434,242)	-
8,435,645	-	8,435,645
5,474,133	-	5,474,133
-	-	-
22,345	-	22,345
195,791	-	195,791
435,391	-	435,391
14,960	-	14,960
76,642	-	76,642
102,440	-	102,440
464,963	-	464,963
11,682	-	11,682
315,969	-	315,969
1,083,580	-	1,083,580
5,280	-	5,280
93,298	-	93,298
21	-	21
8,296,495	-	8,296,495
139,150	-	139,150
1,181,240	-	1,181,240
\$ 1,320,390	\$ -	\$ 1,320,390

Chapel Hill Academy
(A Program of Lena Pope Home, Inc.)
Statements of Cash Flows
Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 279,053	\$ 139,150
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	96,590	86,967
Changes in operating assets and liabilities		
Grants receivable	(38,804)	(222,966)
Prepaid assets	34,205	(91,255)
Accounts payable and accrued expenses	(63,172)	182,730
Deferred revenue	(12,803)	23,507
Due to Charter Holder	(35,097)	37,939
	<u>259,972</u>	<u>156,072</u>
Net cash provided by operating activities	259,972	156,072
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(29,239)	(194,753)
	<u>(29,239)</u>	<u>(194,753)</u>
Net cash used in investing activities	(29,239)	(194,753)
Net change in cash	230,733	(38,681)
CASH, beginning of year	<u>1,447,299</u>	<u>1,485,980</u>
CASH, end of year	<u><u>\$ 1,678,032</u></u>	<u><u>\$ 1,447,299</u></u>

Chapel Hill Academy
 (A Program of Lena Pope Home, Inc.)
 Schedules of Expenses
 Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
EXPENSES		
6100 Payroll costs	\$ 6,307,738	\$ 5,614,273
6200 Professional and contracted services	1,521,714	1,840,150
6300 Supplies and materials	711,643	604,223
6400 Other operating expenses	<u>305,436</u>	<u>237,849</u>
TOTAL EXPENSES	<u>\$ 8,846,531</u>	<u>\$ 8,296,495</u>

Chapel Hill Academy
 (A Program of Lena Pope Home, Inc.)
 Schedule of Capital Assets
 August 31, 2023

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ 1,678,032	\$ -	\$ -
1510 Land and improvements	104,811	-	-
1539 Furniture and equipment	351,889	108,787	351,289
1573 Accumulated depreciation	(446,323)	(44,788)	(191,308)
TOTAL CASH, INVESTMENTS AND CAPITAL ASSETS	<u>\$ 1,688,409</u>	<u>\$ 63,999</u>	<u>\$ 159,981</u>

Chapel Hill Academy

(A Program of Lena Pope Home, Inc.)
 Budgetary Comparison Schedule
 Year Ended August 31, 2023

	Original Budget	Final Budget	Actual Amounts	Variance From Final Budget
REVENUES, GRANTS AND OTHER SUPPORT				
Local support	\$ 180,000	\$ 403,100	\$ 336,934	\$ (66,166)
State support	6,998,641	6,548,691	6,744,442	195,751
Federal program revenues	2,034,641	2,801,857	2,044,208	(757,649)
Total revenues	9,213,282	9,753,648	9,125,584	(628,064)
EXPENDITURES				
Program services				
11 Instruction	5,791,191	6,483,294	5,398,030	1,085,264
12 Instructional resources	23,599	17,099	17,337	(238)
13 Curriculum and staff development	23,266	446	91,714	(91,268)
21 Instructional leadership	187,533	257,516	264,846	(7,330)
23 School leadership	615,382	625,700	792,044	(166,344)
31 Guidance and counseling	154,147	122,113	114,796	7,317
32 Social work services	-	-	-	-
33 Health services	173,254	151,638	142,973	8,665
35 Food services	519,328	554,328	537,799	16,529
36 Extracurricular activities	14,900	11,900	14,686	(2,786)
41 General administration	439,057	280,136	269,507	10,629
51 Physical plant and maintenance	1,106,931	1,176,931	1,137,101	39,830
52 Security and monitoring services	30,525	16,525	53,751	(37,226)
53 Data processing	130,805	55,805	11,947	43,858
61 Community services	325	-	-	-
Total expenditures	9,210,243	9,753,431	8,846,531	906,900
Change in net assets	3,039	217	279,053	278,836
NET ASSETS, beginning of period	1,320,390	1,320,390	1,320,390	-
NET ASSETS, end of period	\$ 1,323,429	\$ 1,320,607	\$ 1,599,443	\$ 278,836

Explanations for 10% Variances from Final Budget to Actual

Curriculum and Staff Development - Difference between final budget and actual is due to HQ Curriculum purchased in August was not included in final budget projections. Management will ensure all expenses are included in final budget considerations.

School Leadership - Difference between final budget and actual is due to increased personnel costs in August that were not included in final budget projections. Management will ensure all expenses are included in final budget considerations.

Extracurricular Activities - Difference between final budget and actual is due to higher than expected costs paid in August than were not reflected in the final budget projections. Management will ensure all expenses are included in final budget considerations.

Security and Monitoring Services - Difference between final budget and actual is due to increase in security costs paid in August that were not included in final budget projections. Management will ensure all expenses are included in final budget considerations.

Explanations for 10% Variances from Original Budget to Final Budget

Instruction - Increase from original budget is due to increase in expected spending as a result of increased grant funding.

Instructional Leadership - Increase from original budget is due to additional position added during the year that was not included in original budget

Chapel Hill Academy
 (A Program of Lena Pope Home, Inc.)
 Federal Program Disbursements Reconciliation Schedule
 Year Ended August 31, 2023

Cash received for federal programs from the Texas Education Agency	\$ 1,940,797
Less fiscal year 2021-2022 grants receivable	(228,241)
Plus noncash USDA donated commodities	43,981
Plus grants receivable	<u>287,671</u>
Federal program revenue, per B-2	<u><u>\$ 2,044,208</u></u>

Chapel Hill Academy
 (A Program of Lena Pope Home, Inc.)
 Use of Funds Report – Select State Allotment Programs
 Year Ended August 31, 2023

Data Codes		Responses
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.	\$ 781,765
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)	\$ 458,254
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.	\$ 44,430
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 78,140

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, 2023 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 25, 2024.

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 25, 2024



**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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 25, 2024

Lena Pope Home, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2023

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	23610100000000	\$206,767
Total Federal Assistance Listing Number 84.010A			206,767
Special Education Cluster			
IDEA - Part B, Formula	84.027A ⁽¹⁾	236600000000000000	111,435
COVID-19: IDEA - Part B, Formula ARP	84.027X ⁽¹⁾	225350022208155000	13,663
Total Federal Assistance Listing Number 84.027 (1)			125,098
IDEA - Preschool	84.173A ⁽¹⁾	236610000000000000	3,445
COVID-19: IDEA - Preschool ARP	84.173X ⁽¹⁾	225360000000000000	2,410
Total Federal Assistance Listing Number 84.173 (1)			5,855
Total Special Education Cluster			130,953
ESEA, Title II, Part A	84.367A	23694500000000	32,900
Total Federal Assistance Listing Number 84.367A			32,900
ESEA, Title IV, Part A	84.424A	23680100000000	13,845
Total Federal Assistance Listing Number 84.424A			13,845
COVID-19: ARP ESSER III	84.425U	21528001220815	696,974
COVID-19: TCLAS High-Quality After-School ESSER III	84.425U	21528100000000	271,148
COVID-19: TCLAS - ESSER III	84.425U	21528000000000	88,654
Total Federal Assistance Listing Number 84.425			1,056,776
Total passed through Texas Education Agency			1,441,241
Total U.S. Department of Education			1,441,241
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Texas Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program	10.553 ⁽²⁾	71402301	130,787
Total Federal Assistance Listing Number 10.553			130,787
National School Program Lunch - Cash Assistance	10.555 ⁽²⁾	71302301	431,922
National School Program Lunch - Non-Cash Assistance	10.555 ⁽²⁾	71302301	43,980
Total Federal Assistance Listing Number 10.555			475,902
Total Child Nutrition Cluster			606,689
Total Passed Through the Texas Department of Agriculture			606,689
Total U.S. Department of Agriculture			606,689

Lena Pope Home, Inc.
Schedule of Expenditures of Federal Awards – Continued
Year Ended August 31, 2023

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	6,198
Total U.S. Department of Health and Human Services			6,198
U.S. DEPARTMENT OF JUSTICE			
Support for Adam Walsh Act Implementation Grant Program	16.750	2020-17050	171,380
Total U.S. Department of Justice			171,380
U.S. DEPARTMENT OF TREASURY			
Passed through the Tarrant County, Texas			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	43,981
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	93,895
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	130,108
Total U.S. Department of Justice			267,984
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,493,492

(1) Reported as Special Education Cluster, as required by May 2023 Compliance Supplement

(2) Reported as Child Nutrition Cluster, as required by May 2023 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, 2023. 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 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 \$43,980 for year ended August 31, 2023.

Lena Pope Home, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2023

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	
84.425U	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, 2023

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.