

**GRAMBLING HIGH FOUNDATION, INC. dba
LINCOLN PREPARATORY SCHOOL
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 & 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grambling High Foundation, Inc. d/b/a
Lincoln Preparatory School

Report on the Financial Statements

We have audited the accompanying financial statements of Grambling High Foundation, Inc. (a non-profit organization) dba Lincoln Preparatory School (hereafter Lincoln Preparatory School), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Preparatory School as of June 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Schedule of Compensation, Benefits and other Payments to the School Leader, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Performance and Statistical Data is not a required part of the basic financial statements but is supplementary information required by Louisiana State Law. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2020, on our consideration of Lincoln Preparatory School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Lincoln Preparatory School'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 Lincoln Preparatory School's internal control over financial reporting and compliance.



Daigrepoint & Brian, APAC
Baton Rouge, LA

November 30, 2020

LINCOLN PREPARATORY SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash	\$ 912,596	\$ 509,716
Accounts receivable, net	185,338	81,204
Total Current Assets	<u>1,097,934</u>	<u>590,920</u>
Property and Equipment		
Furniture and fixtures	-	32,036
Equipment	244,873	176,700
Leasehold improvements	238,347	139,312
	<u>483,220</u>	<u>348,048</u>
Accumulated depreciation	(213,855)	(167,693)
Total Property and Equipment	<u>269,365</u>	<u>180,355</u>
Other Assets		
Certificates of deposit	153,375	82,038
Total Other Assets	<u>153,375</u>	<u>82,038</u>
Total Assets	<u>\$ 1,520,674</u>	<u>\$ 853,313</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 138,656	\$ 137,928
Accrued payroll liabilities	66,904	31,206
Accrued summer pay	180,082	173,412
Accrued retirement	151,343	147,138
Short term portion of debt	41,989	147,138
Total Current Liabilities	<u>578,974</u>	<u>636,822</u>
Long term Liabilities		
Long term debt	<u>804,326</u>	<u>-</u>
Total Liabilities	1,383,300	636,822
Net Assets Without Donor Restrictions	<u>137,374</u>	<u>363,629</u>
Total Liabilities and Net Assets	<u>\$ 1,520,674</u>	<u>\$ 1,000,451</u>

See accompanying notes and independent auditors' report.

**LINCOLN PREPARATORY SCHOOL
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
REVENUES		
Minimum Foundation Program	\$ 5,541,392	\$ 5,195,221
Federal grants	763,526	705,491
State grants	30,340	34,166
Athletic revenue	122,383	102,696
Contributions	935	1,535
Other income	32,300	31,916
Total Revenues	<u>6,490,876</u>	<u>6,071,025</u>
EXPENSES		
Program services	5,747,233	5,499,130
Management and general	969,898	543,025
Total Expenses	<u>6,717,131</u>	<u>6,042,155</u>
CHANGE IN NET ASSETS	(226,255)	28,870
Net assets - beginning of year	<u>363,629</u>	<u>334,759</u>
Net assets - end of year	<u>\$ 137,374</u>	<u>\$ 363,629</u>

See accompanying notes and independent auditors' report.

**LINCOLN PREPARATORY SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Athletic Expense	\$ 189,982	\$ 47,495	\$ 237,477
Curriculum Software	49,200	-	49,200
Curriculum Supplies	213,293	-	213,293
Depreciation Expense	36,930	9,232	46,162
Employee Benefits	1,119,794	109,568	1,229,362
Food Service	338,827	-	338,827
Insurance	24,751	6,188	30,939
Office Expense	4,124	1,375	5,499
Other	31,019	7,755	38,774
Payroll Taxes	84,498	5,006	89,504
Recruiting	11,836	-	11,836
Repairs & Maintenance	106,993	26,748	133,741
Rent	53,802	13,450	67,252
Salaries & Wages	2,818,608	553,589	3,372,197
Student Tuition	84,353	21,088	105,441
Technical & Professional Services	184,394	122,936	307,330
Transportation	212,958	-	212,958
Travel	49,935	12,484	62,419
Utilities	131,936	32,984	164,920
	<u>\$ 5,747,233</u>	<u>\$ 969,898</u>	<u>\$ 6,717,131</u>

See accompanying notes and independent auditors' report.

**LINCOLN PREPARATORY SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Athletic Expense	\$ 123,226	\$ 30,807	\$ 154,033
Curriculum Software	38,553	-	38,553
Curriculum Supplies	101,731	-	101,731
Depreciation Expense	27,228	6,807	34,035
Employee Benefits	974,226	63,256	1,037,482
Food Service	286,025	-	286,025
Insurance	34,640	8,660	43,300
Interest	426	107	533
Office Expense	11,556	3,852	15,408
Other	27,442	6,860	34,302
Payroll Taxes	83,351	4,624	87,975
Recruiting	8,831	-	8,831
Repairs & Maintenance	205,350	51,337	256,687
Rent	46,132	11,533	57,665
Salaries & Wages	2,946,946	181,448	3,128,394
Student Tuition	32,082	8,021	40,103
Technical & Professional Services	142,768	116,945	259,713
Transportation	213,545	-	213,545
Travel	66,681	16,670	83,351
Utilities	128,391	32,098	160,489
	<u>\$ 5,499,130</u>	<u>\$ 543,025</u>	<u>\$ 6,042,155</u>

See accompanying notes and independent auditors' report.

LINCOLN PREPARATORY SCHOOL
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (226,255)	\$ 28,870
<u>Adjustments to reconcile net revenues over expenses to net cash provided by (used in) operating activities:</u>		
Depreciation	46,162	34,035
(Increase) decrease in accounts receivable	(104,134)	81,604
Increase in accounts payable	728	57,625
Increase in payroll liabilities	35,698	31,206
Increase in summer pay	6,670	20,822
Increase in accrued retirement	4,205	20,962
Total adjustments	(10,671)	246,254
Net cash provided by (used in) operating activities	<u>(236,926)</u>	<u>275,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for property & equipment	(135,172)	-
Increase in certificate of deposit	(71,337)	(82,038)
Net cash used in investing activities	<u>(206,509)</u>	<u>(82,038)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	846,315	-
Draw on line of credit	-	315,000
Repayment on line of credit	-	(315,000)
Net cash provided by financing activities	<u>846,315</u>	<u>-</u>
INCREASE IN CASH	402,880	193,086
CASH, BEGINNING OF YEAR	<u>509,716</u>	<u>316,630</u>
CASH, END OF YEAR	<u>\$ 912,596</u>	<u>\$ 509,716</u>

See accompanying notes and independent auditors' report.

LINCOLN PREPARATORY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies

(a) Organization

Lincoln Preparatory School (the School) was approved on July 1, 2016 as a Type 2 charter school by the Louisiana Board of Elementary and Secondary Education (BESE). The School is operated and governed by Grambling High Foundation, Inc. which is a 501 (c)(3) organization. As of the 2018-2019 school year the School served children in Kindergarten through 12th grade. The School operates under a charter in Lincoln Parish that expired June 30, 2020. The charter with the BESE was renewed on July 1, 2020 for an additional four years.

(b) Basis of Accounting

The financial statements of the School have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the School to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed restrictions and are available for use at the organization's discretion.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions that may or will be met, either by actions of the organization, and/or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(c) Revenues

The School receives the majority of its revenue from the Minimum Foundation Program (MFP). The amount of the MFP funding is based on an allocation of funds provided by the State of Louisiana and local taxes. The allocation calculation is primarily based on the student enrollment at the School and is recognized monthly when received.

Federal and state funds are passed through the Louisiana Department of Education. The School's federal grant funding is on a cost reimbursement basis and is recognized as earned once the expenditures have been incurred.

The School also receives revenue in the form of student and athletic activities revenues. These revenues are collected from students who participate in social events and after school clubs. Additional revenue is received from patrons attending school sponsored sporting events. These funds are used to help cover the cost of hosting these events and provide compensation for teachers, chaperons, referees, or other personnel required to officiate or supervise these activities.

LINCOLN PREPARATORY SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies (continued)

(c) Revenues (continued)

The School receives private funding in the form of contributions from various individuals and entities. Contributions are recognized when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The School does not have any activity that would give rise to variable consideration.

(d) Cash

Cash consists of bank deposits held with financial institutions and cash on hand.

(e) Accounts Receivable

Accounts receivable represent amounts due under federal and state grant programs as well as contributions. The grant programs are reimbursable in nature and revenue is recognized as a receivable once the expenditures are incurred. Contributions are recognized at estimated fair value when the donor makes a pledge to give when it is an unconditional promise. The School does not recognize a conditional promise to give until the conditions upon which the promise depends are substantially met.

(f) Functional Expenses

The School allocates its expenses on a functional basis between program service or general and administrative. Expenses that can be identified with the school curriculum are allocated directly according to their natural expense classification. Other expenses are allocated between program service and general and administrative based on management's estimate of time, percentage, or square footage used, among other factors.

(g) Income Taxes

The School accounts for income taxes in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

The School is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School files information returns in the U.S. federal jurisdiction. The School is not subject to U.S. federal income tax examinations by tax authorities beyond three years from the filing of those returns.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**LINCOLN PREPARATORY SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

1. Summary of Significant Accounting Policies (continued)

(i) Recently Issued Accounting Standards

Effective July 1, 2019, the School adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU and all subsequently issued clarifying ASUs replaced most revenue recognition guidance in U.S. GAAP and addresses how an entity should recognize revenue derived from various contracts with customers that generate revenue, along with requiring additional disclosures related to the nature, amount, and timing of revenue and cash flows arising from contracts with customers. Primarily, the update requires the organization to evaluate the various performance obligations related to its contracts with customers, allocate the transaction price to the various performance obligations, and recognize revenue as performance obligations are satisfied. The standard was adopted using the modified retrospective method.

Effective July 1, 2019, the School adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves the guidance for contributions received and contributions made, and provides guidance to organizations on how to account for transactions as contributions or exchange transactions. In addition, it clarifies whether a contribution is conditional.

The adoption of these standards did not result in any changes to beginning net assets at July 1, 2019. Based on the School's evaluation process and review of its grant contracts and contribution award documentation, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standards.

2. Concentrations

At various times during the year, the School maintained cash balances in its bank accounts in excess of FDIC insurable limits. In evaluating this credit risk, the School periodically evaluated the stability of these financial institutions.

The School receives the majority of its operating revenue from the State of Louisiana in the form of MFP funding. The School also receives grants from federal agencies, state agencies, and private foundations. The percentage of revenue and receivables from these sources in excess of 10% is as follows:

	Revenue	Receivables
2020		
MFP	85%	N/A
Federal Grants	12%	100%
2019		
MFP	86%	N/A
Federal Grants	12%	100%

**LINCOLN PREPARATORY SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

3. Leases

For the years ended June 30, 2020 and 2019 the School occupied a building that was owned by Grambling State University and therefore did not have a monthly lease payment. The School does pay a portion of the custodial and utility expense that the University incurs.

The School entered an agreement with Ross Bus and Equipment Sales, Inc. to lease buses for a period of three years beginning July 1, 2019 through June 30, 2022. The terms of payment were \$22,350 per bus per year, due quarterly upon receipt of invoice from the vendor.

Future minimum lease payment is as follows:

Fiscal Year 2021	\$ 156,450
Fiscal Year 2022	156,450
	<u>\$ 312,900</u>

4. Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the least term. The useful lives range from three to forty years. The School's policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred.

All assets acquired with public funds are the property of the School for the duration of the charter. If the charter is revoked or surrendered, or the School otherwise ceases to operate, all assets purchased with public funds will automatically revert to full ownership by BESE or the appropriate agency.

Depreciation expense was \$46,162 and \$34,035 for the years ended June 30, 2020 and 2019, respectively.

5. Compensated Absences

Employees earn paid time off based on various factors such as length of service and job title. Any unused paid time off is paid out at the end of the year and does not carry over to the following year. Therefore, there are no compensated absences accrued at June 30, 2020 or 2019.

6. Retirement Plan

The School offers a retirement benefit plan with the Teacher's Retirement System of Louisiana (TRSL) for employees that are eligible to participate and operates as a defined benefit contribution pension plan. TRSL issues its own separate financial statements and supplementary information which are publicly available and can be obtained by writing or calling the plan.

Teachers' Retirement System of Louisiana
 Post Office Box 94123
 Baton Rouge, LA 70804-9123
 (225) 925-6446

**LINCOLN PREPARATORY SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

6. Retirement Plan (continued)

Benefits vest after five years of service for participants age sixty or older and after 20 years of service for all other participants. Benefits under the plan are established and amended by state statute. Retirement benefits are based upon the employee's age, last three years of compensation, and the total number of years the participant was contributing to the TRSL. Once participants reach retirement age a total of eight different payout options are available. The plan also provides death and disability benefits for surviving spouses or disabled employees.

Once enrolled teachers may also make an irrevocable election to participate in The Optional Retirement Plan (ORP). This plan operates as a defined contribution plan.

The School also offers enrollment into the Louisiana School Employees' Retirement System (LSERS). LSERS is available to all non-instructional personnel of the Louisiana public school system. Members may choose between three major retirement plans: Regular Service Retirement Plan, Deferred Retirement Option Plan (DROP), and Initial Benefit Retirement Plan (IBRP). LSERS issues its own separate financial statements and supplementary information which are publicly available and can be obtained by writing or calling the plan.

Louisiana School Employees' Retirement System
 8660 United Plaza Blvd.
 Baton Rouge, LA 70809
 (225) 925-6484

The School and all participating employees are required by state statute to contribute fixed percentages of employees' gross earnings to the pension plans. Current contribution rates for the plans are as follows:

TRSL		
	Employee	Employer
Fiscal Year 2019	8.00%	26.70%
Fiscal Year 2020	8.00%	26.00%
ORP		
	Employee	Employer
Fiscal Year 2019	8.00%	28.00%
Fiscal Year 2020	8.00%	28.40%
LSERS		
	Employee	Employer
Fiscal Year 2019	7.50%	28.00%
Fiscal Year 2020	7.50%	29.40%

The School's contributions for the years ended June 30, 2020 and 2019 were \$851,183 and \$754,646, respectively.

**LINCOLN PREPARATORY SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

7. Commitments and Contingencies

The School receives grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the School's management that its compliance with the terms of the grant will not result in any disallowed costs.

8. Line of Credit

The School has an available line of credit with a bank in the amount of \$100,000. There is no outstanding balance as of June 30, 2020. Interest on the line of credit is computed at a fixed rate of 5.99%, and is paid monthly. The note is secured by the School's assets.

9. Liquidity and Availability of Financial Assets

The following reflects the School's financial assets as of the statement of financial position date within one year of the statement of financial position date.

Financial Assets at Year End:	2020	2019
Cash	\$ 912,596	\$ 509,716
Accounts Receivable, net	185,338	81,204
Certificate of Deposit	153,375	82,038
Available Line of Credit	100,000	100,000
Financial Assets Available for General Expenditures	<u>\$ 1,351,309</u>	<u>\$ 772,958</u>

As part of the School's liquidity management, cash is kept in a checking account that can be accessed to meet daily needs of the organization. In addition, the School has a \$100,000 line of credit it could draw upon in the event of an unanticipated liquidity need.

10. Fair Value Measurement

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets that have the highest priority, and Level 3 inputs have the lowest priority. The School uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the School measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 2 - Inputs include:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in inactive markets;
3. Inputs other than quoted prices that are observable for the assets or liability;
4. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Certificates of deposit are recorded at cost, which approximates fair market value using Level 2 inputs. The fair value of the School's investments are \$153,375 and \$82,038 as of June 30, 2020 and 2019, respectively. No Level 1 or 3 inputs were available to the School.

**LINCOLN PREPARATORY SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

11. Reclassification

Certain amounts included in the prior year financial statements have been reclassified to confirm to the current year presentation.

12. PPP Loan

The School received additional federal funding in the form of forgivable SBA loan for the purpose of maintaining the School's staffing during the Covid-19 Pandemic of 2020. This funding was issued as a loan with stipulations that the loan would be forgivable up to the full amount of the loan if the funds were used for particular expenditures. No interest or principal payments are required until April 2021, at which point interest of 1% per year will be assessed on the outstanding balance. No portion of this loan has been forgiven as of June 30, 2020. The balance due as of June 30, 2020 and 2019 was \$846,315 and \$0, respectively.

Future maturities for this note are as follows:

Fiscal Year 2021	\$ 41,989
Fiscal Year 2022	166,173
Fiscal Year 2023	167,842
Fiscal Year 2024	169,528
Fiscal Year 2025	171,231
Thereafter	129,552
	<u>\$ 846,315</u>

13. Subsequent Event

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 20, 2020, which is the date the financial statements were available to be issued.

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the School is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

**LINCOLN PREPARATORY SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Passed Through LA Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	\$ 264,641
Child and Adult Care Food Program	10.558	N/A	22,060
Summer Food Service Program for Children	10.559	N/A	<u>131,226</u>
Total Child Nutrition Cluster			<u>417,927</u>
Total Passed Through LA Department of Education			<u>417,927</u>
Total U.S. Department of Agriculture			417,927
U.S. Department of Education			
Passed Through LA Department of Education			
Title 1 Cluster			
Title 1 Grants to Local Educational Agencies	84.010	N/A	197,691
Direct Student Services	84.010A	N/A	<u>6,065</u>
Total Title 1 Cluster			203,756
Community Services Block Grant	93.569	N/A	28,355
Career and Technical Education - Basic Grants to States	84.048	N/A	4,106
Special Education Cluster			
Special Education - Grants to States		N/A	57,341
Special Education - Preschool Grants		N/A	<u>1,664</u>
Total Special Education Cluster			59,005
Title V - Sexual Risk Avoidance Education Program	93.787	N/A	7,406
Teacher and School Leader Incentive Grants	84.374	N/A	27,971
Student Support and Academic Enrichment Program	84.424	N/A	<u>15,000</u>
Total Passed Through LA Department of Education			<u>345,599</u>
Total U.S. Department of Education			<u>345,599</u>
Total Expenditures of Federal Awards			<u><u>\$ 763,526</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**LINCOLN PREPARATORY SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of Lincoln Preparatory School (the School) under programs of the federal government for the year ended June 30, 2020. The information in this 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). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The School has elected not to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

**LINCOLN PREPARATORY SCHOOL
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE SCHOOL LEADER
FOR THE YEAR ENDED JUNE 30, 2020**

School Leader	G. Ford
Salary	\$ 120,418
Benefits - retirement	30,780
Benefits - medical	3,034
Reimbursement	4,608
	<u>\$ 158,840</u>

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

Board of Directors
Grambling High Foundation, Inc. d/b/a
Lincoln Preparatory School

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 Grambling High Foundation, Inc. (a non-profit organization) d/b/a Lincoln Preparatory School (hereafter Lincoln Preparatory School) which comprise the statement of financial position as of June 30, 2020, and the related statement 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 November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln Preparatory School'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 Lincoln Preparatory School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 Lincoln Preparatory School'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Daigrepoint & Brian APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

November 30, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Grambling High Foundation, Inc. d/b/a
Lincoln Preparatory School

Report on Compliance for Each Major Federal Program

We have audited Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School (hereafter Lincoln Preparatory School), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lincoln Preparatory School's major federal programs for the year ended June 30, 2020. Lincoln Preparatory School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion Lincoln Preparatory School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Lincoln Preparatory School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln Preparatory School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform

Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln Preparatory School's internal control over compliance.

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

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

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.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepoint & Brian, APAC
Baton Rouge, LA

November 30, 2020

**LINCOLN PREPARATORY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

We have audited the financial statements of Lincoln Preparatory School, as of June 30, 2020, and for the year then ended, and have issued our report thereon dated November 30, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Uniform Guidance. Our audit of the financial statements as of June 30, 2020 resulted in an unmodified opinion.

Summary of Auditors' Reports

A. Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.558, & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
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Is the auditee a 'low risk' auditee as defined by the Uniform Guidance	Yes	_____	No	_____	X	_____
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B. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control						
Material Weaknesses	Yes	_____	No	_____	X	_____
Significant Deficiencies	Yes	_____	No	_____	X	_____
Compliance with Provisions of Laws, Regulation, Contracts or Grant Agreements						
	Yes	_____	No	_____	X	_____

C. Report on Each Major Federal Program and on Internal Control Over Compliance

Internal Control						
Material Weaknesses	Yes	_____	No	_____	X	_____
Significant Deficiencies	Yes	_____	No	_____	X	_____

Type of Opinion on Compliance for Each Major Program						
Child Nutrition Cluster	Unmodified					

Are there findings required to be reported in accordance with the Uniform Guidance	Yes	_____	No	_____	X	_____
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Findings - Financial Statement Audit

There are no findings for the year ended June 30, 2020.

Questioned Costs

There are no questioned costs for the year ended June 30, 2020.

**LINCOLN PREPARATORY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Summary of Prior Audit Findings

There were no audit findings for the year ended June 30, 2019.

Summary of Prior Questioned Costs

There were no questioned cost for the year ended June 30, 2019.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Grambling High Foundation, Inc. d/b/a
Lincoln Preparatory School
Grambling, LA

We have performed the procedures enumerated below, which were agreed to by the management of Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School (hereafter Lincoln Preparatory School) and the Legislative Auditor, State of Louisiana, on the performance and statistical data accompanying the annual financial statements of Lincoln Preparatory for the fiscal year ended June 30, 2020; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education in compliance with Louisiana Revised Statute 24:514.1. Management of Lincoln Preparatory School is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

Procedure #1

We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts on the Schedule:

- Total General Fund Expenditures
- Total General Fund Equipment Expenditures
- Total Local Taxation Revenue
- Total Local Earnings on Investment in Real Property
- Total State Revenue in Lieu of Taxes
- Nonpublic Textbook Revenue
- Nonpublic Transportation Revenue

Results of Procedure #1

In performing the testing on the sample of expenditures/revenues we noted no transactions that were inappropriately classified or that were recorded at an inappropriate amount.

Class Size Characteristics (Schedule 2)

Procedure #2

We obtained a list of classes by school, school type, and class size as reported on the Schedule. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the Schedule.

Results of Procedure #2

No discrepancies were noted between the classes reported on the Schedule and those in the roll books.

Education Levels/Experience of Public School Staff (No Schedule)

Procedure #3

We obtained October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtained management's representation that the data/listing was complete. We then selected a sample of 25 individuals, traced to each individual's personnel file, and observed that each individual's education level and experience was properly classified on the PEP data or equivalent listing.

Results of Procedure #3

No differences were noted between the PEP data information provided and the information in the personnel files.

Public School Staff Data: Average Salaries (No Schedule)

Procedure #4

We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalents, and obtained management's representation that the data/list was complete. We then selected 25 individuals, traced to each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Results of Procedure #4

No differences were noted between the salary information reported on the PEP data report provided by management and the supporting records.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of Lincoln Preparatory School, as required by Louisiana Revised Statute 24:514.1, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Daigrepoint & Brian
Baton Rouge, LA

November 30, 2020

GRAMBLING HIGH FOUNDATION, INC. D/B/A
LINCOLN PREPARATORY SCHOOL
GRAMBLING, LA

Schedules Required by State Law (R.S. 24:514 – Performance and Statistical Data)
As of and for the Year Ended June 30, 2020

Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 – Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

**Lincoln Preparatory School
Grambling, LA**

**General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2020**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$1,922,269	
Other Instructional Staff Activities	265,060	
Instructional Staff Employee Benefits	854,654	
Purchased Professional and Technical Services	-	
Instructional Materials and Supplies	346,674	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	-	\$3,388,657
Other Instructional Activities		141,168
Pupil Support Activities	236,500	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities	-	236,500
Instructional Staff Services	137,842	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	-	137,842
School Administration	608,736	
Less: Equipment for School Administration	-	
Net School Administration	-	608,736
Total General Fund Instructional Expenditures (Total of Column B)		\$4,512,903
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		\$ -

See accompanying independent accountant's report on applying agreed-upon procedures

**Lincoln Preparatory School
Grambling, LA**

**Class Size Characteristics
As of October 1, 2019**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	0%	-	0%	-	0%	-	0%	-
Elementary Activity Classes	0%	-	0%	-	0%	-	0%	-
Middle/Jr. High	0%	-	0%	-	0%	-	0%	-
Middle/Jr. High Activity Classes	0%	-	0%	-	0%	-	0%	-
High	0%	-	0%	-	0%	-	0%	-
High Activity Classes	0%	-	0%	-	0%	-	0%	-
Combination	91%	172	9%	18	0%	-	0%	-
Combination Activity Classes	88%	24	4%	1	4%	1	4%	1

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.