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

FINANCIAL STATEMENTS

June 30, 2025

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REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Grambling High Foundation, Inc. (a nonprofit organization) d/b/a Lincoln Preparatory School (hereafter Lincoln Preparatory School), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lincoln Preparatory School as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. 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 Lincoln Preparatory School and to meet our other ethical responsibilities in accordance with the 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 audit opinions.

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 Lincoln Preparatory School's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Lincoln Preparatory School'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 Lincoln Preparatory School '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 compensation, benefits and other payments to the agency head is presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule 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,* is presented for purposes of additional analysis and is 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 schedule of compensation, benefits and other payments to the agency head and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Performance and Statistical Data Schedules Required by Louisiana State Law, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2026, on our consideration of Lincoln Preparatory School'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 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Shreveport, Louisiana
August 6, 2026

FINANCIAL STATEMENTS

Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School
Statement of Financial Position

June 30,	**2025**
Assets	
Current assets	
Cash, unrestricted	$ 349,886
Grants receivable	91,297
Other accounts receivable	77,881
Notes receivable, current	40,000
Other current assets	46,633
Restricted cash, current	746,480
Total current assets	1,352,177
Property and equipment	
Land	413,071
Buildings	46,358,023
Equipment	1,140,679
Improvements	162,009
Less: accumulated depreciation	(3,652,228)
Net property and equipment	44,421,554
Other assets	
Restricted cash, net of current	3,009,606
Certificates of deposits	360,846
Operating lease right-of-use assets, net	748,095
Total other assets	4,118,547
Total assets	$ 49,892,278
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$ 771,035
Accrued payroll liabilities	632,997
Accrued interest payable	207,635
Line of credit	78,539
Current portion bonds payable	430,000
Current portion of operating lease liabilities	307,557
Total current liabilities	2,427,763
Long-term liabilities	
Bonds payable, less current portion	43,540,000
Bonds premium/discount	912,063
Operating lease liabilities, less current portion	362,652
Total long-term liabilities	44,814,715
Total liabilities	47,242,478
Net assets	
Without donor restrictions	2,584,666
With donor restrictions	65,134
Total net assets	2,649,800
Total liabilities and net assets	$ 49,892,278

The accompanying notes are an integral part of these financial statements.

Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School
Statement of Activities

For the year ended June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Minimum Foundation Program	$ 9,863,365	$ -	**$ 9,863,365**
Federal grants	1,488,497	-	**1,488,497**
State grants	335,189	-	**335,189**
Student activities	173,884	-	**173,884**
Interest income	300,586	-	**300,586**
Other income	189,671	-	**189,671**
Total support and revenue	12,351,192	-	**12,351,192**
Expenses			
Program services	10,537,218	-	**10,537,218**
Supporting services	3,500,664	-	**3,500,664**
Total expenses	14,037,882	-	**14,037,882**
Change in net assets	(1,686,690)	-	**(1,686,690)**
Net assets, beginning of year, as previously reported	4,097,690	65,134	**4,162,824**
Prior period adjustment	173,666	-	**173,666**
Net assets, beginning of year, as restated	4,271,356	65,134	**4,336,490**
Net assets, end of year	$ 2,584,666	$ 65,134	**$ 2,649,800**

The accompanying notes are an integral part of these financial statements.

Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School
Statement of Functional Expenses

For the year ended June 30, 2025	Program Services Education Programs	Supporting Services Management and General	Total Expenses
Athletic expense	$ 210,502	$ 52,625	$ 263,127
Curriculum and assessment	237,881	-	237,881
Depreciation	1,280,287	426,762	1,707,049
Employee benefits	994,030	110,448	1,104,478
Food service	763,071	-	763,071
Insurance	182,535	47,862	230,397
Interest	575,504	1,726,512	2,302,016
Other	30,049	45,006	75,055
Payroll taxes	87,704	9,745	97,449
Professional development	65,731	65,731	131,462
Rent	261,429	80,362	341,791
Repairs and maintenance	35,250	85,491	120,741
Salaries and wages	4,720,415	524,491	5,244,906
Student tuition	316,022	-	316,022
Supplies	6,901	12,161	19,062
Technical and professional services	124,979	246,438	371,417
Transportation	463,756	-	463,756
Travel	1,339	4,018	5,357
Utilities	179,833	45,258	225,091
Moving expenses	-	4,000	4,000
Office equipment and furnishings	-	13,754	13,754
Total Functional Expenses	$ 10,537,218	$ 3,500,664	$ 14,037,882

The accompanying notes are an integral part of these financial statements.

Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School
Statement of Cash Flows

For the year ended June 30,		2025
Operating Activities		
Change in net assets	$	(1,686,690)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation		1,707,049
Amortization of operating lease right-of-use assets		326,475
Amortization of bond premium and discounts		44,036
Changes in operating assets and liabilties		
Grant receivables		224,059
Other accounts receivable		(77,881)
Other current assets		814
Checks written in excess of cash		(36,483)
Accounts payable		(604,711)
Accrued payroll liabilities		(121,931)
Operating lease liability		(321,170)
Net cash provided by (used in) operating activities		(546,433)
Investing Activities		
Purchase of property and equipment		(2,143,251)
Payments received on notes receivable		250,000
Purchase of certificates of deposit		(6,088)
Net cash provided by (used in) investing activities		(1,899,339)
Financing Activities		
Payments on notes payable		(1,144,722)
Payments on bonds payable		(405,000)
Proceeds from notes payable		1,144,793
Net cash provided by (used in) financing activities		(404,929)
Net change in cash, cash equivalents and restricted cash		(2,850,701)
Cash, cash equivalents, and restricted cash - beginning of period		6,956,673
Cash, cash equivalents, and restricted cash - end of period	$	4,105,972
Schedule of Noncash Transactions		
Lease liabilities arising from obtaining right-of-use assets		
Operating leases	$	638,180
Schedule of Certain Cash Flow Information		
Cash paid during the year for interest	$	2,302,016

The accompanying notes are an integral part of these financial statements.

Note 1: DESCRIPTION OF THE 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. The charter with BESE was renewed on July 1, 2025 for an additional three years, expiring June 30, 2028.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the financial statements include the determination of the estimated useful lives of property and equipment for computing depreciation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents. During the year, cash may consist of both unrestricted and restricted balances. Unrestricted cash balances represent cash available for general operating purposes.

Restricted Cash

Restricted cash balances consist of amounts credited to the School’s bank accounts in compliance with bond terms and covenants. There were net restricted cash balances at June 30, 2025 of $3,756,086, and is discussed in the debt footnote below.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash **(Continued)**

The following table provides a reconciliation of cash and restricted cash reported within the Statement of Financial Position to the amounts presented in the Statement of Cash Flows:

Cash, unrestricted	$	349,886
Restricted cash, current		746,480
Restricted cash, net of current		3,009,606
Total cash, cash equivalents, and restricted cash	$	4,105,972

Grants, Notes, Other Receivables, and Allowance for Credit Losses

Grants, notes, and other receivables are stated at the amount the School expects to collect from outstanding balances. The School received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at the year-end are stated at unpaid balances for expenditures incurred during the year. Grants and other receivables are stated at the amount management expects to collect from outstanding balances.

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover potential credit losses. The allowance for credit losses related to grants receivable was $0 at June 30, 2025.

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. The School's policy is to capitalize renewals and betterments acquired for greater than $5,000 and expense normal repairs and maintenance as incurred.

Depreciation is calculated using the straight- line method over the lesser of the estimated useful lives of the assets or the lease term as follows:

Computers	3 Years
Office Equipment	5 Years
Office Furniture	7 Years
Building Improvements	20 Years
Building	30 Years

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The School leases buses as described at Note 7. The School 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. The School has elected to apply the short-term lease exemption for all leases with a term of 12 months or less.

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. As most of the leases do not provide an implicit rate, the School uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The School's lease agreements do not contain any restrictive covenants or material residual value guarantees.

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, 2025.

Net Assets

The School reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets **(Continued)**

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

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, at which time all performance obligations have also been satisfied.

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.

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.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of 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.

Advertising

The School uses advertising to promote the school among the population it serves. Advertising costs are charged to expense when incurred. Advertising, which is included in professional development, and other, on the Statement of Functional Expenses, for the year ended June 30, 2025 was $1,783.

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.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 6, 2026, and determined there were no subsequent events that occurred that required disclosure.

Recent Accounting Pronouncements

In July 2025, the FASB issued ASU 2025-05, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. The amendments in this ASU provide all entities with a practical expedient and entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606. In developing reasonable and supportable forecasts as part of estimating expected credit losses, all entities may elect a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements **(Continued)**

An entity other than a public business entity that elects the practical expedient is permitted to make an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses. The Organization adopted the practical expedient and the accounting policy election provided for in this ASU for the year ended June 30, 2025. The impact of these adoptions was not material to the financial statements.

Note 3: PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that operating leases were previously recorded as finance leases in the prior year audited financial statements. To correct this error, the beginning net assets without donor restrictions of $4,162,824, as originally reported, has been increased to $4,336,490.

Beginning net assets	$	4,162,824
Adjustment to correct operating leases		173,666
Beginning net assets, as restated	$	4,336,490

Note 4: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

As part of the School's liquidity management, it maintains its funds in cash operating accounts in order to meet the needs of general expenditures, liabilities or other obligations as they come due. Revenue from the Minimum Foundation Program and sources other than federal grants and internal funds is not restricted for specific purposes and is available for general expenditure. The financial assets available to meet cash needs for general expenditures within one year of the financial position date are as follows:

June 30,		**2025**
Total assets at year-end	**$**	**49,892,278**
Less non-financial assets		
Operating lease right-of-use assets, net		**(748,095)**
Property and equipment, net		**(44,421,554)**
Financial assets at year-end		**4,722,629**
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions		**(65,134)**
Restricted cash		**(3,009,606)**
Certificates of deposit		**(360,846)**
Financial assets available to meet cash needs for general expenditures within one year	**$**	**1,287,043**

Note 5: GRANTS, NOTES, AND OTHER RECEIVABLES

At June 30, 2025, grants, and other receivables totaled $169,178, which were primarily for federal and state grants passed through the Louisiana Department of Education.

On December 14, 2023, the School entered into a non-interest bearing note receivable agreement due from Rhodes Properties and Development, LLC related to the use of the Schools sewer system, and payable over annual installments of three (3) years. Notes receivable totaled $40,000 at June 30, 2025. The stated balances are considered fully collectible.

Note 6: PROPERTY AND EQUIPMENT

The components of property and equipment consist of the following at June 30, 2025:

	Estimated Useful Lives (in years)		2025
Buildings	30	**$**	**46,358,023**
Improvements	20		**162,009**
Furniture and equipment	3-7		**1,140,679**
Total depreciable property and equipment			**47,660,711**
Less accumulated depreciation			**(3,652,228)**
Total depreciable property and equipment, net			**44,008,483**
Land			**413,071**
Total property and equipment, net		**$**	**44,421,554**

Depreciation expense for the year ended June 30, 2025 amounted to $1,707,049.

Note 7: LEASES

The School has operating leases for buses. The leases have a remaining lease term of approximately two years. As of June 30, 2025, assets recorded under operating leases was $748,095.

The components of operating leases expense consist of the following:

For the year ended June 30,		**2025**
Operating lease cost	$	355,738
Short-term lease cost	$	341,791

Note 7: LEASES (Continued)

As of June 30, 2025, scheduled annual lease payments under non-cancellable operating leases for the years ending June 30, are as follows:

For the year ended June 30,		Operating Leases
2026	$	343,921
2027		305,450
2028		74,500
Total future minimum lease payments		723,871
Less imputed interest		(53,662)
Present value of lease liabilities	$	670,209

Lease liabilities reported as of June 30, 2025 were as follows:

For the year ended June 30, 2025		Operating Leases
Operating lease current liabilities	$	307,557
Operating lease non-current liabilities		362,652
Total	$	670,209

Other Lease Disclosures Required in Accordance with FASB ASC 842

For the year ended June 30,		**2025**
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	$	638,180
Weighted average remaining lease term		
Operating leases		2.10 years
Weighted average discount rate		
Operating leases		1.60%

Note 8: DEBT

Bonds

In March 2021, Louisiana Public Facilities Authority Series 2021A and 2021B were issued for the purpose of providing funds to pay for the construction of the campus to be occupied by the School. $520,000 par value Series 2021B bonds were issued at a discount of $235,086. The discount is amortized over the useful life of the bonds on the straight-line basis. These bonds mature on June 1, 2026, with an interest rate of 5.00%.

$29,265,000 par value Series 2021A bonds were issued at a premium of $1,722,543 and a underwriter discount of $286,151, which is to be amortized over the life of the bonds on a straight-line basis. The Series 2021A bonds are able to be redeemed prior to the scheduled maturity date beginning in fiscal year 2026. Interest rates for the Series 2021A bonds vary based upon maturity dates. Interest rates range from 5.00% - 5.25% and have a final maturity date of June 2060.

In July 2022, Louisiana Public Facilities Authority Series 2022A and 2022B were issued for the purpose of providing funds to pay for the construction of the athletic facilities to be utilized by the School. $390,000 par value Series 2022B bonds were issued at a discount of $143,279. These bonds mature on June 1, 2027 and have an interest rate of 6.375%.

$14,395,000 par value Series 2022A bonds were issued at an underwriter discount of $289,069, which is to be amortized over the life of the bonds on a straight-line basis. Interest rates for the Series 2022A bonds vary based upon maturity dates. Interest rates range from 6.125% - 6.50% and have a final maturity of June 2062.

Debt consists of the following:

June 30,		**2025**
$29,265,000 Series 2021A Bonds, due in annual installments of $210,000 to $1,750,000, maturing June 1, 2060; interest at 5.00% - 5.25%	**$**	**29,265,000**
$520,000 Revenue Series 2021B, due in annual installment of $115,000, maturing June 1, 2026; interest at 5.00%		**115,000**
$14,395,000 Series 2022A Bonds, due in annual installments of $25,000 to $980,000, maturing June 1, 2062; interest at 6.13% - 6.50%		**14,395,000**
$390,000 Revenue Series 2022B Bonds, due in annual installments of $105,000 to $90,000, maturing June 1, 2027; interest at 6.38%		**195,000**
Long-term debt		**43,970,000**
Less current portion		**(430,000)**
Long-term debt, less current portion		**43,540,000**
Unamortized premium		**1,532,369**
Unamortized discount		**(620,306)**
Total unamortized premium / discount		**912,063**
Total long-term debt	**$**	**44,452,063**

Note 8: DEBT (Continued)

Bonds (Continued)

Schedule of maturities of long-term debt by fiscal year ending June 30, is as follows:

For the years ending June 30,	Series 2021A	Series 2021B	Series 2022A	Series 2022B	Total
2026	$ 210,000	$ 115,000	$ -	$ 105,000	$ 430,000
2027	335,000	-	25,000	90,000	450,000
2028	350,000	-	120,000	-	470,000
2029	370,000	-	130,000	-	500,000
2030	390,000	-	135,000	-	525,000
Thereafter	27,610,000		13,985,000	-	41,595,000
Total	$ 29,265,000	$ 115,000	$ 14,395,000	$ 195,000	$ 43,970,000

The proceeds from bond issuances are restricted for various purposes and are to be held in separate accounts for the specific purposes of servicing the debt, making payments to construct the facility, and to ensure the School maintains adequate reserves to maintain the facility in normal operating conditions. The bonds are secured by the academic building and the athletic facilities constructed, and several insurance policies. Total interest expense for the year ended June 30, 2025 was $2,302,016.

The Days Cash on Hand Requirement for the calculation date of June 30, 2025, is an amount equal to or greater than forty-five (45) days of cash and cash equivalents divided by average daily expenses. The School did not meet the Days Cash on Hand requirement at June 30, 2025.

The Debt Service Coverage Ratio Requirement under the School's debt agreements state a requirement to maintain net operating revenues not less than 1.10 to 1.00. The School did not meet the Debt Service Coverage Ratio Requirement at June 30, 2025.

Under the terms of the agreement, the failure to meet the Days Cash on Hand and Debt Service Coverage Ratio requirements may constitute an event of default. The investors waived the breach of the Days Cash on Hand and Debt Service Coverage Ratio covenant for the fiscal year ended June 30, 2025.

Line of Credit

The School has a revolving line of credit arrangement with a financial institution entered into on November 5, 2024, with a maximum outstanding balance of $351,725. Interest is payable on the fifth of every month using a rate of 5.25% per annum, and continuing until paid in full. This line of credit is secured by the School's certificates of deposit, which are restricted. The balance outstanding on this line of credit was $78,539 as of June 30, 2025.

Note 9: RETIREMENT PLAN

The School offers a retirement plan through participation in the Teachers' Retirement System of Louisiana (TRSL) for employees that are eligible to participate and operates as a defined benefit 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

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 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 decision 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:

	Employee	Employer
TRSL	8.00%	23.30%
ORP	8.00%	22.10%
LSERS	7.50%	27.60%

The School's contributions for the year ended June 30, 2025 was $700,692.

Note 10: CONCENTRATIONS AND CREDIT RISK

At various times during the year, the School maintained cash balances in its bank accounts in excess of FDIC insurable limits. Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each bank. At June 30, 2025, the School had approximately $106,979 in uninsured deposits. Management believes the risk associated with these excess deposits is minimal.

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
MFP	80%	N/A
Federal Grants	12%	70%
Notes Receivable	N/A	30%

Note 11: 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.

The continuation of the School is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contracts with the BESE. If the legislature fails to appropriate sufficient monies to provide for the continuation of the charter contract, or if such appropriation is reduced by veto of the Governor or by any means provided in the appropriations act to prevent the appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the charter contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated.

Note 12: RISK MANAGEMENT AND LITIGATION

The School is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. In the opinion of management, insurance coverage is adequate to cover any material anticipated losses.

There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2025.

SUPPLEMENTARY INFORMATION

Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number		Total Federal Expenditures	Passed Through to Subrecipients
U. S. Department of Education					
Passed through Louisiana Department of Education					
Special Education Cluster					
Special Education - Grants to States	84.027	28-24-B1-1N	$ 134		
Special Education - Grants to States	84.027	28-25-B1-1N	218,315		
				$ 218,449	$ -
Special Education - Preschool Grants	84.173	28-24-P1-1N	251		
Special Education - Preschool Grants	84.173	28-25-P1-1N	1,924		
				2,175	-
Total Special Education Cluster				220,624	-
Title I Grants to Local Educational Agencies	84.010	28-24-T1-1N	7,192		
Title I Grants to Local Educational Agencies	84.010	28-25-T1-1N	431,397		
Title I Grants to Local Educational Agencies				438,589	-
Supporting Effective Instruction State Grants	84.367	28-25-50-1N		15,155	-
Rural Education	84.358	28-25-RLIS-1N		22,594	-
Total U.S. Department of Education				696,962	-
U.S. Department of Agriculture					
Passed through Louisiana Department of Education					
Child Nutrition Cluster					
National School Lunch Program	10.555	n/a	395,743		
National School Lunch Program - Non-Cash Assistance	10.555	n/a	20,323		
				416,066	-
School Breakfast Program	10.553	n/a		236,563	-
Summer Food Service Program for Children	10.559	n/a		121,925	-
Total Child Nutrition Cluster				774,554	-
Child and Adult Care Food Program	10.558	n/a		16,981	-
Total U.S. Department of Agriculture				791,535	-
Total Expenditures of Federal Awards				$ 1,488,497	$ -

See Independent Auditor's Report and the Notes to the Schedule of Expenditures of Federal Awards.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal spending of Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School (the School) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not represent the financial position of the School.

Note 2: INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a de minimis indirect cost rate. For the year ended June 30, 2025, the School did not elect to use this rate.

Note 3: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

Note 4: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES

The School did not have any federal loans or loan guarantees outstanding during the year ended June 30, 2025.

Note 5: SUBRECIPIENTS

During the year ended June 30, 2025, the School had no subrecipients.

Note 6: FEDERALLY FUNDED INSURANCE

During the year ended June 30, 2025, the School had no federally funded insurance.

Note 7: NONCASH ASSISTANCE AND OTHER

During the year ended June 30, 2025, the School received $20,323 as noncash-assistance under the National School Lunch Program.

Note 8: CONTINGENCIES

Grant monies received and disbursed by the School are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the School does not believe that such disallowance, if any, would have a material effect on the financial position of the School.

Note 9: FEDERAL PASS-THROUGH FUNDS

The School is also the subrecipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through are considered to be direct.

Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School
Schedule of Compensation, Benefits and Other Payments to the Agency Head
For the Year Ended June 30, 2025

Agency Head Name: Dr. Crystal Washington, Acting CEO/Executive Director
February 28, 2025 through June 30, 2025

Purpose	Amount
Salary	$ 109,396
Benefits - retirement	23,531
Benefits - medical	9,294
Payroll taxes	1,588
Reimbursements	331
Other travel	421
Conference travel	2,111

Agency Head Name: Gordon Ford, Former CEO/Executive Director
July 1, 2024 through February 28, 2025

Purpose	Amount
Salary	$ 98,757
Benefits - retirement	21,243
Benefits - medical	2,622
Payroll taxes	1,465
Conference travel	588

OTHER INFORMATION

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.

Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
For the Year Ended June 30, 2025
Schedule 1

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures				
Teacher and Student Interaction Activities				
Classroom Teacher Salaries	$	3,099,133		
Other Instructional Staff Activities		210,121		
Instructional Staff Employee Benefits		1,033,947		
Purchased Professional and Technical Services		2,925		
Instructional Materials and Supplies		155,313		
Instructional Equipment		-		
Total Teacher and Student Interaction Activities			$	4,501,439
Other Instructional Activities				237,961
Pupil Support Activities		587,248		
Less: Equipment for Pupil Support Activities		-		
Net Pupil Support Activities				587,248
Instructional Staff Services		210,043		
Less: Equipment for Instructional Staff Services		-		
Net Instructional Staff Services				210,043
School Administration		735,291		
Less: Equipment for School Administration		-		
Net School Administration				735,291
Total General Fund Instructional Expenditures			$	6,271,982
Total General Fund Equipment Expenditures			$	-

Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School
Class Size Characteristics
As of October 1, 2024
Schedule 2

	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
School Type	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Combination	85%	301	15%	55	0%	-	0%	-
Combination Activity Classes	82%	47	7%	4	7%	4	2%	2

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.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS

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CRIadv.com

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

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 nonprofit organization) d/b/a Lincoln Preparatory School (hereafter Lincoln Preparatory School), which comprise the statement of financial position as of June 30, 2025, 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 August 6, 2026.

Report on 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) as a basis for designing 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 Lincoln Preparatory School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-002, 2025-003, and 2025-004 to be significant deficiencies.

Report on 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-005 and 2025-010.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Stature 24.513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Shreveport, Louisiana
August 6, 2026

CARR, RIGGS & INGRAM, L.L.C.

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School's (hereafter Lincoln Preparatory School) compliance with the types of compliance requirements identified as subject to audit 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, 2025. Lincoln Preparatory School'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, Lincoln Preparatory School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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; 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). 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 Lincoln Preparatory School 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 Lincoln Preparatory School'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 Lincoln Preparatory School's federal programs.

Auditor's Responsibilities 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 Lincoln Preparatory School'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 generally accepted auditing standards, *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 Lincoln Preparatory School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Lincoln Preparatory School'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 Lincoln Preparatory School'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 Lincoln Preparatory School'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-006. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Lincoln Preparatory School's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Lincoln Preparatory School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-006, 2025-007, 2025-008, and 2025-009 to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Lincoln Preparatory School's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Lincoln Preparatory School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Shreveport, Louisiana
August 6, 2026

Section I – Summary of Auditor's Results

Financial Statements

1. Type of Auditor's report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements noted?	Yes

Federal Awards

1. Type of Auditor's report issued on compliance for major programs	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
3. Any audit findings disclosed that are required to be reported in Accordance with 2CFR section 200.516(a)?	Yes
4. Identification of major programs	

Assistance Listing Number	Federal Program
10.553, 10.555, 10.559	Child Nutrition Cluster

5. Dollar threshold used to distinguish between Type A and type B programs	$750,000
6. Auditee qualified as low-risk under 2CFR 200.520	No

Section II – Financial Statement Findings

Current Year Findings and Responses

<u>Reference # and title: 2025-001 – Internal Controls Over Financial Reporting (Material Weaknesses)</u>

Criteria or Specific Requirement: Government Auditing Standards (GAS) and applicable financial reporting frameworks require that accounting records be complete, accurate, and updated on a timely basis to provide reliable financial information and ensure compliance with applicable laws and regulations. Effective internal controls over financial reporting include procedures to record all significant transactions promptly and accurately. Additionally, 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 (GAAP), including the design, implementation, and maintenance of effective internal controls relevant to financial reporting.

Condition: In performing the audit of Grambling High Foundation, Inc. (Lincoln Preparatory School) it was identified that the School lacks adequate internal controls over financial reporting, leading to errors and material misstatements in the financial statements. These material weaknesses are primarily due to insufficient review processes within the finance department. As such, material adjustments were proposed related to correct various asset, liability, net asset, revenue, and expense accounts. A total of twenty-one (21) adjusting journal entries were proposed to correct identified misstatements.

Cause: These causes are due to the following:

1. **<u>Financial Records</u>** – The School does not have sufficient personnel with the training, knowledge, and experience to prepare accurate financial statements and accompanying footnotes in accordance with U.S. GAAP. As a result, the School outsources this function to a paid fee accounting company. However, financial statements and bookkeeping is not consistent with U.S. GAAP.
2. **<u>Cash</u>** – The School lacks proper cash reconciliation procedures, leading to discrepancies between recorded and actual cash balances.
   - Auditors were given a bank reconciliation for the operating account that did not agree to the recorded general ledger balances by a material amount. This was due to transactions previously clearing the bank, but not properly cleared in the bank reconciliation by the preparer. Additionally, no review by management was indicated.
3. **<u>Accounts Receivable</u>** – The School did not properly identify and record accounts receivable related to Medicaid reimbursements received subsequent to year-end of $77,881. Based on discussions with management, the School relies heavily on their management company to record year-end entries. However, the School lacks the necessary review procedures at year-end to ensure the completeness of reimbursements received subsequent to year-end.

4. **Notes Receivable** – During our review of the revenue and accounts receivable process, we noted where the annual payment received on notes receivable was recorded as revenue instead of reducing the notes receivable balance. This resulted in revenue being overstated and the notes receivable balance not being properly reduced by $150,000.

5. **Capital Assets** – During our audit procedures, we identified deficiencies in the School's controls over the recording and classification of fixed asset purchases. Specifically:

   - Expenditures related to capital asset purchases were recorded as operating expenses rather than capitalized and recorded as fixed assets on the statement of financial position, resulting in an overstatement of expenses by approximately $2.8M at year-end.

   - In addition, depreciation expense of $1,707,049 was not recorded during the year or at year-end.

6. **Leases** – During our review of the lease accounting process related to buses recognized under ASC 842, we identified deficiencies in controls designed to ensure the completeness and accuracy of the bus inventory used to calculate lease liabilities and corresponding lease payments. Specifically, management did not maintain an accurate and reconciled listing of buses subject to lease agreements. The bus count used for lease payment calculations was inaccurate and not periodically reconciled to operational fleet records or vendor lease schedules. As a result, an active contract was in effect for 19 buses, where the financial records indicated a total of 14 buses in service during the fiscal year. Additionally, insurance records showed some buses either partially insured or not insured at all.

   Due to the absence of these controls, management did not detect discrepancies in the number of buses included in lease calculations, which led to a prior period adjustment totaling $173,666, along with material adjustments to right-of-use assets totaling $352,485 and amortization totaling $173,502 at year-end.

   In addition to inaccurate bus counts, due to non-payments and/or late payments, the School owed a total of $257,546 to its lessor at year-end for the leases in effect. A payment agreement was reached with the lessor to pay the outstanding balance in twelve (12) monthly installments subsequent to year-end.

7. **Prior Period Adjustment** – The auditors identified a prior period adjustment related to the misclassification of bus lease arrangements that had been recorded as finance leases when they should have been classified as operating leases under the applicable accounting guidance. As a result, previously issued financial statements required adjustment to properly reflect right-of-use assets, lease liabilities, and related expense recognition.

   The issue occurred because the existing controls over lease classification did not include a sufficient review of lease terms against the applicable accounting criteria during the initial recognition process. Consequently, the lack of oversight failed to detect the incorrect classification, resulting in a misstatement that required correction through a prior period adjustment.

8. **Accounts Payable** – During our review of the year-end Accounts Payable Aging, we noted that several vendor balances included in the aging were old and outstanding for extended periods and were not properly investigated, reconciled, or cleared prior to year-end financial reporting. Specifically, management did not perform a comprehensive review of aged payables to identify balances that were no longer valid obligations, such as:

    - Duplicate invoices.
    - Payments previously issued but not applied.
    - Proper write-off or clearing of invalid liabilities.
    - Adjustments from prior year remaining in the system.

    As a result, certain accounts payable balances remained on the aging schedule despite no longer representing valid liabilities. This led to an overstatement of accounts payable at year-end.

9. **Accrued Liabilities** – We identified deficiencies in the controls designed to ensure the completeness and accuracy of accrued wages and related employee benefits recorded at year-end. The School did not maintain an effective process to calculate and record wages and benefits earned by employees as of year-end. Additionally, related employer obligations such as payroll taxes and employee benefit costs associated with those wages were not consistently included in the accrual calculation. As a result, accrued wages and related benefit liabilities were understated at year-end, leading to a misstatement of payroll expenses and liabilities.

10. **Bonds Payable** – During our audit procedures over long-term debt, we identified deficiencies in the controls designed to ensure the proper recognition, classification, and accounting for bond obligations. The School did not record certain bond obligations as liabilities on the balance sheet. Instead, payments made toward these bonds were recorded as expenses in the statement of operations rather than being allocated between principal reduction and interest expense. As a result, the underlying bond liability was not reflected in the accounting records and was omitted from the School's statement of financial position. The lack of effective controls over recognition and accounting for bond obligations increases the risk that:

    - Long-term liabilities are materially understated.
    - Expenses are misclassified.
    - Interest expense is incorrectly recognized.
    - Misuse of unspent bond funds, resulting in fraud.

11. **Miscellaneous Revenue** – During the course of our audit procedures related to revenue testing, we requested supporting documentation and explanations related to entries recorded to other miscellaneous income during the period aggregating approximately $56,000. As of the date of this report, management has not provided the requested supporting documentation or explanations for the balance in this account. As a result of management's unwillingness to address discrepancies in other miscellaneous income, audit adjustments were proposed to reverse the unsupported transactions.

12. **Lack of Supporting Documentation for Credit Card Transactions** – During our audit of expenditures for the fiscal year, we noted two key employees of the School used a school-issued credit card to incur certain charges that were paid by the School during the fiscal period. For the transactions tested (for 26 out of 29 transactions totaling $58,224), the School did not maintain reimbursement requests, receipts, invoices, or other supporting documentation to substantiate the nature, business purpose, or authorization of the expenditures. As a result, the school could not demonstrate that the credit card transactions were appropriate, authorized, and related to official school activities.

13. **Payroll Expenses** – During the course of our audit procedures related to payroll testing, we requested explanations for significant variances between actual payroll expenses and the approved budget. As of the date of this report, management has not provided the requested explanations for the noted variances. As a result of management's unwillingness to address variances in payroll expenses, we identified a quantitative material variance of current year payroll, and budget compared to prior year of approximately $580,000.

14. **Rental Contract** – We requested supporting documentation related to the rental expense agreements and payout terms for the rental contract representing a material portion of operating expenses of approximately $235,000**.** Additionally, duplicated expenses for rental payments were identified, resulting in overstatement of expenses of approximately $60,000.

    As of the date of this report, management has not provided the requested documentation or supporting schedules. As a result, we were unable to verify that the rental expenses recorded during the year are supported by valid contractual agreements or that the amounts recorded are consistent with the terms of the underlying contracts. CRI was able to validate the expenses reported in the accompanying financial statements by examination of related invoices.

Effect: Material misstatements may go undetected, leading to inaccurate financial reporting and potential noncompliance with financial reporting and regulatory requirements, and misappropriations.

Repeat Finding: Yes, see finding 2024-01.

Recommendation: We recommend management implement controls designed to ensure transactions are recorded accurately, completely, and in a timely manner. Effective internal controls are essential for ensuring the accuracy, reliability, and compliance of financial reporting, and should be designed such that transactions are supported by appropriate documentation, reconciliations, and independent reviews. A strong internal control system helps prevent material weaknesses, detect errors in a timely manner, and safeguard public funds.

To enhance internal controls and mitigate the risk of financial misstatements, we recommend that management implement the following:

- Strengthen Oversight and Monitoring**:** Establish formal review procedures to ensure financial transactions and reports are accurate, complete, and in compliance with applicable regulations.

- Enhance Staff Training: Provide ongoing training for employees responsible for financial reporting, grant management, and compliance to ensure they fully understand internal control procedures and regulatory requirements.
- Implement Reconciliation and Validation Processes: Conduct regular reconciliations of key financial accounts and validate system-generated reports to detect and correct discrepancies before financial statements are finalized.
- Perform Periodic Internal Audits**:** Establish an internal audit function or periodic self-assessments to proactively identify control weaknesses and implement corrective actions.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

Reference # and title: 2025-002 – Internal Controls (Significant Deficiency)

Criteria or Specific Requirement: Internal control procedures should be performed consistently and documented throughout the year to ensure that controls operate as intended and provide reasonable assurance over the accuracy, completeness, and reliability of financial reporting.

Condition: During the performance of our audit procedures, CRI noted certain internal controls that are appropriately designed to ensure the accuracy and completeness of financial information were not consistently performed during the year. Specifically, the control activities for disbursements relating to quotes and approval levels, control activities for accuracy and recording of accounts receivable and revenue and control activities requiring acknowledgment of time charged to restricted or federal grants by staff.

Cause: The control procedures appear to be appropriately designed; however, they were not consistently performed during the year. This may be due to staffing changes, training, oversight, or insufficient monitoring to ensure that established procedures were followed.

Effect: When controls do not operate as designed, errors or irregularities may occur and not be detected in a timely manner. This could result in inaccurate financial information, noncompliance with internal policies, or an increased risk of misstatement.

Repeat Finding: No.

Recommendation: Management should ensure that the established internal control procedures are performed consistently throughout the year and that evidence of the control performance is properly documented. Management may also consider implementing periodic monitoring or review procedures to verify that key controls are operating as intended.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

Reference # and title: 2025-003 – Student Activity Funds (Significant Deficiency)

Criteria or Specific Requirement: Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. This should include maintaining accurate and complete documentation for all transactions to ensure transparency, accountability, and proper use of funds.

Condition: In performing revenue testing of Student Activity Funds (SAF), CRI was unable to obtain support for 5 out of 5 deposits totaling $2,777. Also, in performing expense testing for SAF, CRI was unable to obtain support for 4 out of 5 expenditures totaling $31,255. CRI identifies that management appears unable to locate and provide the missing support.

Cause: The absence of required documentation may stem from lack of appropriate oversight or misappropriation, poor record-keeping practices, or a failure to adhere to the School's financial management policies.

Effect: Missing documentation increases the risk of misappropriation of SAF, errors in financial reporting, and potential non-compliance with applicable laws and regulations.

Repeat Finding: No.

Recommendation: We recommend the School monitor banking activities to ensure support is maintained for transactions, spending is only for necessary expenditures, provide training for staff relating to the importance of maintaining proper documentation, and to implement periodic checks to ensure adherence to such policies and procedures.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

<u>Reference # and title: 2025-004 – Information Technology Controls (Significant Deficiency)</u>

Criteria or Specific Requirement: Proper oversight of the IT environment should be maintained to prevent potential fraud or manipulation of the IT systems in use.

Condition: We observed no formal IT management contract has been implemented, noting only ad-hoc IT support services, with no active monitoring of the firewall or daily backups. CRI identified multiple deficiencies over IT controls and applications. Specifically:

- It was identified that there are no documented roles, responsibilities, and requirements for IT experience and qualifications of IT roles.
- The School lacks risk management processes with no mechanism to evaluate third-party vendors or their reports that impact the School's IT environment.
- We also identified that key employees' user access was not disabled promptly after termination.
- Similarly, we also noted that the School does not properly document and practice segregation of duties related to user roles in applications like Bill.com and Paycom, and it was also identified that there were no restrictions to the paid fee accountant's access permissions.

Cause: Deficiencies are due to lack of proper oversight of the IT environment.

Effect: There is a risk of material misstatement to the financial statements due to inadequate IT governance, ineffective access controls, lack of segregation of duties, and insufficient oversight of third-party service providers.

Repeat Finding: No.

Recommendation: We recommend formal policies and procedures over the IT environment be put into place and followed, and that proper oversight of the network and systems be implemented.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

Reference # and title: 2025-005 – Debt Covenant (Noncompliance)

Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal controls to ensure compliance with contractual obligations related to debt covenants.

Condition: Based on testing of debt covenants, the School was not in compliance with certain financial covenants required under its debt agreement. The requirements per the debt agreements for Days Cash on Hand (DCOH) require a minimum of 45 days. Our tests indicate only 23 DCOH at year-end. The Debt Service Coverage Ratio (DSCR) requires 1.00, however, our tests indicate DSCR was 0.92 at year-end.

Cause: Based on our review and discussions with management, the School does not actively monitor and review debt covenant ratios during the year to ensure compliance.

Effect: Failure to meet the required Days Cash on Hand and Debt Service Coverage ratio places the School in noncompliance with debt covenants, which could result in lender actions such as accelerated repayment, penalties, additional financial restrictions, or other adverse financial implications.

Repeat Finding: No.

Recommendation: We recommend implementing measures to increase cash reserves and improve the debt service coverage ratio to meet the required bond covenants. Management should regularly monitor liquidity and debt service, and report any potential covenant defaults promptly to the bond trustee, and obtain waivers for defaulted bond covenants.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

Reference # and title: 2025-010 – Late Submission of Audit Report to Legislative Auditor (Noncompliance)

Criteria or Specific Requirement: Louisiana Revised Statute 24:513 requires that the School prepare and submit its annual financial statements to the Louisiana Legislative Auditor within six months of the School's fiscal year end.

Condition: The School's audit report for the fiscal year ending June 30, 2025, was not completed within the six-month deadline as per R.S. 24:513 A (5)(a)(i). The School requested an extension from the Legislative Auditor, which was granted.

Cause: The audit report was not issued within the required filing timeline because management was engaged in obtaining waivers related to debt covenant violations. Finalization of the financial statements and audit report was dependent upon the successful execution of these waivers, which extended beyond the anticipated reporting timeline.

Effect: Noncompliance with Louisiana Revised Statute 24:513.

Repeat Finding: No.

Recommendation: We recommend the School take necessary steps to ensure that future audits will be completed and submitted to the Louisiana Legislative Auditor within the prescribed time period.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

Section III – Federal Awards Findings and Questioned Costs

Reference # and title: 2025-006 – Duplicate Transaction (Material Weakness and Noncompliance)

ALN 10.553, 10.555 Child Nutrition Cluster
Name of Federal Agency: U.S. Department of Agriculture
Name of pass-through entity: Louisiana Department of Education
Federal grant/contract number: N/A
Grant period: July 1, 2024 to June 30, 2025

Criteria or Specific Requirement: Federal regulations require that financial records for the Child Nutrition Program be accurate, complete, and supported by adequate documentation (2 CFR 200.302 and 2 CFR 200.403). Costs charged to federal programs must be allowable, allocable, and accurately recorded.

Condition: The School inadvertently recorded the September SLA Management invoice twice in QuickBooks. As a result, the School duplicated the payment initially overstating expenditures by approximately $76,150, and commodities received by approximately $2,094. Upon identification of the duplicate payment, a credit was applied to future invoices, which ultimately corrected most of the overstatement. However, the commodities remained overstated.

Cause: The error occurred due to a lack of effective internal controls over the review, posting and payment of vendor invoices, resulting in the same invoice being recorded and paid more than once without detection.

Effect: As a result of the duplicate invoice recording:

- Program expenditures were initially overstated by approximately $76,150 and corrected through future credits.
- Commodities received were overstated by approximately $2,094 and remained uncorrected.

Because amounts reported on the Schedule of Expenditures of Federal Awards (SEFA) for the Child Nutrition Program are primarily based on meal counts and reimbursement rates, the duplicate payment affected the SEFA only through the overstatement of commodities. This overstatement was immaterial and has been corrected.

Questioned Costs: $2,094, factually identified as a duplicate transaction of September Commodities received.

Perspective: Of the nonstatistical sample of 12 transactions, 1 duplicate entry was identified. CRI reviewed the general detail for additional duplicate transactions within the program. No additional duplications were noted. Therefore, it appears to be an isolated incident.

Repeat Finding: No.

Recommendation: We recommend that the School strengthen internal controls over accounts payable processing, including implementing a secondary review of vendor invoices prior to posting, to ensure invoices are not recorded more than once.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

Reference # and title: 2025-007 – Improper Approval of Disbursements (Material Weakness)

ALN 10.553, 10.555 Child Nutrition Cluster
Name of Federal Agency: U.S. Department of Agriculture
Name of pass-through entity: Louisiana Department of Education
Federal grant/contract number: N/A
Grant period: July 1, 2024 to June 30, 2025

Criteria or Specific Requirement: Federal regulations require non-federal entities to establish and maintain effective internal control over federal awards that provides reasonable assurance that the entity is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award (2 CFR §200.303).

The School's established policies and procedures require invoices to receive the appropriate level of approval and that disbursements be processed only by individuals authorized to release payments by the financial institution.

Condition: During testing of internal controls over compliance and compliance requirements related to cash disbursements, we noted one instance in which an invoice received only one level of approval, and the related payment was released by an individual who was not an authorized signer on the bank account.

Cause: The cause of the condition was a failure to consistently follow established approval and authorization procedures.

Effect: Failure to follow established approval and authorization procedures increases the risk that unauthorized or unallowable expenditures could be paid with federal funds. No questioned costs were identified.

Questioned Costs: None.

Perspective: Of the nonstatistical sample of 12 transactions, 1 transaction did not have proper approval. CRI reviewed the Approval Log for the electronic payment system noting beginning in February 2025, this does not appear to be an isolated instance, but rather a systemic failure of the internal controls established by the School in the Policies and Procedures manual

Repeat Finding: No.

Recommendation: We recommend that the School adhere to established policies and procedures, which require invoices to receive the appropriate level of approval and that disbursements be processed only by individuals authorized to release payments by the financial institution.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

Reference # and title: 2025-008 – Unapproved Unpaid Transaction (Material Weakness)

ALN 10.553, 10.555 Child Nutrition Cluster
Name of Federal Agency: U.S. Department of Agriculture
Name of pass-through entity: Louisiana Department of Education
Federal grant/contract number: N/A
Grant period: July 1, 2024 to June 30, 2025

Criteria or Specific Requirement: Federal regulations require non-federal entities to establish and maintain effective internal control over federal awards to ensure compliance with federal statutes, regulations, and the terms and conditions of the federal award (2 CFR §200.303).

The School's established policies and procedures require invoices to be reviewed, approved, and paid in a timely manner.

Condition: During testing of internal controls over compliance and compliance requirements related to cash disbursements, we noted one instance where an incurred expense with an invoice date from February 2025 had not been approved and remained unpaid as of February 2026.

Cause: The error occurred due to a failure of internal controls over the review, approval and timely payment procedures established by the School.

Effect: Failure to timely review, approve, and pay invoices increases the risk that expenditures may not be properly recorded in the appropriate period and that liabilities may not be settled in a timely manner. No questioned costs were identified.

Questioned Costs: None.

Perspective: Of the nonstatistical sample of 12 transactions, 1 transaction had not been approved for payment. CRI reviewed the electronic payment system approval and payment report noting this does not appear to be an isolated occurrence, but a systemic failure.

Repeat Finding: No.

Recommendation: We recommend that the School ensure that existing procedures related to invoice review, approval, and payment are consistently followed to promote timely processing of expenditures.

Views of responsible officials and corrective action plan: See accompanying "Corrective Action Plan".

Reference # and title: 2025-009 – Suspension and Debarment (Material Weakness)

ALN 10.553, 10.555, 10.559 Child Nutrition Cluster
Name of Federal Agency: U.S. Department of Agriculture
Name of pass-through entity: Louisiana Department of Education
Federal grant/contract number: N/A
Grant period: July 1, 2024 to June 30, 2025

Criteria or Specific Requirement: Federal regulations require non-federal entities to ensure that funds are not used to conduct business with entities that are suspended or debarred. This includes establishing and maintaining internal controls to verify and document vendor eligibility prior to award or payment.(2 CFR Part 180 and 2 CFR § 200.214)

Condition: During our review of internal controls over compliance for the Child Nutrition Cluster, we noted the School did not have formalized procedures in place to verify that vendors and service providers were not suspended or debarred prior to entering into contracts or making payments. Specifically, the School did not consistently document verification of vendor status through the System for Award Management (SAM) or maintain evidence of alternative verification methods.

Cause: The condition is due to a lack of established written procedures related to suspension and debarment requirements for federal programs.

Effect: No instances of noncompliance were identified as a result of this control deficiency. All vendors exceeding $25,000 were tested and determined not to be suspended or debarred. However, the absence of documented controls increases the risk that future transactions could occur with ineligible vendors without detection.

Questioned Costs: None.

Perspective: Of the nonstatistical sample of two vendors, neither of the vendors had verification of not being suspended or debarred.

Repeat Finding: No.

Recommendation: We recommend the School establish and implement formal procedures to ensure compliance with suspension and debarment requirements. This should include at a minimum, documented verification of vendor status (such as SAM searches) prior to contract execution or payment and retention of supporting documentation to demonstrate compliance. We further recommend this procedure be performed quarterly for contracted vendors.

Views of responsible officials and corrective action plan: See accompanying “Corrective Action Plan”.

Section IV – Prior Year Financial Statement Findings

Reference # and title: 2024-01 – Accounting Review and Financial Statement Preparation

Condition: The School does not have sufficient personnel on staff that had the training, knowledge, and experience to prepare the financial statements and accompanying footnotes in accordance with U.S. GAAP. Instead, the School relies on its auditors to assist in the preparation of external financial statements and related footnotes.

Recommendations: It is recommended the School hire additional personnel to perform this function or reevaluate the services provided by outside parties.

Status: Unresolved. See Finding 2025-001.

Corrective Action Plan

For the Year Ended June 30, 2025

Finding 2025-001 Internal Controls Over Financial Reporting (Material Weaknesses)

Corrective Action Plan: Management will redesign and strengthen the school's financial reporting process by implementing a formal monthly and year-end closing process. This process will include reconciliations for cash, receivables, payables, accrued liabilities, debt, leases, fixed assets, and revenue accounts. A closing checklist will be developed and required each month. The school will also require all journal entries and financial statement schedules to be reviewed and approved by the Executive Director and finance support personnel before finalization.

In addition, management will ensure financial statements and footnotes are prepared in accordance with U.S. GAAP. The school will establish procedures for maintaining complete supporting documentation for all significant transactions, including payroll variances, miscellaneous revenue, rental agreements, and credit card purchases. Capital asset procedures will be revised so that purchases are reviewed for capitalization and depreciation is recorded timely. Lease schedules will be reconciled to vendor records and operational records, including bus inventory. Debt obligations will be tracked through a debt schedule that clearly distinguishes principal and interest.

Anticipated Completion Date: June 30, 2026.

Responsible Personnel: Rashid Young, Executive Director.

Finding 2025-002 Internal Controls (Significant Deficiency)

Corrective Action Plan: Management will reestablish and document all key internal control procedures and assign clear responsibility for each control. A control matrix will be developed that identifies the control activity, frequency, preparer, reviewer, and required evidence of completion. This will include controls for quote thresholds, approval levels, receivable posting, revenue recording, and time-and-effort documentation for restricted and federal grants.

Staff responsible for finance and grant functions will be retrained on required procedures. The business manager is participating in several professional learning opportunities including a certification in Education Finance from Edunomics-Georgetown University and a school business manager cohort through the Louisiana Department of Education. The business manager also attended the Louisiana Association of School Business Officers annual conference to revise internal control and student activity practices and the Louisiana Association of Federal Education Program Administrators to ensure compliance with local, state, and federal laws regarding grants management through eGMS.

Management will also implement periodic spot checks and monthly review meetings to confirm controls are being performed and documented consistently.

Anticipated Completion Date: April 30, 2026.

Responsible Personnel: Rashid Young, Executive Director.

<u>Finding 2025-003 Student Activity Funds (Significant Deficiency)</u>

Corrective Action Plan: In the fall of 2025, management implemented a cash collection sheet to verify cash collected by event. Processes were strengthened throughout the course of the school year to include cashless opportunities to collect payments to minimize cash collection. Documentation can be provided for both cashless and cash ticket sales. In addition, sponsors are given an account of revenue collected to track expenditures and overall budget.

In addition, management has implemented stronger procedures for student activity funds by ensuring every deposit and expenditure is supported by complete documentation. This includes standardized forms for deposits, receipts, purchase orders, and invoices. Additional procedures will be implemented to ensure approvals and reconciliation reports to utilize standardized forms. All student activity fund transactions are maintained in a centralized filing system and are available as requested.

Training will be provided to staff responsible for student activity funds regarding documentation requirements, allowable expenditures, and records retention expectations. The school will also conduct monthly reconciliations of student activity fund accounts and periodic internal reviews to verify compliance.

Anticipated Completion: Date: May 31, 2026.

Responsible Personnel: Rashid Young, Executive Director.

<u>Finding 2025-004 Information Technology Controls (Significant Deficiency)</u>

Corrective Action Plan: Management will formalize oversight of the IT environment by engaging a qualified IT service provider or establishing a formal IT management agreement that outlines responsibilities for network monitoring, firewall management, backups, cybersecurity support, and incident response. Written IT policies and procedures will be developed to address user access, termination procedures, password standards, vendor management, data backup, and security monitoring.

The school will also implement an access review process for all financial and payroll systems, including Bill.com and Paycom, to ensure appropriate segregation of duties and timely removal of access for terminated employees. Access for external accountants and vendors will be reviewed and restricted to only what is necessary for job responsibilities.

Anticipated Completion: June 30, 2026.

Responsible Personnel: Rashid Young, Executive Director.

<u>Finding 2025-005 Debt Covenant (Noncompliance)</u>

Corrective Action Plan: Management has made progress towards debt covenant compliance. Cash on hand has increased from 14 days to 24 days; and the debt service coverage ratio has improved from .71 to .99.

Management will implement a formal debt covenant monitoring process. A monthly covenant dashboard will be created to monitor liquidity, debt service obligations, and projected compliance with bond requirements. The school will review Days Cash on Hand and Debt Service Coverage Ratio each month and report results to the Board Finance Committee.

Management will also work to strengthen cash flow through tighter expenditure monitoring, stronger budget controls, timely collection of receivables, and a plan to increase reserves. Where necessary, the school will communicate proactively with the bond trustee and lender regarding any risk of noncompliance and seek waivers when appropriate.

Anticipated Completion: Immediate implementation; first monthly covenant report by April 2026.

Responsible Personnel: Rashid Young, Executive Director.

<u>Finding 2025-006 Duplicate Transaction (Material Weakness and Noncompliance)</u>

Corrective Action Plan: Management will strengthen internal controls over accounts payable and disbursement processes by implementing a structured, multi-layered review and approval system. All vendor invoices will undergo a two-step review process prior to entry into the accounting system, including an initial review by the preparer and a secondary review by an independent reviewer to verify accuracy and prevent duplicate entry. A centralized invoice log will be maintained to track invoice numbers, vendors, amounts, and payment status.

The school will require documented approval for all invoices prior to payment, including verification that goods or services were received. Disbursement processing will be restricted to authorized personnel only, and an updated list of individuals with access to financial institution platforms will be maintained and reviewed quarterly. Segregation of duties will be strengthened by separating responsibilities for invoice entry, approval, and payment processing, or by implementing compensating controls where staffing limitations exist.

To ensure consistency, the school will implement a standardized payment checklist for every disbursement, establish internal timelines for invoice processing, and provide mandatory staff training on procedures related to invoice review, approval, and payment. Monthly reconciliations and supervisory reviews of accounts payable activity will be conducted to ensure compliance and accuracy.

Anticipated Completion: Initial implementation immediately; full implementation by May 31, 2026.

Responsible Personnel: Rashid Young, Executive Director.

Finding 2025-007 Improper Approval of Disbursements (Material Weakness)

Corrective Action Plan: Management will strengthen internal controls over accounts payable and disbursement processes by implementing a structured, multi-layered review and approval system. All vendor invoices will undergo a two-step review process prior to entry into the accounting system, including an initial review by the preparer and a secondary review by an independent reviewer to verify accuracy and prevent duplicate entry. A centralized invoice log will be maintained to track invoice numbers, vendors, amounts, and payment status.

The school will require documented approval for all invoices prior to payment, including verification that goods or services were received. Disbursement processing will be restricted to authorized personnel only, and an updated list of individuals with access to financial institution platforms will be maintained and reviewed quarterly. Segregation of duties will be strengthened by separating responsibilities for invoice entry, approval, and payment processing, or by implementing compensating controls where staffing limitations exist.
To ensure consistency, the school will implement a standardized payment checklist for every disbursement, establish internal timelines for invoice processing, and provide mandatory staff training on procedures related to invoice review, approval, and payment. Monthly reconciliations and supervisory reviews of accounts payable activity will be conducted to ensure compliance and accuracy.

Anticipated Completion: Initial implementation immediately; full implementation by May 31, 2026.

Responsible Personnel: Rashid Young, Executive Director.

Finding 2025-008 Unapproved Unpaid Transaction (Material Weakness)

Corrective Action Plan: Management will strengthen monitoring, training, and oversight processes to ensure consistent implementation of all financial procedures. Mandatory training will be provided to all staff involved in Child Nutrition financial processes, including invoice processing, documentation requirements, approval protocols, and federal compliance expectations.

A standardized payment checklist will be implemented and required for all disbursements to ensure completeness and consistency of documentation. Internal timelines for invoice submission, review, and payment will be established and monitored to promote timely and accurate processing.

Monthly internal reviews and quarterly compliance checks will be conducted to verify adherence to procedures. All supporting documentation, including invoice logs, approval records, SAM verification, and training materials, will be retained for audit purposes.

Anticipated Completion: Within 30–60 days.

Responsible Personnel: Rashid Young, Executive Director.

Finding 2025-009 Suspension and Debarment (Material Weakness)

Corrective Action Plan: Management will establish and implement formal procedures to ensure full compliance with suspension and debarment requirements for all applicable Child Nutrition vendors. Prior to contract execution or payment, the school will require documented verification of vendor status through SAM. Documentation of each search, including the date, results, and reviewer, will be retained in the vendor or procurement file.

The school will conduct quarterly reviews of all active vendors receiving federal funds to confirm continued eligibility. Procurement procedures will be updated to include suspension and debarment verification requirements, and staff involved in purchasing and accounts payable will receive training on federal compliance expectations.

To ensure consistent implementation, SAM verification will be incorporated into the standard procurement and payment checklist, and no vendor payment will be processed without evidence of compliance.

Anticipated Completion: Initial implementation immediately; full implementation within 30 days.

Responsible Personnel: Rashid Young, Executive Director.

Finding 2025-010 Late Submission of Audit Report to Legislative Auditor (Noncompliance)

Corrective Action Plan: Grambling High Foundation acknowledges the late submission of its FY 2024-2025 audit report and is committed to ensuring that future audits are completed and submitted within all required statutory and regulatory deadlines. To address this finding, the Foundation has implemented the following corrective measures: Earlier Audit Planning; Monthly Financial Close Process; Strengthened Financial Oversight; Audit Timeline and Internal Deadlines; Communication with Auditors.

Anticipated Completion: This corrective action has been implemented and will be fully operational beginning with the Fiscal Year 2025-2026 audit cycle. The Foundation expects all future audit reports to be submitted by the applicable statutory deadline.

Responsible Personnel: Rashid Young, Executive Director.

Rashid Young, Esq.

Printed Name

Rashid Young

Signature

7/7/2026

Date

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Grambling High Foundation, Inc. d/b/a
Lincoln Preparatory School,
the Louisiana Department of Education,
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the performance and statistical data accompanying the financial statements of Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School (hereafter Lincoln Preparatory School) for the fiscal year ended June 30, 2025; and to determine whether the specified schedules are free of obvious errors and omissions, in compliance with Louisiana Revised Statute 24:514 I. Management of Lincoln Preparatory School is responsible for its performance and statistical data.

Lincoln Preparatory School has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the performance and statistical data accompanying the financial statements. Additionally, the Louisiana Department of Education and the Louisiana Legislative Auditor have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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

1. We selected a sample of 25 transactions, reviewed supporting documentation, and observed that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:

   - Total General Fund Instructional 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: No exceptions were identified as a result of applying the agreed-upon procedure.

Class Size Characteristics (Schedule 2)

2. We obtained a list of classes by school, school type, and class size as reported on the schedule. We then traced a sample of 10 classes to the October 1 roll books for those classes and observed that the class was properly classified on the schedule.

   Results: No exceptions were identified as a result of applying the agreed-upon procedure.

Education Levels/Experience of Public School Staff (NO SCHEDULE)

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 prepared by management.

   Results: No exceptions were identified as a result of applying the agreed-upon procedure.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We obtained June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, 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 salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

   Results: CRI identified 17 exceptions, where extra pay was not included in the PEP data.

We were engaged by Lincoln Preparatory School to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of Lincoln Preparatory School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on the performance and statistical data accompanying the financial statements of Grambling High Foundation, Inc. d/b/a Lincoln Preparatory School, as required by Louisiana Revised Statute 24:514 I, 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 Louisiana Legislative Auditor as a public document.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Shreveport, Louisiana
August 6, 2026

Grambling High Foundation, Inc.

STATEWIDE AGREED-UPON PROCEDURES REPORT

June 30, 2025

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Grambling High Foundation, Inc.
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2024 through June 30, 2025. Grambling High Foundation, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Grambling High Foundation, Inc. (the Organization) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2024 through June 30, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Bank Reconciliations

1. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

      Results: CRI identified one exception where the bank reconciliation was not prepared within two months of statement closing date.

   b) Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and

Results: Five of five bank reconciliations selected for this procedure did not include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared.

c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: Three of five bank reconciliations selected for this procedure did not reflect documentation of research of reconciling items that have been outstanding for more than 12 months from the statement closing date.

Payroll and Personnel

2. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

   Results: No exceptions were identified as a result of applying the procedure.

3. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #2 above, obtain attendance records and leave documentation for the pay period, and

a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

Results: One exception was identified where the selected employee or official did not have daily attendance and leave documented.

b) Observe whether supervisors approved the attendance and leave of the selected employees or officials;

Results: One exception was identified where the attendance record was not approved by the appropriate supervisor.

c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

Results: No exceptions were identified as a result of applying the procedure.

d) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were identified as a result of applying the procedure.

4. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

   Results: One exception was identified where the terminated employee's pay rate did not agree to authorized pay rate per the personnel file.

5. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

   Results: No exceptions were identified as a result of applying the procedure.

We were engaged by Grambling High Foundation, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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.

We are required to be independent of Grambling High Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, 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 LLA as a public document.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS, & INGRAM, L.L.C.

Shreveport, Louisiana
August 6, 2026

LINCOLN
PREPARATORY SCHOOL

1453 Martin Luther King Jr. Avenue • Grambling, Louisiana 71245
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August 6, 2026

Louisiana Legislative Auditor
1600 North 3rd Street
Baton Rouge, LA 70802

And

Carr Riggs & Ingram, L.L.C.
1000 East Preston Avenue, Suite 200
Shreveport, LA 71105

RE: Management's Response to Agreed-Upon Procedures

Management of Grambling High Foundation, Inc. has reviewed the Independent Accountants' Report on Applying Agreed-Upon Procedures. We are in agreement with the report of Carr, Riggs and Ingram, L.L.C. Grambling High Foundation, Inc. will add policies and procedures and implement changes as considered necessary and cost beneficial to meet the expectations identified in the report and future agreed-upon procedures engagements.

Sincerely,

Rashid Young

Rashid Young, Executive Director