

THE ORCHARD FOUNDATION

ALEXANDRIA, LOUISIANA

DECEMBER 31, 2019 AND 2018

THE ORCHARD FOUNDATION

ALEXANDRIA, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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May 27, 2020

The Board of Trustees
The Orchard Foundation
Alexandria, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of The Orchard Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Orchard Foundation as of December 31, 2019 and 2018, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 11 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 auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2020 on our consideration of The Orchard Foundation'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 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 The Orchard Foundation's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ORCHARD FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Assets:</u>		
Cash and cash equivalents	1,860,579	281,977
Grants receivable	1,013,329	1,330,397
Accounts receivable	4,557	175
Prepaid expenses	77,508	75,925
Property and equipment, net	<u>5,407</u>	<u>5,003</u>
Total assets	<u><u>2,961,380</u></u>	<u><u>1,693,477</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>Liabilities:</u>		
Accounts payable	34,505	79,714
Due to The Rapides Foundation	-	2,523
Accrued expenses	<u>18,454</u>	<u>-</u>
Total liabilities	52,959	82,237
 <u>Net assets:</u>		
Without donor restrictions	1,001,731	149,292
With donor restrictions	<u>1,906,690</u>	<u>1,461,948</u>
Total net assets	<u><u>2,908,421</u></u>	<u><u>1,611,240</u></u>
Total liabilities and net assets	<u><u>2,961,380</u></u>	<u><u>1,693,477</u></u>

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

THE ORCHARD FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains, and other support:</u>			
Interest income	-	-	-
Contributions (net of amounts returned to grantor of \$85,347 and \$823,779)	1,834,412	2,423,671	4,258,083
Other income	434	43,044	43,478
Total revenues, gains, and other support	<u>1,834,846</u>	<u>2,466,715</u>	<u>4,301,561</u>
Net assets released from restrictions	<u>2,021,973</u>	<u>(2,021,973)</u>	<u>-</u>
Total revenues, gains, and other support after reclassifications	3,856,819	444,742	4,301,561
<u>Expenses:</u>			
Effective schools	1,150,649	-	1,150,649
Early childhood	524,103	-	524,103
College and career	1,062,939	-	1,062,939
Administration	266,689	-	266,689
Total expenses	<u>3,004,380</u>	<u>-</u>	<u>3,004,380</u>
<u>Change in net assets</u>	852,439	444,742	1,297,181
<u>Net assets, beginning of year</u>	<u>149,292</u>	<u>1,461,948</u>	<u>1,611,240</u>
<u>Net assets, end of year</u>	<u><u>1,001,731</u></u>	<u><u>1,906,690</u></u>	<u><u>2,908,421</u></u>

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

2018		
Without Donor Restrictions	With Donor Restrictions	Total
226	-	226
-	993,504	993,504
-	12,616	12,616
226	1,006,120	1,006,346
<u>1,682,680</u>	<u>(1,682,680)</u>	<u>-</u>
1,682,906	(676,560)	1,006,346
402,292	-	402,292
296,827	-	296,827
989,816	-	989,816
374,635	-	374,635
<u>2,063,570</u>	<u>-</u>	<u>2,063,570</u>
(380,664)	(676,560)	(1,057,224)
<u>529,956</u>	<u>2,138,508</u>	<u>2,668,464</u>
<u>149,292</u>	<u>1,461,948</u>	<u>1,611,240</u>

THE ORCHARD FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019				
	<u>Effective Schools</u>	<u>Early Childhood</u>	<u>College and Career</u>	<u>Administration</u>	<u>Total</u>
Salaries and wages	97,915	64,575	-	146,016	308,506
Retirement	9,791	6,458	-	14,602	30,851
Other employee benefits	8,285	4,804	-	10,040	23,129
Payroll taxes	6,803	4,896	-	11,010	22,709
Fees for services	3,789	583	-	13,112	17,484
Advertising and promotion	20,479	28,971	28,205	276	77,931
Office expenses	3,336	2,950	1,747	9,855	17,888
Information technology	292	296	100,058	5,641	106,287
Occupancy	-	-	-	6,609	6,609
Travel	11,907	23,259	32,705	671	68,542
Conferences, conventions and meetings	54,413	19,088	6,820	2,097	82,418
Depreciation	-	-	-	2,868	2,868
Insurance	-	-	-	2,103	2,103
Contract services	925,480	318,706	879,431	40,786	2,164,403
Program supplies	8,159	49,517	13,973	644	72,293
Memberships and dues	-	-	-	324	324
Other	-	-	-	35	35
Total expenses	<u>1,150,649</u>	<u>524,103</u>	<u>1,062,939</u>	<u>266,689</u>	<u>3,004,380</u>

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

2018				
Effective Schools	Early Childhood	College and Career	Administration	Total
10,215	51,028	16,379	221,675	299,297
1,021	5,103	1,638	22,168	29,930
263	1,329	658	17,153	19,403
753	3,904	1,138	16,133	21,928
3,912	1,008	317	11,184	16,421
5,588	8,457	23,728	16,079	53,852
6,728	4,888	3,871	13,633	29,120
-	-	82,140	1,905	84,045
-	-	-	6,565	6,565
8,562	23,710	36,912	2,003	71,187
47,458	3,277	7,569	796	59,100
-	-	-	1,319	1,319
-	-	-	2,588	2,588
309,345	139,624	802,206	40,649	1,291,824
8,447	54,499	13,260	311	76,517
-	-	-	474	474
-	-	-	-	-
<u>402,292</u>	<u>296,827</u>	<u>989,816</u>	<u>374,635</u>	<u>2,063,570</u>

THE ORCHARD FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	1,297,181	(1,057,224)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,868	1,319
Changes in operating assets and liabilities:		
Grants receivable	317,068	424,203
Accounts receivable	(4,382)	2,008
Prepaid expenses	(1,583)	(34,551)
Accounts payable	(45,209)	21,614
Due to/from The Rapides Foundation	(2,523)	2,498
Accrued expenses	<u>18,454</u>	<u>-</u>
Net cash provided (used) by operating activities	1,581,874	(640,133)
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	<u>(3,272)</u>	<u>(3,978)</u>
Net cash (used) by investing activities	<u>(3,272)</u>	<u>(3,978)</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	1,578,602	(644,111)
<u>Cash and cash equivalents at beginning of the year</u>	<u>281,977</u>	<u>926,088</u>
<u>Cash and cash equivalents at end of the year</u>	<u><u>1,860,579</u></u>	<u><u>281,977</u></u>

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

THE ORCHARD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

1. Nature of Business

On June 17, 2004, The Orchard Foundation (the “Foundation”), a Louisiana nonprofit corporation, was organized to carry on charitable and educational programs or activities. On May 24, 2007, The Orchard Foundation became a supporting organization of The Rapides Foundation, a Louisiana nonprofit corporation. The Foundation’s mission is to improve academic achievement for Central Louisiana students by promoting best practices; recruiting, retaining, and rewarding excellent and innovative teachers; building school leadership; and strengthening school and community relationships. It furthers its mission using the following programmatic areas:

Effective Schools – creating, developing, and implementing continuing professional and leadership development programs for educators.

Early Childhood – developing and training professional staff providing preschool programs, and facilitating reading programs for parents and their preschool children.

College and Career – providing incentives, opportunities, and resources to expose educators and students to career opportunities and coordinate them with workforce development.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, maintenance, and related facilities expenses, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

2. Summary of Significant Accounting Policies

- a. The financial statements of the Foundation are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

The Foundation is required to report information regarding its financial position and activities based on the absence or existence of donor or grantor imposed restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor or grantor restrictions. Some net assets without donor restrictions, amounting to \$60,725, have been designated by the Board for the benefit of Rapides Parish.

Net assets with donor restrictions – Net assets subject to donor or grantor restrictions that may or will be met by actions of the Foundation, and/or by the passage of time.

- b. Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of those restrictions.

2. Summary of Significant Accounting Policies (Continued)

- c. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.
- d. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.
- f. The Foundation is a nonprofit organization and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files U.S. federal Form 990 for informational purposes. The Foundation's federal income tax returns are subject to examination by the Internal Revenue Service, generally for a period of three years.

- g. Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method. Equipment and furniture are depreciated over an estimated useful life of three to seven years. The Foundation capitalizes and depreciates fixed asset acquisitions of \$1,000 or more.
- h. Advertising and promotion costs are expensed as incurred. Such costs amounted to \$77,931 and \$53,852 for the years ended December 31, 2019 and 2018, respectively.
- i. The Rapides Foundation pays employees of The Orchard Foundation then charges The Orchard Foundation accordingly. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.
- j. Accounting changes are discussed in the following paragraph:

The Orchard Foundation adopted Accounting Standards Update (ASU) No. 2018-08, "*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.*" This standard provides guidance to help organizations distinguish grants and contributions from revenue contracts. The Foundation adopted this standard for the year ended December 31, 2019, which resulted in no significant changes in the way the it recognizes revenue and support.

3. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of funds received for the following programs as of December 31,

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Effective Schools	262,982	199,825
Rapides Public Education	60,947	60,947
School Readiness	520,442	129,988
Work Ready Network	781,975	584,328
Central Louisiana Instructional Partnership	-	13,662
New Skills for Youth	-	14,040
Early Childhood Literacy	<u>280,344</u>	<u>459,158</u>
Total net assets with donor restrictions	<u><u>1,906,690</u></u>	<u><u>1,461,948</u></u>

4. Concentration of Credit Risk

At times throughout the year, the Foundation may maintain certain bank accounts in excess of federally insured limits. The risk is mitigated by maintaining deposits in only well capitalized financial institutions.

5. Property and Equipment

A summary of property and equipment follows:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	12,490	15,089
<u>Less</u> -accumulated depreciation	<u>(7,083)</u>	<u>(10,086)</u>
	<u><u>5,407</u></u>	<u><u>5,003</u></u>

Depreciation expense was \$2,868 and \$1,319 for the years ended December 31, 2019 and 2018, respectively.

6. Related Party

The Rapides Foundation is the sole member of The Orchard Foundation and appoints the Board of Trustees. Amounts listed as "Due to The Rapides Foundation" consist primarily of payroll and rent. The Rapides Foundation pays employees of The Orchard Foundation then charges The Orchard Foundation accordingly. Other related party balances with The Rapides Foundation consist of the following at December 31,

	<u>2019</u>	<u>2018</u>
Grants receivable	<u>836,990</u>	<u>1,294,753</u>
Grants	<u><u>3,490,649</u></u>	<u><u>892,769</u></u>

7. Liquidity and Availability

Financial assets, consisting of cash and accounts receivable, that are available for general expenditure, that is, without donor or other restrictions limiting their use, amounted to \$971,775 at December 31, 2019. Management has a goal to maintain sufficient financial resources on hand to meet sixty days of normal operating expenses.

8. Employee Benefit Plan

The Foundation's eligible employees participate in The Rapides Foundation's tax deferred annuity plan (Internal Revenue Code Section 403(b)) that covers all employees working over 1,000 hours per year. Retirement costs are allocated between administrative and program expenses, which are accrued and funded on a current basis. The plan does not provide for any prior service cost. Retirement contributions were \$30,851 and \$29,930 for the years ended December 31, 2019 and 2018, respectively.

9. Contingencies

The Orchard Foundation receives revenues from various third party payors for grant programs which are subject to final review and approval as to allow ability of expenditures by the respective grantors. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the grantor and Foundation. It is management's opinion that any reviews by the grantor agencies would not produce adjustments to program costs that would materially affect the Foundation's financial position.

10. Funds Held for Louisiana Department of Education Initiative

The Foundation entered into an agreement in January 2017 with the Louisiana Department of Education to act as fiscal agent for the receipt, disbursement, and accounting of funds received from private donors to implement a New Skills for Youth (NSFY) initiative. Under the terms of the agreement, the Department of Education manages and implements strategies to achieve the goals of the initiative. The Foundation is obligated under the agreement to receive the funds from the donor, disburse the funds as instructed by the Department of Education, and maintain the necessary accounting records of these activities. The Foundation has no responsibility for the implementation or evaluation of the NSFY initiative as fiscal agent, although it can be compensated for the performance of certain programmatic services as a vendor if approved by the Department of Education. In addition, the Foundation is compensated for the performance of its duties as fiscal agent. Funds received by the Foundation as fiscal agent are accounted for as a liability, as the Foundation has no variance power over the assets subject to the agreement. This liability was fully paid as of December 31, 2018.

11. Subsequent Events

In accordance with FASB Accounting Standards Codification Topic 740 "*Subsequent Events*," the Foundation evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through May 27, 2020, the date which the financial statements were available to be issued, and noted no subsequent events except as stated in the following paragraph.

Due to the recent outbreak of the COVID-19, a novel strain of coronavirus known as SARS-CoV-2, the World Health Organization has declared this outbreak to be a pandemic as of March 11, 2020. The impact to individuals, businesses, and the economy is currently being assessed. The extent of the impact of COVID-19 on our operational and financial performance and the corresponding effect on our financial condition and results of operations will depend on certain developments, including the duration and spread of the outbreak, impact on our grantors, clients, employees, and vendors, all of which are uncertain and cannot be predicted at this time.

SUPPLEMENTARY INFORMATION

THE ORCHARD FOUNDATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency Head: Marjorie Taylor

Salary	118,579
Benefits-insurance-health	2,742
Benefits-retirement	11,858
Benefits-life insurance	496
Cell phone	1,440
Travel	2,014
Conference travel and registration	3,674

OTHER REPORTS

HEARD, McELROY, & VESTAL

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May 27, 2020

The Board of Trustees
The Orchard Foundation
Alexandria, Louisiana

**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**

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 The Orchard Foundation as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise The Orchard Foundation's basic financial statements, and have issued our report thereon dated May 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Orchard Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Orchard Foundation's internal control. Accordingly, we do not express an opinion of the effectiveness of The Orchard Foundation's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Orchard Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ORCHARD FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

We have audited the financial statements of The Orchard Foundation as of and for the year ended December 31, 2019, and have issued our report thereon dated May 27, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2019 resulted in an unmodified opinion.

Section I – Summary of Auditor’s Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control – No material weaknesses or significant deficiencies were noted; no management letter was issued.

Compliance – No material noncompliance was noted.

b. Federal Awards – Not applicable.

Section II – Financial Statement Findings

No matters were reported.

THE ORCHARD FOUNDATION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

There were no findings for the year ended December 31, 2018.