

THE ORCHARD FOUNDATION

ALEXANDRIA, LOUISIANA

DECEMBER 31, 2020 AND 2019

THE ORCHARD FOUNDATION

ALEXANDRIA, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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May 26, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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 Matter

Our audit was 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and also 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 26, 2021 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, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>Assets:</u>		
Cash and cash equivalents	323,720	1,860,579
Grants receivable	8,202,419	1,013,329
Accounts receivable	140	4,557
Prepaid expenses	75,744	77,508
Property and equipment, net	<u>18,798</u>	<u>5,407</u>
Total assets	<u>8,620,821</u>	<u>2,961,380</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>Liabilities:</u>		
Accounts payable	124,497	34,505
Due to The Rapides Foundation	114,070	-
Accrued expenses	<u>-</u>	<u>18,454</u>
Total liabilities	238,567	52,959
 <u>Net assets:</u>		
Without donor restrictions	696,274	1,001,731
With donor restrictions	<u>7,685,980</u>	<u>1,906,690</u>
Total net assets	<u>8,382,254</u>	<u>2,908,421</u>
Total liabilities and net assets	<u>8,620,821</u>	<u>2,961,380</u>

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

THE ORCHARD FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains, and other support:</u>			
Contributions (net of amounts returned to grantor of \$959,372 and \$85,347)	869,690	7,381,378	8,251,068
Other income	<u>1,347</u>	<u>8,345</u>	<u>9,692</u>
Total revenues, gains, and other support	871,037	7,389,723	8,260,760
Net assets released from restrictions	<u>1,610,433</u>	<u>(1,610,433)</u>	<u>-</u>
Total revenues, gains, and other support after reclassifications	2,481,470	5,779,290	8,260,760
<u>Expenses:</u>			
Effective schools	107,314	-	107,314
Early childhood	481,580	-	481,580
College and career	1,884,936	-	1,884,936
Administration	<u>313,097</u>	<u>-</u>	<u>313,097</u>
Total expenses	<u>2,786,927</u>	<u>-</u>	<u>2,786,927</u>
<u>Change in net assets</u>	(305,457)	5,779,290	5,473,833
<u>Net assets, beginning of year</u>	<u>1,001,731</u>	<u>1,906,690</u>	<u>2,908,421</u>
<u>Net assets, end of year</u>	<u>696,274</u>	<u>7,685,980</u>	<u>8,382,254</u>

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

2019		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
1,834,412	2,423,671	4,258,083
434	43,044	43,478
<u>1,834,846</u>	<u>2,466,715</u>	<u>4,301,561</u>
<u>2,021,973</u>	<u>(2,021,973)</u>	<u>-</u>
3,856,819	444,742	4,301,561
571,699	-	571,699
524,103	-	524,103
1,641,889	-	1,641,889
266,689	-	266,689
<u>3,004,380</u>	<u>-</u>	<u>3,004,380</u>
852,439	444,742	1,297,181
<u>149,292</u>	<u>1,461,948</u>	<u>1,611,240</u>
<u>1,001,731</u>	<u>1,906,690</u>	<u>2,908,421</u>

THE ORCHARD FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				
	<u>Effective Schools</u>	<u>Early Childhood</u>	<u>College and Career</u>	<u>Administration</u>	<u>Total</u>
Salaries and wages	7,826	92,927	115,878	175,807	392,438
Retirement	529	9,291	9,392	17,554	36,766
Other employee benefits	1,241	5,605	9,935	16,171	32,952
Payroll taxes	528	7,029	8,191	13,280	29,028
Fees for services	27,093	-	575	9,995	37,663
Advertising and promotion	274	31,964	26,875	4,438	63,551
Office expenses	1,579	1,032	1,041	4,588	8,240
Information technology	24	-	100,604	3,199	103,827
Occupancy	180	2,911	2,501	18,571	24,163
Travel	2,312	6,507	8,757	-	17,576
Conferences, conventions and meetings	6,971	6,342	980	585	14,878
Depreciation	-	-	-	3,623	3,623
Insurance	-	-	-	2,345	2,345
Contract services	58,757	201,829	1,583,153	36,269	1,880,008
Program supplies	-	116,143	17,054	163	133,360
Memberships and dues	-	-	-	324	324
Other	-	-	-	6,185	6,185
Total expenses	<u>107,314</u>	<u>481,580</u>	<u>1,884,936</u>	<u>313,097</u>	<u>2,786,927</u>

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

2019				
Effective Schools	Early Childhood	College and Career	Administration	Total
97,915	64,575	-	146,016	308,506
9,791	6,458	-	14,602	30,851
8,285	4,804	-	10,040	23,129
6,803	4,896	-	11,010	22,709
3,789	583	-	13,112	17,484
20,479	28,971	28,205	276	77,931
3,336	2,950	1,747	9,855	17,888
292	296	100,058	5,641	106,287
-	-	-	6,609	6,609
11,907	23,259	32,705	671	68,542
54,413	19,088	6,820	2,097	82,418
-	-	-	2,868	2,868
-	-	-	2,103	2,103
346,530	318,706	1,458,381	40,786	2,164,403
8,159	49,517	13,973	644	72,293
-	-	-	324	324
-	-	-	35	35
<u>571,699</u>	<u>524,103</u>	<u>1,641,889</u>	<u>266,689</u>	<u>3,004,380</u>

THE ORCHARD FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	5,473,833	1,297,181
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	3,623	2,868
Changes in operating assets and liabilities:		
Grants receivable	(7,189,090)	317,068
Accounts receivable	4,417	(4,382)
Prepaid expenses	1,764	(1,583)
Accounts payable	89,992	(45,209)
Due to/from The Rapides Foundation	114,070	(2,523)
Accrued expenses	<u>(18,454)</u>	<u>18,454</u>
Net cash (used) provided by operating activities	(1,519,845)	1,581,874
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	<u>(17,014)</u>	<u>(3,272)</u>
Net cash (used) by investing activities	<u>(17,014)</u>	<u>(3,272)</u>
<u>Net (decrease) increase in cash and cash equivalents</u>	(1,536,859)	1,578,602
<u>Cash and cash equivalents at beginning of the year</u>	<u>1,860,579</u>	<u>281,977</u>
<u>Cash and cash equivalents at end of the year</u>	<u>323,720</u>	<u>1,860,579</u>

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

THE ORCHARD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, which include grants, 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 \$63,551 and \$77,931 for the years ended December 31, 2020 and 2019, 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.

3. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Effective Schools	1,361,116	262,982
Rapides Public Education	60,947	60,947
School Readiness	2,576,913	520,442
Work Ready Network	3,679,302	781,975
New Skills for Youth	7,702	-
Early Childhood Literacy	<u>-</u>	<u>280,344</u>
Total net assets with donor restrictions	<u>7,685,980</u>	<u>1,906,690</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>2020</u>	<u>2019</u>
Furniture and equipment	29,505	12,490
<u>Less-accumulated depreciation</u>	<u>(10,707)</u>	<u>(7,083)</u>
	<u>18,798</u>	<u>5,407</u>

Depreciation expense was \$3,624 and \$2,868 for the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Grants receivable	<u>8,202,419</u>	<u>836,990</u>
Grants, net of returns	<u>7,601,447</u>	<u>3,490,649</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 \$840,299 and \$971,775 at December 31, 2020 and 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 \$36,766 and \$30,851 for the years ended December 31, 2020 and 2019, 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.

The World Health Organization declared the coronavirus outbreak a pandemic in March 2020. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of substantially all countries around the world, including the geographical area in which the Foundation operates. While the disruption currently is expected to be temporary, there is considerable uncertainty about its duration. Although the pandemic could negatively affect the Organization, the amount of that impact and its duration cannot be reasonably estimated at this time.

10. **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 26, 2021, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE ORCHARD FOUNDATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2020

Agency Head: Marjorie Taylor

Salary	133,186
Benefits-insurance-health	2,400
Benefits-retirement	13,189
Benefits-life insurance	566
Cell phone	1,440
Travel	218
Conference travel and registration	875

THE ORCHARD FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>U. S Department of Education:</u>				
Teacher Quality Partnership Grants (2019)	84.336S	990,247	641,390	641,390
Teacher Quality Partnership Grants (2020)	84.336S	999,844	225,819	225,819
			<u>867,209</u>	<u>867,209</u>
Total Federal Awards			<u>867,209</u>	<u>867,209</u>

THE ORCHARD FOUNDATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Orchard Foundation and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the general-purpose financial statements. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The Orchard Foundation did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

The Orchard Foundation used an approved indirect cost rate of 2% of direct costs during the fiscal year.

OTHER REPORTS

HEARD, McELROY, & VESTAL

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May 26, 2021

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, 2020, 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 26, 2021.

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) 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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-01, that we consider to be a material weakness.

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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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The Orchard Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

HEARD, McELROY, & VESTAL

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May 26, 2021

The Board of Trustees
The Orchard Foundation
Alexandria, Louisiana

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited The Orchard Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Orchard Foundation's major federal programs for the year ended December 31, 2020. The Orchard Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Orchard Foundation's compliance.

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Opinion on Each Major Federal Program

In our opinion, The Orchard Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of The Orchard Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Orchard Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Orchard Foundation's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ORCHARD FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

We have audited the financial statements of The Orchard Foundation as of and for the year ended December 31, 2020, and have issued our report thereon dated May 26, 2021. 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, 2020 resulted in an unmodified opinion.

Section I – Summary of Auditor’s Reports

1. The auditor’s report expresses an unmodified opinion on the basic financial statements of The Orchard Foundation.
2. One deficiency in internal control relating to the audit of the basic financial statements was identified and reported as a material weakness.
3. No instances of noncompliance relating to the audit of the basic financial statements were disclosed during the audit.
4. No material weaknesses relating to the audit of major federal award programs are reported.
5. The auditor’s report on compliance for major federal award programs of The Orchard Foundation expresses an unmodified opinion.
6. There are no audit findings relative to major federal award programs of The Orchard Foundation.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Teacher Quality Partnership Grants	84.336S

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Orchard Foundation does not qualify as a low-risk auditee, as this is its first year of being subject to Federal Single Audit requirements.

Section II – Financial Statement Findings

2020-01 Reconciliation of Grant Receivables and Revenue

Grant revenues were not consistently reconciled to underlying records at the end of the year, which resulted in an understatement of \$360,000 from The Rapides Foundation, and \$225,819 from the U.S. Department of Education for the CLIP program. These understatements were corrected by audit adjustment, and appear to result from the lack of a standard process for reviewing the applicable general ledger accounts to determine that they match the appropriate parent amounts (in the case of Rapides Foundation grants) or the

Section II – Financial Statement Findings (Continued)

summary of draws and expenses (in the case of the Department of Education grant). It is our recommendation that such procedures be placed in operation.

Management's response-Management will reconcile intercompany grants receivable and grants payable on a monthly basis to insure that the amounts reciprocate on their respective books. In addition, CLIP program revenues will be accrued each quarter based on quarterly draw requests, or based on quarterly program costs paid or incurred if a draw has not been requested.

Section III-Major Federal Awards Programs

No matters were reported.

THE ORCHARD FOUNDATION
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

There were no findings for the year ended December 31, 2019.