

FRIENDSHIP LOUISIANA, INC.
FINANCIAL STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

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DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Friendship Louisiana, Inc.
Baton Rouge, LA

Report on the Financial Statements

We have audited the accompanying financial statements of Friendship Louisiana, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friendship Louisiana, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Compensation, Benefits and Other Payments to the School Leader, 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 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 December 21, 2019, on our consideration of Friendship Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Friendship Louisiana'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 Friendship Louisiana, Inc.'s internal control over financial reporting and compliance.

Daigrepoint & Brian, APAC

Daigrepoint & Brian, APAC
Baton Rouge, LA

December 21, 2019

FRIENDSHIP LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 347,615	\$ 466,140
Accounts receivable, net	695,980	725,333
Prepaid expenses	51,922	32,839
Total Current Assets	<u>1,095,517</u>	<u>1,224,312</u>
Property and Equipment		
Leasehold improvements	261,646	261,646
Furniture and fixtures	62,325	62,325
Equipment	718,170	412,771
Accumulated depreciation	<u>(574,572)</u>	<u>(329,965)</u>
Total Property and Equipment	467,569	406,777
Total Assets	<u><u>\$ 1,563,086</u></u>	<u><u>\$ 1,631,089</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 837,794	\$ 290,525
Accrued wages	36,990	84,560
Short-term debt	150,000	-
Total Current Liabilities	<u>1,024,784</u>	<u>375,085</u>
Total Liabilities	<u>1,024,784</u>	<u>375,085</u>
Net Assets		
Net Assets Without Donor Restrictions	<u>538,302</u>	<u>1,256,004</u>
Total Liabilities and Net Assets	<u><u>\$ 1,563,086</u></u>	<u><u>\$ 1,631,089</u></u>

See accompanying notes and independent auditors' report.

FRIENDSHIP LOUISIANA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Minimum Foundation Program	\$ 3,840,237	\$ 4,249,026
Federal grants	819,904	907,778
State grants	32,801	34,050
Contributions	21,157	17,379
Athletics	38,183	23,180
Food service reimbursement	116	266,359
Other income	20,782	1,587
Total Revenues	<u>4,773,180</u>	<u>5,499,359</u>
EXPENSES		
Program services	4,592,197	4,189,032
Management and general	898,685	866,755
Total Expenses	<u>5,490,882</u>	<u>5,055,787</u>
CHANGE IN NET ASSETS	(717,702)	443,572
Net assets - beginning of year	<u>1,256,004</u>	<u>812,432</u>
Net assets - end of year	<u>\$ 538,302</u>	<u>\$ 1,256,004</u>

See accompanying notes and independent auditors' report.

FRIENDSHIP LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD ENDED JUNE 30, 2019

	Program Services	Management & General	Total
Athletics	\$ 113,100	\$ -	\$ 113,100
Curriculum materials and software	221,530	-	221,530
Depreciation	195,686	48,921	244,607
Employee benefits	208,126	26,064	234,190
Food service	257,682	-	257,682
Insurance	62,081	15,520	77,601
Interest	-	5,951	5,951
Janitorial	11,947	2,987	14,934
Payroll taxes	146,294	13,667	159,961
Recruiting	89,320	-	89,320
Repairs and maintenance	209,572	52,393	261,965
Salaries	1,857,115	172,606	2,029,721
Security	54,662	13,665	68,327
Supplies	89,090	7,676	96,766
Technical and professional services	483,920	502,559	986,479
Transportation	441,589	-	441,589
Travel	3,780	-	3,780
Utilities	146,703	36,676	183,379
	<u>\$ 4,592,197</u>	<u>\$ 898,685</u>	<u>\$ 5,490,882</u>

See accompanying notes and independent auditors' report.

FRIENDSHIP LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD ENDED JUNE 30, 2018

	Program Services	Management & General	Total
Athletics	\$ 101,610	\$ -	\$ 101,610
Curriculum materials and software	166,534	-	166,534
Depreciation	119,982	29,996	149,978
Employee benefits	157,759	15,770	173,529
Food service	222,706	-	222,706
Insurance	64,817	16,204	81,021
Janitorial	8,581	2,145	10,726
Miscellaneous expense	3,503	876	4,379
Payroll taxes	133,636	11,883	145,519
Recruiting	108,279	-	108,279
Repairs and maintenance	224,965	56,241	281,206
Salaries	1,752,288	122,940	1,875,228
Security	53,110	13,277	66,387
Supplies	91,902	8,488	100,390
Technical and professional services	469,131	546,935	1,016,066
Transportation	337,845	-	337,845
Travel	4,383	-	4,383
Utilities	168,001	42,000	210,001
	<u>\$ 4,189,032</u>	<u>\$ 866,755</u>	<u>\$ 5,055,787</u>

See accompanying notes and independent auditors' report.

FRIENDSHIP LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (717,702)	\$ 443,572
<u>Adjustments to reconcile net revenues over expenses</u> to net cash provided by operating activities:		
Depreciation	244,607	149,978
(Increase) decrease in accounts receivable	29,353	(161,412)
Increase in prepaid expenses	(19,083)	(9,174)
Increase (decrease) in accounts payable	547,269	(49,112)
Decrease in accrued wages	(47,570)	(22,859)
Total adjustments	754,576	(92,579)
Net cash provided by operating activities	<u>36,874</u>	<u>350,993</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(305,399)</u>	<u>(286,922)</u>
Net cash used by investing activities	<u>(305,399)</u>	<u>(286,922)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term debt	<u>150,000</u>	<u>-</u>
Net cash provided by financing activities	<u>150,000</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(118,525)	64,071
CASH, BEGINNING OF YEAR	<u>466,140</u>	<u>402,069</u>
CASH, END OF YEAR	<u>\$ 347,615</u>	<u>\$ 466,140</u>

See accompanying notes and independent auditors' report.

FRIENDSHIP LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. Summary of Significant Accounting Policies

(a) Organization

Friendship Louisiana, Inc. (the School) was incorporated on June 29, 2012 as a non-profit corporation under the laws of the State of Louisiana. The school was approved as a Type 5 charter by the Louisiana Board of Elementary and Secondary Education (BESE) on July, 1, 2014. The School first opened for students beginning with the 2014-2015 school year.

The charter contract was effective for an initial period of four years, at which point was renewed for one year, and due to expire on June 30, 2019. The charter contract was not renewed at June 30, 2019. See footnote 11 on subsequent events.

(b) Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

(c) Revenues

The School receives the majority of its revenue from the Louisiana Department of Education in the form of Minimum Foundation Program (MFP) payments and various reimbursable federal grants.

(d) Net Assets

The School reports information regarding its financial positions and activities according to two classes of net assets.

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

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions that may or will be met, either by actions of the organization, and/or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions. The School does not have any net assets with donor restrictions for the year ended June 30, 2019.

(e) Cash

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

(f) Accounts and Grants Receivable

Management has determined that there were no balances recorded that were uncollectible as of June 30, 2019 and 2018.

(g) Functional Expenses

The School allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program, such as curriculum supplies, are allocated directly according to their natural expense classification. Other expenses that are attributable to both the program and supporting functions are allocated based on management's estimates of time and effort.

FRIENDSHIP LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

(h) 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 first filed an information return in 2015 which is still subject to examination from tax authorities.

(i) Use of Estimates

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

(j) Subsequent Events

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through December 21, 2019, which is the date the financial statements were available to be issued.

(k) Reclassification

Certain amounts in prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

(l) Recently Issued Account Standards

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires the disclosure of its liquid available resources to both quantitative and qualitative information about the availability of and how the organization manages meet cash needs for general expenditures within one year of the balance sheet date.

(m) Property and Equipment

Property and equipment is presented in the financial statements on the basis of cost less allowances for depreciation. The School capitalizes all expenditures of depreciable assets where per unit cost exceed \$1,000 and asset purchases in the aggregate that exceed \$10,000. Depreciation is computed using the straight line method and is provided over the estimated useful lives of the assets, which is generally three to five years.

FRIENDSHIP LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2. Concentrations

Financial instruments, which potentially subject the School to concentration of credit risk, consist of cash accounts held with a bank. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. As of June 30, 2019 and 2018, \$102,932 and \$228,572 of their cash balance was in excess of FDIC insured limits. Management, however, believes the credit risk associated with these deposits is minimal.

The School receives the majority of its operating revenue from the Louisiana Department of Education in the form of Minimum Foundation program funding and federal reimbursable grants. The percentage of revenue and receivables from these sources in excess of 10% is as follows:

2019	<u>Revenue</u>	<u>Receivables</u>
Minimum Foundation Program	80%	-
8g SIG Grant	-	72%
School Redesign Grant	-	11%
 2018		
Minimum Foundation Program	77%	-
8g SIG Grant	-	69%

3. Leases

The School occupies a building that is owned by the East Baton Rouge Parish School Board and therefore does not make any monthly lease payments. In exchange for occupying the building at no cost the School receives lower Minimum Foundation Program funding per student.

4. Property and Equipment

The following is a summary of property and equipment at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 261,646	\$ 261,646
Furniture and fixtures	62,325	62,325
Equipment	718,170	412,771
Total cost	<u>\$ 1,042,141</u>	<u>\$ 736,742</u>
Less: Accumulated depreciation	<u>(574,572)</u>	<u>(329,965)</u>
Total Property and equipment	<u>\$ 467,569</u>	<u>\$ 406,777</u>

Depreciation expense for the years ended June 30, 2019 & 2018, respectively, was \$244,607 and \$149,978.

5. Compensated Absences

Employees earn paid time off based on various factors such as length of service and job title. Any unused paid time off is paid out at the end of the year and does not carry over to the following year.

FRIENDSHIP LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

6. Benefit Plan

The School maintains a 401k retirement plan for its employees. All employees who meet eligibility requirements related to age and length of service are eligible to participate in the plan. Employees may elect to defer a certain percentage of their total compensation, within limits established by the Internal Revenue Code. The School matches up to 3% of employee deferrals. For the year ended June 30, 2019 and 2018, the total amount paid by the School under the plan were \$3,928 and \$11,690.

7. Commitments and Contingencies

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

8. Management Company

The School has an agreement with Friendship Education Foundation, a charter school management company, to provide comprehensive educational programs for public charter start-up operations and other school management services. Per the agreement the fee for these services is 6% of the charter school revenue received by the School. Per the agreement, the fee is to be paid monthly but payment may be postponed if necessary to provide the School adequate cash flow to support operations.

The management fee at June 30, 2019 and 2018 was \$206,722 and \$305,783, respectively.

9. Line of Credit

The School has an available line of credit of \$300,000 with a bank. Interest on the line of credit is computed at 1.050 percentage points over the bank's prime rate, which was 6.050% as of June 30, 2019. As of June 30, 2019 the outstanding balance on the line of credit is \$150,000.

10. Liquidity and Availability of Financial Assets

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

Financial Assets at Year End:

Cash	\$ 347,615
Accounts Receivable, net	695,980
Line of credit-available balance	150,000
Financial Assets Available for General Expenditures	<u>\$ 1,193,595</u>

As part of the School's liquidity management, cash is kept in a checking account that can be accessed to meet daily needs of the organization. These funds can also be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress.

**FRIENDSHIP LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

11. Subsequent Events

The charter contract between Friendship Louisiana, Inc. and The State of Louisiana expired on June 30, 2019 and was not renewed. Friendship Louisiana, Inc. entered into a one year special management contract to continue operating Capitol High School for one year until the State finds a new organization to enter into a charter agreement with.

**FRIENDSHIP LOUISIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30, 2019**

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>CFDA Number</u>	<u>Federal Expenditure</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>		
Passed through Louisiana Department of Education:		
School Improvement Grants	84.377	\$ 173,341
Special Education Grants to States	84.027 ²	86,254
Title I Grants to Local Educational Agencies	84.010	214,274
Title II Supporting Effective Instruction State Grants	84.367	25,828
Career and Technical Education - Basic Grant to States	84.048	<u>37,041</u>
Total Department of Education pass-through programs:		<u>536,738</u>
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>		
Passed through Louisiana Department of Education:		
National School Lunch Program	10.555 ¹	230,108
Child and Adult Care Food Program	10.558	36,574
Summer Food Service Program for Children	10.559 ¹	<u>16,484</u>
Total U.S. Department of Agriculture		<u>283,166</u>
Total expenditures of federal awards		<u><u>\$ 819,904</u></u>

¹ Child nutrition cluster - \$246,592

² Special education cluster - \$86,254

See accompanying notes and independent auditors' report.

FRIENDSHIP LOUISIANA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Friendship Louisiana, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

Friendship Louisiana, Inc. is reimbursed for actual costs incurred and does not apply an indirect cost rate.

See accompanying notes and independent auditors' report.

**FRIENDSHIP LOUISIANA, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE SCHOOL LEADER
FOR THE PERIOD ENDED JUNE 30, 2019**

School Leader:	J. Blanchard	R. Lang
Salary	\$ 65,004	\$ 97,500
Benefits - Insurance	14,037	12,102
Benefits - Retirement	1,995	2,955
	<u>\$ 81,036</u>	<u>\$ 112,557</u>

See accompanying notes and independent auditors' report.

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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

Board of Directors
Friendship Louisiana, Inc.
Baton Rouge, 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 Friendship Louisiana, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2019 & 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Daigrepoint & Brian, APAC

Daigrepoint & Brian, APAC
Baton Rouge, La.

December 21, 2019

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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

Board of Directors
Friendship Louisiana, Inc.
Baton Rouge, LA

Report on Compliance for Each Major Federal Program

We have audited Friendship Louisiana, Inc.'s (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Friendship Louisiana, Inc.'s major federal programs for the year ended June 30, 2019. Friendship Louisiana, Inc.'s major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion Friendship Louisiana, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Friendship Louisiana, Inc. 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 Friendship Louisiana, Inc.'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 Friendship Louisiana, Inc.'s internal control over compliance.

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

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

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

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

Daigrepoint & Brian, APAC

Daigrepoint & Brian, APAC
Baton Rouge, La.

December 21, 2019

**FRIENDSHIP LOUISIANA, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE PERIOD ENDED JUNE 30, 2018**

Summary of Prior Year Audit Findings

There were no prior year audit findings or questioned costs.

See accompanying notes and independent auditors' report.