

THE ORCHARD FOUNDATION

ALEXANDRIA, LOUISIANA

DECEMBER 31, 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 30, 2019

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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, “*Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.*” The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Orchard Foundation adopted ASU 2016-14 for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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. 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 30, 2019 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
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

<u>ASSETS</u>	<u>2018</u>
<u>Assets:</u>	
Cash and cash equivalents	281,977
Grants receivable	1,330,397
Accounts receivable	175
Prepaid expenses	75,925
Property and equipment, net	<u>5,003</u>
Total assets	<u>1,693,477</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>Liabilities:</u>	
Accounts payable	79,714
Due to The Rapides Foundation	<u>2,523</u>
Total liabilities	82,237
<u>Net assets:</u>	
Without donor restrictions	149,292
With donor restrictions	<u>1,461,948</u>
Total net assets	<u>1,611,240</u>
Total liabilities and net assets	<u>1,693,477</u>

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

THE ORCHARD FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues, gains, and other support:</u>			
Interest income	226	-	226
Contributions (net of amounts returned to grantor of \$823,779)	-	993,504	993,504
Other income	-	12,616	12,616
Total revenues, gains, and other support	<u>226</u>	<u>1,006,120</u>	<u>1,006,346</u>
Net assets released from restrictions	<u>1,682,680</u>	<u>(1,682,680)</u>	<u>-</u>
Total revenues, gains, and other support after reclassifications	1,682,906	(676,560)	1,006,346
<u>Expenses:</u>			
Effective schools	402,292	-	402,292
Early childhood	296,827	-	296,827
College and career	989,816	-	989,816
Administration	374,635	-	374,635
Total expenses	<u>2,063,570</u>	<u>-</u>	<u>2,063,570</u>
<u>Change in net assets</u>	(380,664)	(676,560)	(1,057,224)
<u>Net assets, beginning of year</u>	<u>529,956</u>	<u>2,138,508</u>	<u>2,668,464</u>
<u>Net assets, end of year</u>	<u>149,292</u>	<u>1,461,948</u>	<u>1,611,240</u>

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

THE ORCHARD FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Effective Schools</u>	<u>Early Childhood</u>	<u>College and Career</u>	<u>Administration</u>	<u>Total</u>
Salaries and wages	10,215	51,028	16,379	221,675	299,297
Retirement	1,021	5,103	1,638	22,168	29,930
Other employee benefits	263	1,329	658	17,153	19,403
Payroll taxes	753	3,904	1,138	16,133	21,928
Fees for services	3,912	1,008	317	11,184	16,421
Advertising and promotion	5,588	8,457	23,728	16,079	53,852
Office expenses	6,728	4,888	3,871	13,633	29,120
Information technology	-	-	82,140	1,905	84,045
Occupancy	-	-	-	6,565	6,565
Travel	8,562	23,710	36,912	2,003	71,187
Conferences, conventions and meetings	47,458	3,277	7,569	796	59,100
Depreciation	-	-	-	1,319	1,319
Insurance	-	-	-	2,588	2,588
Contract services	309,345	139,624	802,206	40,649	1,291,824
Program supplies	8,447	54,499	13,260	311	76,517
Memberships and dues	-	-	-	474	474
Total expenses	<u>402,292</u>	<u>296,827</u>	<u>989,816</u>	<u>374,635</u>	<u>2,063,570</u>

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

THE ORCHARD FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018
<u>Cash flows from operating activities:</u>	
Change in net assets	(1,057,224)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	1,319
Changes in operating assets and liabilities:	
Grants receivable	424,203
Accounts receivable	2,008
Prepaid expenses	(34,551)
Accounts payable	21,614
Due to/from The Rapides Foundation	2,498
Net cash (used) by operating activities	(640,133)
<u>Cash flows from investing activities:</u>	
Purchase of property and equipment	(3,978)
Net cash (used) by investing activities	(3,978)
<u>Net (decrease) in cash and cash equivalents</u>	(644,111)
<u>Cash and cash equivalents at beginning of the year</u>	926,088
<u>Cash and cash equivalents at end of the year</u>	281,977

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

THE ORCHARD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 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. 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.
- i. Recent new accounting pronouncements are discussed in the following paragraph:

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. This standard is effective for fiscal years beginning after December 31, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation does not believe that ASU 2014-09 will have a significant effect on its financial statements and related disclosures.

2. **Summary of Significant Accounting Policies** (Continued)

j. Accounting changes are discussed in the following paragraph:

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*," with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU 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 additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017, and requires the use of the retrospective transition method. The Foundation adopted this standard for the year ended December 31, 2018 and its implementation is reflected in the financial statements.

3. **Net Assets with Donor Restrictions**

As of December 31, 2018, net assets with donor restrictions consisted of funds received for the following programs:

Subject to expenditure for specified purpose:

Effective Schools	199,825
Rapides Public Education	60,947
School Readiness	129,988
Work Ready Network	584,328
Central Louisiana Instructional Partnership	13,662
New Skills for Youth	14,040
Early Childhood Literacy	<u>459,158</u>
Total net assets with donor restrictions	<u>1,461,948</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 as of December 31, 2018 follows:

Furniture and equipment	15,089
<u>Less-accumulated depreciation</u>	<u>(10,086)</u>
	<u>5,003</u>

Depreciation expense was \$1,319 for the year ended December 31, 2018.

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. Related party balances with The Rapides Foundation consist of the following at December 31, 2018:

Grants receivable	<u>1,294,753</u>
Grants	<u>892,769</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 \$150,601 at December 31, 2018. 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 \$29,930 for the year ended December 31, 2018.

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. During 2018, these funds amounted to \$322,731, all of which were disbursed as directed by the Department of Education. The Foundation received and recognized as revenue \$34,000 of this amount for its services as fiscal agent and the provision of certain programmatic services.

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 30, 2019, the date which the financial statements were available to be issued, and noted no subsequent events.

SUPPLEMENTARY INFORMATION

THE ORCHARD FOUNDATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head: Marjorie Taylor

Salary	118,578
Benefits-insurance-health	2,742
Benefits-retirement	11,858
Benefits-life insurance	435
Cell phone	1,440
Travel	990

OTHER REPORTS

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May 30, 2019

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, 2018, 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 30, 2019.

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, 2018

We have audited the financial statements of The Orchard Foundation as of and for the year ended December 31, 2018, and have issued our report thereon dated May 30, 2019. 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, 2018 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, 2018

There were no findings for the year ended December 31, 2017.