

RUTHERFORD HOUSE
SHREVEPORT, LOUISIANA
JUNE 30, 2004

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Release Date 12-22-04

RUTHERFORD HOUSE
SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

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& VESTAL**
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August 26, 2004

The Board of Directors
Rutherford House
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of Rutherford House at June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rutherford House at June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2004 on our consideration of Rutherford House's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on Pages 9-10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heard, McElroy + Vestal, LLP

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RUTHERFORD HOUSE
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004

<u>A S S E T S</u>	<u>Rutherford House I</u>	<u>Rutherford House II</u>	<u>Rutherford House III</u>	<u>Rutherford House IV</u>
<u>Current assets:</u>				
Cash-Note 3	-	-	-	-
Investments-Note 4	-	-	-	-
Accounts receivable-Note 6	33,882	37,960	31,032	36,852
Notes receivable-current portion-Note 8	-	-	-	-
Prepaid expenses	-	-	-	-
Total current assets	<u>33,882</u>	<u>37,960</u>	<u>31,032</u>	<u>36,852</u>
<u>Book value of fixed assets-Note 5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>33,882</u></u>	<u><u>37,960</u></u>	<u><u>31,032</u></u>	<u><u>36,852</u></u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>Current liabilities:</u>				
Accounts payable	-	-	-	-
Other current liabilities	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net assets:</u>				
Unrestricted	<u>33,882</u>	<u>37,960</u>	<u>31,032</u>	<u>36,852</u>
Total net assets	<u><u>33,882</u></u>	<u><u>37,960</u></u>	<u><u>31,032</u></u>	<u><u>36,852</u></u>
Total liabilities and net assets	<u><u>33,882</u></u>	<u><u>37,960</u></u>	<u><u>31,032</u></u>	<u><u>36,852</u></u>

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

<u>Rutherford House V</u>	<u>Office and School</u>	<u>Truancy Center</u>	<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
-	249,321	-	-	-	249,321
-	195,311	-	-	-	195,311
33,048	102,444	88,514	14,575	-	378,307
-	2,008	-	-	-	2,008
-	<u>28,700</u>	-	-	-	<u>28,700</u>
<u>33,048</u>	<u>577,784</u>	<u>88,514</u>	<u>14,575</u>	-	<u>853,647</u>
-	-	-	-	<u>855,496</u>	<u>855,496</u>
<u>33,048</u>	<u>577,784</u>	<u>88,514</u>	<u>14,575</u>	<u>855,496</u>	<u>1,709,143</u>
-	56,914	-	-	-	56,914
-	<u>18,659</u>	-	-	-	<u>18,659</u>
-	75,573	-	-	-	75,573
<u>33,048</u>	<u>502,211</u>	<u>88,514</u>	<u>14,575</u>	<u>855,496</u>	<u>1,633,570</u>
<u>33,048</u>	<u>502,211</u>	<u>88,514</u>	<u>14,575</u>	<u>855,496</u>	<u>1,633,570</u>
<u>33,048</u>	<u>577,784</u>	<u>88,514</u>	<u>14,575</u>	<u>855,496</u>	<u>1,709,143</u>

RUTHERFORD HOUSE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Rutherford House I</u>	<u>Rutherford House II</u>	<u>Rutherford House III</u>	<u>Rutherford House IV</u>
<u>Public support and revenue:</u>				
Public support:				
Contributions-Note 7	-	-	-	-
Government grants:				
Louisiana Department of Corrections	364,823	377,018	364,716	364,811
Office of Community Services	22,590	-	-	54,443
Louisiana Commission on Law Enforcement	-	-	-	-
Louisiana Department of Education	-	-	-	-
Caddo Parish School Board	-	-	-	-
City of Shreveport	-	-	-	-
Caddo Parish	-	-	-	-
Other	-	-	-	15,969
Total public support	<u>387,413</u>	<u>377,018</u>	<u>364,716</u>	<u>435,223</u>
Revenue:				
Investments	-	-	-	-
Fund-raising, net of \$3,200 in expenses	-	-	-	-
Other	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue	387,413	377,018	364,716	435,223
<u>Expenses:</u>				
Salaries and wages	93,884	121,067	204,502	126,262
Payroll taxes and related expense	-	-	-	-
Fringe benefits	-	-	-	-
Travel and training	-	450	350	300
Office supplies	-	-	-	-
Repairs and maintenance	6,663	7,089	7,728	11,254
Utilities	6,639	7,039	7,996	8,135
Insurance	-	-	-	-
Depreciation	-	-	-	-
Food	6,571	6,817	6,802	6,197
Medical	520	2,071	1,501	1,300
Recreation	708	1,095	1,097	1,324

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

<u>Rutherford House V</u>	<u>Office and School</u>	<u>Truancy Center</u>	<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
-	121,063	-	-	-	121,063
2,700	-	-	-	-	1,474,068
329,768	50,800	-	-	-	457,601
-	143,808	-	-	-	143,808
-	74,888	-	-	-	74,888
-	94,646	-	-	-	94,646
-	49,912	-	58,300	-	108,212
-	39,789	395,251	-	-	435,040
-	-	-	-	-	15,969
<u>332,468</u>	<u>574,906</u>	<u>395,251</u>	<u>58,300</u>	<u>-</u>	<u>2,925,295</u>
-	1,125	-	-	-	1,125
-	30,453	-	-	-	30,453
-	<u>59,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,595</u>
-	<u>91,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,173</u>
332,468	666,079	395,241	58,300	-	3,016,468
213,575	707,597	233,494	56,658	-	1,757,039
-	183,176	-	-	-	183,176
-	200,715	-	-	-	200,715
150	5,416	1,906	-	-	8,572
-	41,413	7,254	-	-	48,667
4,533	30,710	2,549	-	-	70,526
5,477	52,787	7,465	-	-	95,538
-	79,817	279	-	-	80,096
-	-	-	-	124,583	124,583
6,043	143,405	100	-	-	175,935
655	923	136	-	-	7,106
1,691	4,060	99	-	-	10,074

RUTHERFORD HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Rutherford House I</u>	<u>Rutherford House II</u>	<u>Rutherford House III</u>	<u>Rutherford House IV</u>
<u>Expenses: (Continued)</u>				
Laundry and linen	3,620	3,757	3,912	4,023
Personal hygiene	2,665	2,491	2,916	2,509
Telephone	-	-	-	-
Professional	-	-	-	-
Outside contracts	120	-	-	99
Licensing	300	500	500	300
Work study and educational	114	248	675	1,240
Miscellaneous	-	-	-	-
Maintenance supplies	3,553	2,525	1,861	2,119
Program supplies	1,570	1,621	1,801	1,680
Personal allowance	3,560	3,521	3,449	3,480
Uncollectible grants	-	-	-	-
Total expenses	<u>130,487</u>	<u>160,291</u>	<u>245,090</u>	<u>170,222</u>
<u>Change in net assets</u>	256,926	216,727	119,626	265,001
<u>Net assets-beginning of year</u>	27,439	31,264	27,606	43,455
<u>Transfers:</u>				
Purchase of fixed assets	(1,785)	(958)	(5,978)	(4,200)
Other	<u>(248,698)</u>	<u>(209,073)</u>	<u>(110,222)</u>	<u>(267,404)</u>
	<u>(250,483)</u>	<u>(210,031)</u>	<u>(116,200)</u>	<u>(271,604)</u>
<u>Net assets-end of year</u>	<u>33,882</u>	<u>37,960</u>	<u>31,032</u>	<u>36,852</u>

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

<u>Rutherford House V</u>	<u>Office and School</u>	<u>Truancy Center</u>	<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
6,796	1,387	952	-	-	24,447
2,484	266	-	-	-	13,331
-	20,973	8,100	-	-	29,073
-	15,700	-	-	-	15,700
-	13,975	29,743	-	-	43,937
500	55	-	-	-	2,155
18	22,060	1,525	-	-	25,880
-	40,284	88	-	-	40,372
1,442	12,952	-	528	-	24,980
1,613	11,090	-	-	-	19,375
3,477	-	-	-	-	17,487
-	17,028	-	-	-	17,028
<u>248,454</u>	<u>1,605,789</u>	<u>293,690</u>	<u>57,186</u>	<u>124,583</u>	<u>3,035,792</u>
84,014	(939,710)	101,561	1,114	(124,583)	(19,324)
39,847	473,693	47,294	14,575	947,721	1,652,894
-	(13,827)	(5,610)	-	32,358	-
<u>(90,813)</u>	<u>982,055</u>	<u>(54,731)</u>	<u>(1,114)</u>	<u>-</u>	<u>-</u>
<u>(90,813)</u>	<u>968,228</u>	<u>(60,341)</u>	<u>(1,114)</u>	<u>32,358</u>	<u>-</u>
<u>33,048</u>	<u>502,211</u>	<u>88,514</u>	<u>14,575</u>	<u>855,496</u>	<u>1,633,570</u>

RUTHERFORD HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Cash flows from operating activities:</u>	
Change in net assets	(19,324)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	124,583
(Increase) in accounts receivable	(18,621)
(Increase) in prepaid expenses	(8,250)
(Decrease) in accounts payable	(7,328)
Increase in other current liabilities	<u>1,341</u>
Total adjustments	<u>91,725</u>
Net cash provided by operating activities	72,401
 <u>Cash flows from investing activities:</u>	
Purchase of investments	(1,008)
Purchase of fixed assets	(32,358)
Decrease in notes receivable	<u>867</u>
Net cash (used) by investing activities	<u>(32,499)</u>
 <u>Net increase in cash and cash equivalents</u>	 39,902
 <u>Cash and cash equivalents at beginning of year</u>	 <u>209,419</u>
 <u>Cash and cash equivalents at end of year</u>	 <u>249,321</u>

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

RUTHERFORD HOUSE

NOTES TO FINANCIAL STATEMENTS

AT JUNE 30, 2004

1. Nature of Business.

For the year ending June 30, 2004, five homes, four for boys and one for girls, were operated for delinquent adolescents. These individuals are usually placed in the home by juvenile courts. Rutherford House also operates a schooling program for the adolescents. Rutherford House receives substantially all of its income from state and local government grants, generally under third-party reimbursement plans, and is a not for profit entity exempt from federal income taxation under Internal Revenue Code Section 501(c)(3).

2. Summary of Significant Accounting Policies.

a) Financial Statement Presentation:

As a not-for-profit entity, Rutherford House is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of Rutherford House and changes therein may be classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of Rutherford House, and/or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Rutherford House. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

There were no significant temporarily or permanently restricted net assets at June 30, 2004.

b) Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Rutherford House uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

2. Summary of Significant Accounting Policies. (Continued)

d) Estimates:

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

e) Fixed Assets:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture, fixtures, and equipment	5-10 years
House improvements	10-20 years
Buildings	20 years

Donated property and equipment are reported at their estimated fair market value at the date of gift. All expenditures for fixed assets in excess of \$250 are capitalized.

f) Cash Equivalents:

For purposes of the statement of cash flows, Rutherford House considers all cash on hand and demand deposits with banks to be cash equivalents.

g) Advertising Costs:

Costs of advertising are expensed as incurred.

h) Compensated Absences:

Annual leave generally is earned by employees at the rate of eight hours per month, beginning with the third month of employment. A maximum of fifteen days may be carried forward to the next fiscal year.

Sick leave generally is earned at the rate of eight hours per month, cumulative to a maximum of thirty-six days. Sick leave is not redeemable when an employee separates from the organization.

3. Cash.

Rutherford House holds approximately \$19,000 at June 30, 2004, in various interest-bearing accounts on behalf of individual adolescents. These monies have been earned by them in various fund-raising activities, and are not included in the accounts of Rutherford House.

Operating cash on deposit with banks is protected by FDIC insurance; deposits in excess of these limits approximated \$197,000 at June 30, 2004.

4. Investments.

Investments are summarized as follows at June 30, 2004:

	<u>Cost</u>	<u>Approximate Market Value</u>
Money Market Funds:		
U.S. Treasury	42,475	42,475
Bank One Business Market Index	102,836	102,836
Certificate of Deposit, 2.05%, matures 5-26-05	<u>50,000</u>	<u>50,000</u>
	<u>195,311</u>	<u>195,311</u>

5. Fixed Assets.

The book value of fixed assets consists of:

	<u>Cost or Donated Value</u>
Land	84,760
Rutherford House I and improvements	113,478
Rutherford House II and improvements	217,900
Rutherford House III and improvements	137,465
Rutherford House IV and improvements	103,418
Rutherford House V and improvements	53,619
Auto garage improvements	1,232
Furniture and fixtures	343,741
Vehicles	250,997
Shop building	120,000
Shop improvements	234,894
Shop equipment	73,865
School equipment	114,484
Office and school, building and improvements	753,731
Foster care equipment	4,653
DOC After Care Assistance equipment	39,539
Laundry/Book Store building	<u>62,650</u>
Total cost or donated value	2,710,426
<u>Less-accumulated depreciation</u>	<u>(1,854,930)</u>
Book value of fixed assets	<u><u>855,496</u></u>

6. Receivables.

Receivables are summarized by source as follows:

State of Louisiana	224,758
Caddo Parish School Board	86,441
Caddo Parish	7,681
City of Shreveport	14,575
Other	<u>44,852</u>
Total	<u><u>378,307</u></u>

7. Conditional Promises.

Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after June 30, 2004. Future funding of such awards is conditioned upon Rutherford House's operation of certain programs, incurrence of certain costs, and meeting certain matching requirements. Because such awards represent conditional promises to Rutherford House, they have not been recognized in the financial statements at June 30, 2004. Such conditional promises amounted to approximately \$5,200,000 at June 30, 2004.

8. Notes Receivable.

Rutherford House sold certain real estate to two employees during 1997, and financed the sale. The notes have a term of ten years at four percent, and are secured by the real estate sold.

SUPPLEMENTARY INFORMATION

RUTHERFORD HOUSE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number for Pass-through Entity</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through Louisiana Department of Education:				
School Food Service Program	10.555	-	74,888	74,888
Donated Food Commodities	10.555	-	<u>1,765</u>	<u>1,765</u>
			76,653	76,653
<u>U.S. Department of Labor</u>				
Passed through City of Shreveport:				
WIA Youth Vocational Preparation	17.259	K3001	49,912	49,912
<u>U.S. Department of Education</u>				
Passed through Caddo Parish School Board:				
Title I Program	84.010	-	74,972	74,972
<u>U.S. Department of Justice</u>				
Passed through Louisiana Commission on Law Enforcement:				
Juvenile Justice and Delinquency Prevention	16.540	J02-1-006, J01-8-009, and J02-8-008	21,787	21,787
Juvenile Accountability Incentive Block Grant	16.523	Unknown	67,714	67,714
Crime Victim Assistance	16.575	C02-1-002, and C03-1-001	54,307	54,307
Passed through Parish of Caddo:				
Truancy Intervention Program	16.548	W01-1-002	<u>39,789</u>	<u>39,789</u>
			183,597	183,597
<u>U.S. Department of Health and Human Services</u>				
Passed through Louisiana Department of Social Services:				
Chafee Foster Care Independent Living	93.674	568015	50,800	50,800
Passed through Louisiana State Supreme Court:				
Temporary Assistance for Needy Families	93.558	-	<u>252,020</u>	<u>252,020</u>
Total expenditures of federal awards			<u>687,954</u>	<u>687,954</u>

See accompanying notes to schedule of expenditures of federal awards.

RUTHERFORD HOUSE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2004

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rutherford House and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Rutherford House 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.

OTHER REPORTS

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August 26, 2004

The Board of Directors
Rutherford House
Shreveport, Louisiana

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

We have audited the financial statements of Rutherford House as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether Rutherford House's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford House's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, 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.

Heard, McElroy & Vestal, LLP

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August 26, 2004

The Board of Directors
Rutherford House
Shreveport, Louisiana

Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Rutherford House with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Rutherford House's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Rutherford House's management. Our responsibility is to express an opinion on Rutherford House's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Rutherford House'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. Our audit does not provide a legal determination on Rutherford House's compliance with those requirements.

In our opinion, Rutherford House complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Rutherford House is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford House's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, 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.

Heard, McElroy + Venturi, LLP

RUTHERFORD HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Rutherford House.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Rutherford House were disclosed during the audit.
4. No reportable conditions relating to the audit of major federal award programs are reported.
5. The auditor's report on compliance for major federal award programs for Rutherford House expresses an unqualified opinion.
6. There are no audit findings relative to major federal award programs for Rutherford House.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Temporary Assistance for Needy Families	93.558

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Rutherford House was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

None

RUTHERFORD HOUSE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

No findings were reported as a result of the prior year audit.

RUTHERFORD HOUSE
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2004

No findings were reported as a result of the current year audit.