

**RUTHERFORD HOUSE**  
**SHREVEPORT, LOUISIANA**  
**JUNE 30, 2018**

RUTHERFORD HOUSE  
SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-11

SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits, and Other Payments to Agency Head	12
---	----

OTHER REPORTS

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 <i>Government Auditing Standards</i>	13-14
Schedule of Findings and Responses	15
Schedule of Prior Year Findings	16
Management's Corrective Action Plan	17

**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525  
SHREVEPORT, LOUISIANA 71101  
318-429-1525 PHONE • 318-429-2070 FAX

December 17, 2018

The Board of Directors  
Rutherford House  
Shreveport, Louisiana

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rutherford House, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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.

**HMV**

A PROFESSIONAL SERVICES FIRM  
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL  
www.hmvcpa.com WEB ADDRESS

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rutherford House as of June 30, 2018, and the changes 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.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 12 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 17, 2018, on our consideration of Rutherford House'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 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 Rutherford House's internal control over financial reporting and compliance.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

RUTHERFORD HOUSE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

<u>A S S E T S</u>	<u>Homes, Office and School</u>	<u>Truancy Center</u>
<u>Current assets:</u>		
Cash-Note 3	495,472	-
Investments-Note 4	324,082	-
Accounts receivable-Note 6	253,694	20,000
Prepaid expenses	<u>54,377</u>	<u>-</u>
Total current assets	1,127,625	20,000
<u>Book value of fixed assets-Note 5</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,127,625</u>	<u>20,000</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities:</u>		
Accounts payable	36,732	-
Other current liabilities	<u>137,909</u>	<u>-</u>
Total current liabilities	174,641	-
<u>Net assets:</u>		
Unrestricted	<u>952,984</u>	<u>20,000</u>
Total net assets	<u>952,984</u>	<u>20,000</u>
Total liabilities and net assets	<u>1,127,625</u>	<u>20,000</u>

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

<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
-	-	495,472
-	-	324,082
5,344	-	279,038
-	-	<u>54,377</u>
<u>5,344</u>	-	1,152,969
-	<u>638,548</u>	<u>638,548</u>
<u>5,344</u>	<u>638,548</u>	<u>1,791,517</u>
-	-	36,732
-	-	<u>137,909</u>
-	-	174,641
<u>5,344</u>	<u>638,548</u>	<u>1,616,876</u>
<u>5,344</u>	<u>638,548</u>	<u>1,616,876</u>
<u>5,344</u>	<u>638,548</u>	<u>1,791,517</u>

RUTHERFORD HOUSE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Homes, Office and School</u>	<u>Truancy Center</u>
<u>Public support and revenue:</u>		
Public support:		
Contributions	8,346	-
Government grants-Notes 7 and 8:		
Louisiana Department of Corrections	2,664,747	-
Louisiana Commission on Law Enforcement	77,106	-
Louisiana Department of Education	78,069	-
Caddo Parish School Board	113,521	-
City of Shreveport	-	-
Caddo Parish	-	120,000
Total public support	<u>2,941,789</u>	<u>120,000</u>
Revenue:		
Investments	6,151	-
Fund-raising, net of \$267 in expenses	242	-
Other	<u>52,258</u>	<u>-</u>
Total revenue	<u>58,651</u>	<u>-</u>
Total public support and revenue	3,000,440	120,000
<u>Expenses:</u>		
Salaries and wages	1,845,330	80,369
Payroll taxes and related expense	192,980	-
Fringe benefits	237,594	-
Travel and training	9,980	-
Office supplies	20,225	-
Repairs and maintenance	154,186	-
Utilities	128,444	121
Insurance	58,161	-
Depreciation	-	-
Food	218,557	-
Medical	61,525	-
Recreation	17,319	-
Laundry and linen	17,042	-
Personal hygiene	11,331	-
Telephone	23,678	1,160

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

<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
-	-	8,346
-	-	2,664,747
-	-	77,106
-	-	78,069
-	-	113,521
64,130	-	64,130
<u>-</u>	<u>-</u>	<u>120,000</u>
64,130	-	3,125,919
-	-	6,151
-	-	242
<u>-</u>	<u>-</u>	<u>52,258</u>
<u>-</u>	<u>-</u>	<u>58,651</u>
64,130	-	3,184,570
68,720	-	1,994,419
-	-	192,980
-	-	237,594
-	-	9,980
-	-	20,225
-	-	154,186
49	-	128,614
-	-	58,161
-	78,787	78,787
-	-	218,557
-	-	61,525
-	-	17,319
-	-	17,042
-	-	11,331
-	-	24,838

RUTHERFORD HOUSE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Homes, Office and School</u>	<u>Truancy Center</u>
<u>Expenses:</u> (Continued)		
Professional	23,300	-
Outside contracts	12,300	-
Licensing	3,494	-
Work study and educational	51,746	344
Miscellaneous	10,212	-
Maintenance supplies	22,972	-
Program supplies	19,718	-
Personal allowance	551	-
Total expenses	<u>3,140,645</u>	<u>81,994</u>
<u>Change in net assets</u>	(140,205)	38,006
<u>Net assets-beginning of year</u>	1,064,918	20,000
<u>Transfers:</u>		
Purchase of fixed assets	(5,095)	-
Other	<u>33,366</u>	<u>(38,006)</u>
	<u>28,271</u>	<u>(38,006)</u>
<u>Net assets-end of year</u>	<u>952,984</u>	<u>20,000</u>

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

<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
-	-	23,300
-	-	12,300
-	-	3,494
-	-	52,090
-	-	10,212
-	-	22,972
-	-	19,718
-	-	551
<u>68,769</u>	<u>78,787</u>	<u>3,370,195</u>
(4,639)	(78,787)	(185,625)
5,343	712,240	1,802,501
-	5,095	-
<u>4,640</u>	<u>-</u>	<u>-</u>
<u>4,640</u>	<u>5,095</u>	<u>-</u>
<u>5,344</u>	<u>638,548</u>	<u>1,616,876</u>

RUTHERFORD HOUSE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

<u>Cash flows from operating activities:</u>	
Change in net assets	(185,625)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	78,787
Decrease in accounts receivable	16,435
(Decrease) in accounts payable	(2,381)
Increase in other current liabilities	<u>7,799</u>
Total adjustments	<u>100,640</u>
Net cash (used) by operating activities	(84,985)
<u>Cash flows from investing activities:</u>	
Purchase of investments	(5,418)
Purchase of fixed assets	<u>(5,095)</u>
Net cash (used) by investing activities	<u>(10,513)</u>
<u>Net (decrease) in cash and cash equivalents</u>	(95,498)
<u>Cash and cash equivalents at beginning of year</u>	<u>590,970</u>
<u>Cash and cash equivalents at end of year</u>	<u>495,472</u>

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

RUTHERFORD HOUSE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. Nature of Business.

For the year ending June 30, 2018, four homes were operated for delinquent adolescents, but one was closed during the year in order to control staffing costs. These individuals are usually placed in the home by the juvenile court system. 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.

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, 2018.

(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) Accounts Receivable:

Receivables that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount.

Rutherford House uses the direct write-off method for charging off bad debts, which does not materially differ from results obtained using the allowance method. The past due status of receivables is based on contractual terms.

(e) Estimates:

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) 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 \$1,000 are capitalized.

(g) 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.

(h) Advertising Costs:

Costs of advertising are expensed as incurred.

(i) 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. If an employee is unable to take off on a designated holiday, the employee may accrue eight hours for each day, limited to a maximum carryover of twenty five days.

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.

(j) Income Taxes:

As a nonprofit, privately supported organization, Rutherford House is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Rutherford House is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax

2. Summary of Significant Accounting Policies. (Continued)

return is required in those jurisdictions. In addition, as a tax-exempt entity, it must assess whether it has any tax positions associated with unrelated business income subject to income tax. Rutherford House does not expect these tax 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 accounting records.

Rutherford House is required to file U. S. federal Form 990 for informational purposes. The federal income tax returns for the prior three tax years remain subject to examination by the Internal Revenue Service.

(k) Investments:

Rutherford House accounts for investments at fair value.

(l) Accounting Guidance/Principles Not Yet Adopted:

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 for fiscal years beginning after December 31, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. Rutherford House currently is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures, and has not yet selected a transition method.

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. However, an entity has the option to omit the disclosure about liquidity and availability of financial resources for any comparative periods originally presented before the period of adoption. Rutherford House currently is in the process of implementing these changes.

3. Cash.

Rutherford House holds approximately \$3,300 at June 30, 2018, in various interest-bearing accounts on behalf of individual adolescents. These monies include individual allowances allowed by state funding and earnings in various fund-raising activities.

Operating cash on deposit with banks is protected by FDIC insurance of up to \$250,000 per institution, and may exceed such insurance limit. Rutherford House monitors the credit worthiness of its banks.

4. Investments.  
Investments as of June 30, 2018 are summarized as follows:

	<u>Cost</u>	<u>Approximate Market Value</u>
Annuity contract dated February 19, 2014 interest 2.55% first year, 1.55% through fifth year, 1.00% thereafter, withdrawal charge of 5-7% during first five years, no charge thereafter	324,082	324,082

5. Fixed Assets.  
The book value of fixed assets consists of:

	<u>Cost or Donated Value</u>
Land	322,893
Rutherford House I and improvements	123,576
Rutherford House II and improvements	227,062
Rutherford House III and improvements	134,332
Rutherford House IV and improvements	108,051
Auto garage improvements	2,932
Furniture and fixtures	436,147
Vehicles	134,400
Shop building	239,537
Shop improvements	297,007
Shop equipment	101,789
School equipment	125,984
Office and school, building and improvements	995,019
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	3,355,571
<u>Less-accumulated depreciation</u>	<u>(2,717,023)</u>
Book value of fixed assets	<u>638,548</u>

6. Receivables.  
Receivables are summarized by source as follows:

State of Louisiana	265,223
Caddo Parish School Board	5,007
City of Shreveport	5,344
Other	<u>3,464</u>
	<u>279,038</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, 2018. Future funding of such awards is conditioned upon Rutherford House's operation of certain programs, incurrence of certain

7. Conditional Promises. (Continued)

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, 2018. Such conditional promises amounted to approximately \$53,500 at June 30, 2018.

8. Economic Dependency.

Rutherford House receives a substantial portion of its revenue from funds provided through approved awards from the Office of Juvenile Services. A contract for a maximum award of \$7,967,000 over a three year period was signed July 1, 2018.

9. Subsequent Events.

Rutherford House is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. Rutherford House performed such an evaluation through December 17, 2018, the date which the financial statements were available to be issued, and noted no such subsequent events except for the award disclosed in Note 8.

**SUPPLEMENTARY INFORMATION**

RUTHERFORD HOUSE  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED JUNE 30, 2018

Agency Head: Ira Tieuel

Salary	86,100
Benefits-insurance-health	10,040
Vehicle	600

**OTHER REPORTS**

December 17, 2018

The Board of Directors  
Rutherford House  
Shreveport, 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 Rutherford House, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2018.

**Internal Control Over Financial Reporting**

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rutherford House'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 of 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.

Shreveport, Louisiana

*Heard, McElroy & Vestal, LLC*

RUTHERFORD HOUSE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Rutherford House.
2. No material weaknesses related to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Rutherford House are reported.
4. Rutherford House was not subject to a Federal Single Audit for the year ended June 30, 2018.

**B. Findings - Financial Statement Audit**

None

RUTHERFORD HOUSE  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

No findings were reported.

RUTHERFORD HOUSE  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2018

No findings were reported.