

EDEN HOUSE

Financial Statements

For the Year Ended December 31, 2016

**EDEN HOUSE
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DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Eden House
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Eden House (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eden House as of December 31, 2016, 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.

Emphasis of Matter

As disclosed in note 5 to the financial statements, the December 31, 2015 net assets were decreased by \$67,895 to correct errors made in the prior years. 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 schedule of compensation, benefits, and other payments to the agency head on page 12, as required by Louisiana state law, 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 February 27, 2019 on our consideration of Eden 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 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 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 Eden House's internal control over financial reporting and compliance.

Hienz & Macaluso, LLC

Metairie, Louisiana

February 27, 2019

FINANCIAL STATEMENTS

EDEN HOUSE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 162,121
Contribution receivables	9,850
Pledge receivables-current portion	35,765
Grant receivable	<u>3,666</u>
Total current assets	<u>211,402</u>

PROPERTY AND EQUIPMENT:

Land	88,240
Building	352,963
Furniture and equipment	1,267
Less: accumulated depreciation	<u>(7,885)</u>
Property and equipment, net	<u>434,585</u>

OTHER ASSETS:

Pledge receivables-less current portion	85,275
Deposits	<u>650</u>
Total other assets	<u>85,925</u>

Total assets	<u>\$ 731,912</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 8,698
Accrued payroll and payroll taxes	<u>2,423</u>
Total current liabilities	<u>11,121</u>
Total liabilities	<u>11,121</u>

NET ASSETS:

Unrestricted	720,791
Temporarily restricted	<u>-</u>
Total net assets	<u>720,791</u>
Total liabilities and net assets	<u>\$ 731,912</u>

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

EDEN HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT:			
Grants	\$ 7,500	\$ 426,499	\$ 433,999
Contributions	386,640	-	386,640
Other	1,944	-	1,944
Net assets released from restrictions	426,499	(426,499)	-
Total revenues and other support	<u>822,583</u>	<u>-</u>	<u>822,583</u>
EXPENSES:			
Program services	280,550	-	280,550
Management and general	78,823	-	78,823
Fundraising	39,559	-	39,559
Total expenses	<u>398,932</u>	<u>-</u>	<u>398,932</u>
Change in Net Assets	423,651	-	423,651
Net Assets, Beginning of Year, as previously reported	<u>365,035</u>	<u>-</u>	<u>365,035</u>
Restatement	(67,895)	-	(67,895)
Net Assets, Beginning of Year, as restated	<u>297,140</u>	<u>-</u>	<u>297,140</u>
Net Assets, End of Year	<u>\$ 720,791</u>	<u>\$ -</u>	<u>\$ 720,791</u>

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

EDEN HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

Description	Program Services		Support Services		Total
	Program	Management and General	Fundraising		
Payroll and payroll tax expense	\$ 137,927	\$ 49,089	\$ 12,272	\$	199,288
Legal expense	3,157	-	-		3,157
Accounting	-	11,565	-		11,565
Information technology	135	3,530	-		3,665
Occupancy	37,092	-	-		37,092
Travel	9,067	-	185		9,252
Depreciation	6,715	-	-		6,715
Insurance	26,556	3,542	-		30,098
Office expense	531	4,242	530		5,303
Miscellaneous expense	107	2,088	1,579		3,774
Telephone	1,652	4,767	-		6,419
Resident services	57,611	-	-		57,611
Fundraising	-	-	24,993		24,993
Total expenses	\$ 280,550	\$ 78,823	\$ 39,559	\$	398,932

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

EDEN HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	423,651
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		6,715
Changes in operating assets and liabilities:		
Contribution receivables		630
Pledge receivables		26,370
Grant receivable		(3,666)
Accounts payable		7,845
Accrued payroll and payroll taxes		2,423
NET CASH PROVIDED BY OPERATING ACTIVITIES		463,968

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of land and building		(441,203)
NET CASH (USED) BY INVESTING ACTIVITIES		(441,203)

Net change in cash and cash equivalents		22,765
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Cash and cash equivalents, beginning of year		139,356
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Cash and cash equivalents, end of year	\$	162,121
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The accompanying notes are an integral part of these financial statements.

EDEN HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Nature of Organization – Eden House (the “House”) was incorporated as an independent 501(c) (3) nonprofit organization in 2011 to provide comprehensive and individualized recovery services to victims of human trafficking and commercial sexual exploitation through a long-term residential program. Over time, and to more effectively address our community’s epidemic of human trafficking and commercial sexual exploitation, the House has grown and expanded its services through the introduction of a prevention education program and the launch of a social enterprise. However, the implementation of our comprehensive recovery services through our long-term residential program remains at the heart of our organization. The House addresses our community’s epidemic of human trafficking and commercial sexual exploitation, in addition to the related issues of addiction, mental illness, poverty and homelessness.

In order to end human and sexual trafficking, the House provides comprehensive recovery services to survivors of human trafficking and commercial sexual exploitation through a long-term individualized program of intensive and therapeutic case management in the safety of our confidentially located residence. The House implements an individualized treatment plan for each survivor that provides housing, food, health care, mental health and substance abuse counseling, job and financial literacy training, legal assistance, and education free of cost to them. The House’s approach to case management and recovery aims to create a population of survivors who have not forgotten their pasts, but who have learned and grown from them into emotionally, physically, and mentally healthy women who are flourishing, contributing members of their communities. To accomplish this goal, the House uses a holistic approach, which treats not just the symptoms of a life of exploitation, but creates a foundation of skills that facilitate the victim’s ability to move forward with her life. The first few months at the House are spent focusing on stabilizing our residents’ immediate needs, including intensive outpatient drug treatment for those with histories of addiction, 90/90 AA or NA meetings, trauma therapy, as well as physical and dental care. The next phase in the recovery program emphasizes education, job skills, life skills and continued recovery. During this time the House continues to provide a spectrum of resources, including, but not limited to, housing, food, health care, psychotherapy, spiritual support, GED tutoring, financial education, legal support and job training. Completion of, or graduation from, the program is assessed on an individual basis and entails reaching programmatic goals such as successfully completing trauma therapy, employment, savings, advanced education, etc. All of these direct services are provided at no cost for residents, and residents, who are not working and who don’t receive food stamps, receive weekly food and living stipends as part of the program.

The House’s primary sources of revenue are grants and contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

EDEN HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

The House is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Unrestricted - Assets and contributions that are not restricted by grants or contracts or for which there are no donor restrictions. Unrestricted net assets consist of undesignated and board designated funds. Board designated net assets represent funds set aside by the House's Board of Directors, which maintains the power to release the restriction. Undesignated net assets represent funds whose use is allowed to be used for any purposes directed by the Board of Directors or management.

Temporarily Restricted - A grant, contract or donor imposed restriction that permits the House to use the donated funds as specified. The use of the funds is restricted by purpose and/or until the passage of time. At December 31, 2016, the House did not have any temporarily restricted net assets.

Permanently Restricted - Donor-imposed assets that stipulate that the donation be maintained permanently but permits the use of all or part of the income derived. At December 31, 2016, the House did not have any permanently restricted net assets.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the House considers money market funds and highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include demand deposits and interest bearing demand deposits. At December 31, 2016, the House did not hold any cash equivalents.

Receivables – Receivables are stated at the amount management expects to collect from outstanding balances. At December 31, 2016, the financial statements do not include an estimate for allowance for doubtful accounts as management believes that all receivables are collectible.

Functional Expenses – The cost of providing the program and supporting services of the House have been summarized on a functional basis in the accompanying financial statements. Certain costs and expenses have been allocated among program services and supporting activities based on estimates by management.

Income Taxes – Under the provisions of the Internal Revenue Code, Section 501(c) (3), and the applicable income tax regulations of Louisiana, the House is exempt from taxes on income other than that from unrelated business income. The House has also been classified as an entity that is not a private foundation in Section 170 (b)(1)(A)(vi).

EDEN HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Since the House did not have any net unrelated business income during the year ended December 31, 2016, no provision for income tax was made. Management does not believe there are any uncertainties included in the paragraph above.

Pledge Receivables – Pledge receivables are recognized when the donor makes a promise to give to the House that is, in substance, unconditional. Notes 6 and 7 contain additional information on pledge receivables.

Property and Equipment – Property and equipment with a value equal to or greater than \$500 is capitalized at cost or estimated fair value if donated. Depreciation is provided using the straight-line method over estimated useful lives ranging from 3 to 39 years. For the year ended December 31, 2016, depreciation expense was \$6,715.

Restricted and Unrestricted Revenue and Support – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire or are met in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

NOTE 2 – USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP 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.

NOTE 3 – CONCENTRATIONS OF CUSTODIAL CREDIT RISK

The House maintains its cash balances in a local financial institution that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). The House has not experienced any losses in such accounts and believes it is not exposed to any significant risk due to custodial credit risk.

EDEN HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

For the year ended December 31, 2016, net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by grantors as follows:

Property purchase	\$388,000
Case manager salary	<u>38,499</u>
Total	<u>\$426,499</u>

NOTE 5 – RESTATEMENT

The House's December 31, 2015 net assets were decreased by \$67,895 (net) by two restatements. The December 31, 2015 net assets and pledge receivables were decreased by \$78,375 due to pledge receivables not being reviewed for collectability in prior years. This part of the restatement did not have any effect on the 2016 change in net assets. The effect of this part of the restatement on the 2015 change in net assets was indeterminable.

The December 31, 2015 net assets and contribution receivables were increased by \$10,480 due to the prior year contribution receivables not being accrued at the end of the year. This part of the restatement decreased the 2016 change in net assets (prior to the restatement) by \$10,480. This part of the restatement increased the 2015 change in net assets by \$10,480.

NOTE 6 – PLEDGE RECEIVABLES

The table below shows the periods in which management expects to collect the pledge receivables. Management has elected not to discount the pledges collectable beyond 2017 to present value. This election does not have a material effect on the financial statements as a whole.

2017	\$ 35,765
2018	32,765
2019	25,140
2020	22,536
2021	4,639
Thereafter	<u>195</u>
Total	<u>\$121,040</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

At December 31, 2016, \$15,440 of pledge receivables was pledged by the House's board members.

EDEN HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 – BOARD OF DIRECTORS’ COMPENSATION

The House’s board of directors is a voluntary board and, therefore, no compensation was paid to any board member during the year ended December 31, 2016.

NOTE 9 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 27, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

EDEN HOUSE
SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO THE AGENCY HEAD
DECEMBER 31, 2016

Agency Head: Susanne B. Dietzel, Ph. D.
Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$75,000
FICA and Medicare	5,738
Mileage reimbursement	477
Travel reimbursement	381
Total	<u>\$81,596</u>

See the accompanying independent auditor's report.

OTHER REPORTING REQUIRED BY *GOVERNMENT*
AUDITING STANDARDS



**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***

To the Board of Directors and Management
Eden House
New Orleans, Louisiana

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 Eden House (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eden 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 Eden House's internal control. Accordingly, we do not express an opinion on the effectiveness of the Eden 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 Eden 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, as item 2016-001.

Management's Response to the Finding

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

Purpose of this Report

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

Hienz & Macaluso, LLC

Metairie, Louisiana

February 27, 2019

EDEN HOUSE
SCHEDULE OF FINDINGS
DECEMBER 31, 2016

Section I – Internal Control and Compliance Material to the Financial Statements:

Calendar year finding initially occurred: 2016

2016-001 Late submission of the audited financial statements

CRITERIA: Louisiana Revised Statutes require quasi-public entities to submit their financial statements to the Louisiana Legislative Auditor within six months of the close of their calendar year.

CONDITION: Eden House failed to submit its annual financial statements to the Louisiana Legislative Auditor’s Office by the statutory due date.

CAUSE: Eden House received a one-time grant from the State of Louisiana and was unaware that receipt of the grant made them subject to Louisiana Revised Statute (R.S.) 24:513 (the “state audit law”).

EFFECT: Eden House was not in compliance with the state audit law by failing to submit its financial statements within six months of the close of its year end.

RECOMMENDATION: We recommend that Eden House comply with the state audit law if public funds are received in the future.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN: Eden House concurs with the finding. Eden House will take necessary steps to ensure that future financial statements are submitted within the prescribed time period if public funds are received in the future.

Section II – Internal Control and Compliance Material to Federal Awards:

This section is not applicable.

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended December 31, 2016.

EDEN HOUSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2016

For the year ended December 31, 2015, Eden House did not have a financial statement audit, review, compilation or any attest procedures performed; therefore, there were no findings.