

**Providence House
Shreveport, Louisiana**

Financial Statements

As of and for the Years Ended December 31, 2019 and 2018

Providence House

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Independent Auditors' Report

To the Board of Directors
Providence House

Report on the Financial Statements

We have audited the accompanying financial statements of Providence House (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Providence House as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head or chief executive officer on page 18 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 September 28, 2020, on our consideration of Providence House'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 Providence House's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Providence House's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
September 28, 2020

Providence House
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 137,602	\$ 100,934
Grant receivables	89,571	103,809
Total current assets	227,173	204,743
Other assets:		
Cash restricted - resettlement funds	6,317	13,394
Cash surrender value of life insurance	672,643	909,731
Total other assets	678,960	923,125
Property and equipment	3,569,228	3,569,228
Accumulated depreciation	(2,249,179)	(2,129,619)
Net property and equipment	1,320,049	1,439,609
Total Assets	\$ 2,226,182	\$ 2,567,477
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 11,750	\$ 21,220
Accrued expenses	69,194	60,088
Current portion long-term debt	16,459	15,580
Note payable - line of credit	149,067	74,294
Total current liabilities	246,470	171,182
Long-term debt	316,973	333,146
Escrowed resettlement funds	6,317	13,394
Total liabilities	569,760	517,722
Net assets		
With donor restrictions	101,894	51,497
Without donor restrictions	1,554,528	1,998,258
Total net assets	1,656,422	2,049,755
Total Liabilities and Net Assets	\$ 2,226,182	\$ 2,567,477

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

Providence House
Statement of Activities
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 616,340	\$	\$ 616,340
Donations and contributions	987,653	85,000	1,072,653
Other income	90,699		90,699
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	<u>34,603</u>	<u>(34,603)</u>	
Total revenues and other support	<u>1,729,295</u>	<u>50,397</u>	<u>1,779,692</u>
Functional Expenses:			
Program services	1,786,485		1,786,485
General administration	190,611		190,611
Fund-raising	<u>195,929</u>		<u>195,929</u>
Total operating expenses	<u>2,173,025</u>		<u>2,173,025</u>
Change in net assets	(443,730)	50,397	(393,333)
Net assets, beginning of year	<u>1,998,258</u>	<u>51,497</u>	<u>2,049,755</u>
Net assets, end of year	<u>\$ 1,554,528</u>	<u>\$ 101,894</u>	<u>\$ 1,656,422</u>

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

Providence House
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 710,943	\$	\$ 710,943
Donations and contributions	1,145,377	31,139	1,176,516
Other income	89,272		89,272
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	<u>60,175</u>	<u>(60,175)</u>	<u></u>
Total revenues and other support	<u>2,005,767</u>	<u>(29,036)</u>	<u>1,976,731</u>
Functional Expenses:			
Program services	1,730,367		1,730,367
General administration	248,473		248,473
Fund-raising	<u>248,572</u>		<u>248,572</u>
Total operating expenses	<u>2,227,412</u>		<u>2,227,412</u>
Change in net assets	(221,645)	(29,036)	(250,681)
Net assets, beginning of year, restated	<u>2,219,903</u>	<u>80,533</u>	<u>2,300,436</u>
Net assets, end of year	<u>\$ 1,998,258</u>	<u>\$ 51,497</u>	<u>\$ 2,049,755</u>

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

Providence House
Statement of Functional Expenses
For the Year Ended December 31, 2019

Expenses:	Program Services	General Administration	Fund Raising	Total
Salaries and wages	\$ 1,011,642	\$ 110,829	\$ 147,001	\$ 1,269,472
Employee benefits	21,743	5,788	5,789	33,320
Payroll taxes and workers compensation	105,481	10,949	13,618	130,048
Office expense	9,374	1,820	6,331	17,525
Legal and accounting		38,779		38,779
Telephone	7,974	472	1,029	9,475
Utilities	100,336	1,572	2,524	104,432
Printing	2,705		1,330	4,035
Insurance	72,505	2,142	2,142	76,789
Repairs and maintenance	20,961	244	494	21,699
Vehicles	30,012	937		30,949
Resident transportation program	5,421			5,421
Resident expenses	45,838			45,838
Resident graduation program	349			349
Special events	24,083			24,083
Work to learn program	19,515			19,515
Offsite supportive housing	164,939			164,939
Travel and training	983	1,313	162	2,458
Computer maintenance	8,471			8,471
Other	818	7,386	4,621	12,825
Dues and subscriptions	1,175	1,307		2,482
Website expense			3,815	3,815
Interest expense	26,746			26,746
Depreciation	105,414	7,073	7,073	119,560
Total expenses	\$ 1,786,485	\$ 190,611	\$ 195,929	\$ 2,173,025

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

Providence House
Statement of Functional Expenses
For the Year Ended December 31, 2018

Expenses:	Program Services	General Administration	Fund Raising	Total
Salaries and wages	\$ 929,508	\$ 118,919	\$ 175,277	\$ 1,223,704
Employee benefits	27,397	7,620	12,394	47,411
Payroll taxes and workers compensation	91,651	26,041	14,868	132,560
Office expense	9,303	3,429	4,760	17,492
Legal and accounting		43,948		43,948
Telephone	8,279	588	587	9,454
Utilities	123,028	3,645	3,032	129,705
Printing	1,596		1,859	3,455
Insurance	60,813	2,812	3,515	67,140
Repairs and maintenance	21,991	1,685	41	23,717
Vehicles	31,861	771		32,632
Resident transportation program	4,446			4,446
Resident expenses	59,365			59,365
Resident graduation program	2,807			2,807
Special events			13,117	13,117
Work to learn program	21,748			21,748
Offsite supportive housing	218,172			218,172
Travel and training	523	741		1,264
Public relations and advertising	691	167	3,589	4,447
Computer maintenance	2,079		325	2,404
Other	5,084	10,732	563	16,379
Dues and subscriptions	5,832	2,117	281	8,230
Website expense			7,359	7,359
Interest expense		18,253		18,253
Depreciation	104,193	7,005	7,005	118,203
Total expenses	\$ 1,730,367	\$ 248,473	\$ 248,572	\$ 2,227,412

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

Providence House
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (393,333)	\$ (250,681)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	119,560	118,203
Increase (decrease) in cash surrender value of life insurance	4,285	(10,906)
(Increase) decrease in operating assets:		
Grant receivables	14,238	12,774
Increase (decrease) in operating liabilities:		
Accounts payable	(9,470)	(9,998)
Accrued expenses	9,106	1,383
Escrowed resettlement funds	(7,077)	(2,179)
Net cash (used in) operating activities	(262,691)	(141,404)
Investing Activities		
Proceeds - loans from life insurance policies	232,803	
Proceeds from sale of investments		10,303
Purchase of property and equipment		(45,056)
Net cash provided by (used in) investing activities	232,803	(34,753)
Financing Activities		
Proceeds on loans payable	131,800	
Payments on loans payable	(147,094)	
Proceeds line of credit	104,000	281,930
Payments on line of credit	(29,227)	(172,635)
Net cash provided by financing activities	59,479	109,295
Net increase (decrease) in cash and cash equivalents	29,591	(66,862)
Cash, cash equivalents and restricted cash beginning of year	114,328	181,190
Cash, cash equivalents and restricted cash end of year	\$ 143,919	\$ 114,328
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 137,602	\$ 100,934
Restricted cash	6,317	13,394
Cash, cash equivalents, and restricted cash, end of year	\$ 143,919	\$ 114,328
Supplemental Disclosure		
Cash paid for interest expense	\$ 26,746	\$ 18,253

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

Providence House
Notes to Financial Statements
December 31, 2019 and 2018

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Providence House is a nonprofit corporation organized under the laws of the State of Louisiana. Providence House was established to provide housing services, training, employment and opportunities for breaking the cycle of homelessness. The support for Providence House comes primarily from private donations and grants.

Approximately 35–40% of total revenues consist of contractual revenue of federal and state funds. A brief description of the programs – contracts which are funded with those federal and state funds are listed:

Emergency Solutions Grants Program – Provides funds to assist in maintaining a shelter and providing permanent housing for homeless families. Funding is provided by federal funds passed through the City of Shreveport and the City of Bossier City.

Emergency Food and Shelter – Provides funds to assist in emergency shelter for homeless families. Funding is provided by federal funds passed through the local EF&S Board.

Children's Trust Fund – Provides funds to assist homeless children to aid in the prevention of child abuse and neglect. Specifically to implement a resource support system to provide emotional, medical, educational and recreational support services for homeless children. Funding is provided by federal and state funds passed through the State of Louisiana, Department of Children and Family Services.

Community Development Block Grant – Provides funds to provide shelter for the homeless and to assist families with breaking the cycle of homelessness. Specifically, to ensure that families will be allowed to move from a structured program to an unstructured, independent program through a series of levels showing a proven responsibility and disciplined lifestyle. Funding is provided by federal and state funds passed through the City of Bossier City.

Continuum of Care Program Grants – Provides funds to facilitate the movement of homeless individuals and families to permanent housing. The funds will provide lease arrangements for individuals and families along with supportive services to enable homeless individuals and families to break the cycle of homelessness. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

TANF – Provides education and literacy services, employment training, life skills training, counseling, children's program, budgeting, housing/shelter, childcare, meals, transportation, and other services to enable adults and their children to begin again. Funding is provided by federal funds passed through the State of Louisiana, Department of Children and Family Services.

CACFP – Provides a food service program to children who are residents of the homeless shelter. Funding is provided by federal funds passed through the State of Louisiana, Department of Education.

(Continued)

Providence House
Notes to Financial Statements
December 31, 2019 and 2018
(Continued)

B. Basis of Accounting

The financial statements of Providence House have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards. Under those standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of Providence House's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Providence House or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Providence House has adopted a policy to classify donor restricted contributions as without donor restriction to the extent that donor restrictions are met in the year the contribution was received.

D. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

E. Cash and Cash Equivalents

Cash equivalents, as stated for cash flow purposes, consist of cash, certificates of deposit, and money market accounts. Certain items, which meet the definition of cash equivalents but are designated by the Board, are included in investments.

F. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The funding sources and the federal government may have a reversionary interest in certain property purchased with those funds. Its disposition as well as the ownership of any proceeds therefrom is subject to certain funding source regulations. Expenditures for property and equipment of \$1,500 or more are capitalized.

(Continued)

Providence House
Notes to Financial Statements
December 31, 2019 and 2018
(Continued)

G. Contributions

Contributions received are recorded as increase in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature or any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

H. Income Tax Status

Providence House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. Providence House had no such income during this audit period. The Form 990, "Return of Organization Exempt from Income Taxes", for Providence House for the years ended December 31, 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

I. Retirement Plan

Providence House established a profit-sharing plan with a 401(k) option for eligible employees. The name of the plan is Providence House Retirement Plan. The plan shall cover only employees having completed at least one year of service and having attained age 21. The employer contribution amount is determined by appropriate action of the Employer as of the time prescribed by law. There were no employer contribution amounts paid by Providence House for the years ended December 31, 2019 and 2018.

J. Donated Assets

Non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

K. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

L. Functional Expenses

The costs of providing certain activities of Providence House have been summarized on a functional basis in the statement of activities and in the statement of functional expense. Accordingly, certain costs have been allocated among programs and supported services benefited. Costs are directly charged to the functions they benefit. Facility related and supportive services expenses are allocated to each function based upon managements equitable determination.

(Continued)

Providence House
Notes to Financial Statements
December 31, 2019 and 2018
(Continued)

(2) Adoption of New Accounting Pronouncement

For the year ended December 31, 2019, Providence House adopted the Financial Accounting Standards Update (ASU) No. 2016-18 - *Not-for-Profit Entities (Topic 230): Statement of Cash Flows: Restricted Cash*. This update requires that the statement of cash flows explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

(3) Concentrations of Credit Risk

Financial instruments that potentially subject Providence House to concentrations of credit risk consist principally of temporary cash investments, and grant receivables.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of December 31, 2019 and 2018, Providence House had no significant concentrations of credit risk in relation to grant receivables.

Providence House maintains cash balances at local financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2019 and 2018 there were no uninsured balances at those institutions.

(4) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from the funding sources at December 31, 2019 and 2018 but not received until after those dates.

(5) Restricted Cash – Resettlement Funds

The balance represents funds held by Providence House on behalf of the tenants of Providence House. Providence House has implemented a program whereby the tenants agree to escrow—deposit a certain percent of their support – wages into this account as they receive those funds. Upon graduation and/or leaving the shelter those funds will be distributed to the tenant or retained by Providence House. This amount is also shown as escrowed resettlement funds in the liability section on the statement of financial position.

(Continued)

Providence House
Notes to Financial Statements
December 31, 2019 and 2018
(Continued)

(6) Fixed Assets

A summary of fixed assets as of December 31, 2019 follows:

	Estimated Useful Life	Cost / Basis	Accumulated Depreciation
Land	N/A	\$ 117,830	\$ —
Buildings	15–30 years	1,125,795	685,257
Building improvements	7–25 years	1,940,348	1,204,870
Furniture & fixtures	5–10 years	110,419	110,419
Office equipment	3–7 years	48,023	48,023
Kitchen equipment	5–7 years	8,470	8,470
Playground equipment	5–10 years	124,973	98,770
Classroom computer lab	5 years	27,687	27,687
Vehicles	5–7 years	65,683	65,683
		<u>\$ 3,569,228</u>	<u>\$ 2,249,179</u>

Depreciation expense for the year ended December 31, 2019 was \$119,560.

A summary of fixed assets as of December 31, 2018 follows:

	Estimated Useful Life	Cost / Basis	Accumulated Depreciation
Land	N/A	\$ 117,830	\$ —
Buildings	15–30 years	1,125,795	653,061
Building improvements	7–25 years	1,940,348	1,127,808
Furniture & fixtures	5–10 years	110,419	110,419
Office equipment	3–7 years	48,023	48,023
Kitchen equipment	5–7 years	8,470	8,470
Playground equipment	5–10 years	124,973	88,468
Classroom computer lab	5 years	27,687	27,687
Vehicles	5–7 years	65,683	65,683
		<u>\$ 3,569,228</u>	<u>\$ 2,129,619</u>

Depreciation expense for the year ended December 31, 2018 was \$118,203.

(7) Cash Surrender Value of Life Insurance

Providence House is the owner and beneficiary of life insurance policies on the lives of certain supporters of the organization with a net cash surrender value at December 31, 2018 of \$909,731. The net cash surrender value at December 31, 2019 was \$672,643, after policy loans of \$232,803.

(Continued)

Providence House
Notes to Financial Statements
December 31, 2019 and 2018
(Continued)

(8) Net Assets

	2019	2018
Net Assets Without Donor Restrictions:		
Undesignated	\$ 234,479	\$ 558,649
Net investment in property and equipment	1,320,049	1,439,609
Total net assets without donor restrictions	1,554,528	1,998,258
Net Assets With Donor Restrictions:		
Subject to expenditures for specified purpose -		
Restricted for back to school	12,094	12,094
Restricted for workforce development	60,427	17,972
Restricted for building repair and maintenance	21,428	9,944
Restricted other	7,945	11,487
Total net assets with donor restrictions	101,894	51,497
Total Net Assets	\$ 1,656,422	\$ 2,049,755

(9) Liquidity and Availability of Financial Assets

Providence House monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. Providence House has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 137,602	\$ 100,934
Grant receivables	89,571	103,809
Cash restricted for resettlement funds	6,317	13,394
Total financial assets	233,490	218,137
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(101,894)	(51,497)
Cash restricted for resettlement funds	(6,317)	(13,394)
Financial assets available to meet cash needs for general expenditures within one year	\$ 125,279	\$ 153,246

In addition to financial assets available to meet general expenditures over the year, Providence House anticipates covering its general expenditures using the income generated from contractual agreements and contributions. To assist in managing liquidity, Providence House maintains a line of credit of \$150,000 with a bank that is drawn upon as needed during the year to assist in managing cash flow. See Note 14 for further description of this line of credit. Providence House also has cash surrender value of life insurance at December 31, 2019 and 2018 of \$672,643 and \$909,731, respectively that could be utilized to assist in managing cash flow. The Statement of Cash Flows identifies the sources and uses of Providence House's cash and shows negative cash generated by operations of \$262,691 and \$141,404 for fiscal years ending December 31, 2019 and 2018, respectively.

(Continued)

Providence House
Notes to Financial Statements
December 31, 2019 and 2018
(Continued)

(10) Contractual Revenue – Grants

Revenues shown as contracts with governmental agencies for the years ended December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
City of Shreveport and Bossier City – ESG	\$ 211,560	\$ 123,909
City of Bossier City – CDBG	22,512	10,500
Emergency Food and Shelter Program	12,500	8,750
Childrens Trust Fund	26,615	30,279
U.S. Department of HUD Continuum of Care Grants		199,271
Children and Adult Care Food Program	55,247	70,808
TANF	245,812	241,931
Child Care Assistance and vouchers	42,094	25,495
	<u>\$ 616,340</u>	<u>\$ 710,943</u>

The continued existence of these funds is based on annual contract renewals with various funding sources.

(11) Accrued Expenses

An analysis of Providence House's accrued expenses at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Payroll taxes and other withholdings	\$ 4,827	\$ 10,335
Salaries and wages	64,367	49,753
	<u>\$ 69,194</u>	<u>\$ 60,088</u>

(12) Note Payable – Long-Term Debt

Long-term debt at December 31, 2019 and December 2018 consisted of the following:

Note payable to a bank, due in monthly installments of \$2,864, including interest at 5.50%, for thirty-six months, with final payment due December 20, 2021. The loan is secured by the cash value of several life insurance policies owned by Providence House.

	<u>2019</u>	<u>2018</u>
	\$ 333,432	\$ 348,726
Current portion of long-term debt	<u>(16,459)</u>	<u>(15,580)</u>
Noncurrent portion of long-term debt	<u>\$ 316,973</u>	<u>\$ 333,146</u>

Approximate maturities of long-term debt are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 16,459
2021	316,973
	<u>\$ 333,432</u>

(Continued)

Providence House
Notes to Financial Statements
December 31, 2018 and 2019
(Continued)

(13) Leases

Providence House leases certain facilities under operating leases in conjunction with its supportive housing programs. The rental costs on these leases for the years ended December 31, 2019 and 2018 were \$164,939 and \$218,172, respectively. As of December 31, 2019, there were no obligations under these lease agreements in excess of one year.

Providence House leases certain office equipment and vehicles. The rental costs on these leases for the years ended December 31, 2019 and 2018 were \$18,900 and \$23,457, respectively. As of December 31, 2019, obligations under leases in excess of one year are as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	\$ 16,705
2021	8,831
	<u>\$ 25,536</u>

(14) Line of Credit

Providence House obtained a line of credit for \$150,000 on September 21, 2018. The line of credit is secured by the cash value of a life insurance policy owned by Providence House. Interest rate was 5.00% and matured September 31, 2019. The line of credit was renewed on December 20, 2019 and matures on September 20, 2020 with an interest rate of 4.75%. Interest is to be paid monthly. Interest expense paid on the line of credit for the years ended December 31, 2019 and 2018 was \$6,630 and \$1,488, respectively. The amount outstanding and due on the line of credit at December 31, 2019 and 2018 was \$149,067 and \$74,294, respectively.

(15) Endowment Account with Community Foundation of North Louisiana

Providence House has entered into an agreement with the Community Foundation of North Louisiana (CFNLA). The agreement establishes an Agency Endowment Fund at CFNLA called "Providence House Endowment – The Gift of a Lifetime Fund" (Fund). All property of the Fund belongs to CFNLA. The fund will be used for support of the charitable purposes of Providence House. Net income and capital appreciation of the Fund, as governed by CFNLA's Spending Policy, will be paid and distributed to Providence House at least annually, for as long as Providence House is a Qualified Charitable Organization. The fair market value of the fund at December 31, 2019 and 2018 was \$1,089,886 and \$1,001,413, respectively.

(16) Subsequent Events

During April 2020, Providence House received a loan of approximately \$258,750 from the Payroll Protection Program (PPP) through the Small Business Administration (SBA). The PPP loan is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive the loan if all employee retention criteria are met and the funds are used for eligible purposes.

During June, 2020, Providence House received an Economic Injury Disaster Loan (EIDL) of approximately \$150,000 through the Small Business Administration (SBA). The EIDL is to be used to alleviate economic injury caused by disaster. Terms of the loan are monthly payments of \$641 beginning twelve (12) months from date of note; with balance of principal and interest payable thirty (30) years from the date of the note; with an interest rate of 2.75. Collateral, in which a security interest is granted, will be all tangible and intangible personal property.

(Continued)
Providence House
Notes to Financial Statements
December 31, 2018 and 2019
(Continued)

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

Subsequent events have been evaluated through September 28, 2020, the date the financial statements were available to be issued.

(17) Prior Period Adjustments

The net assets at December 31, 2017 in the statement of activities were restated to include cash surrender value of life insurance in the amount of \$898,825.

Providence House
Shreveport, Louisiana
Schedule of Compensation, Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2019

Agency Head: Verni W. Howard, Executive Director

There were no payments for compensation, benefits and other payments derived from public funds during the year ended December 31, 2019.

COOK & MOREHART

Certified Public Accountants

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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*

Independent Auditors' Report

To the Board of Directors
Providence House
Shreveport, 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 Providence House, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 September 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Providence House's internal control over financial reporting (internal control) as a basis for designing 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 Providence House's internal control. Accordingly, we do not express an opinion on the effectiveness of Providence 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 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 Providence 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 financial statements. 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.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
September 28, 2020

Providence House
Summary Schedule of Audit Findings for the
Louisiana Legislative Auditor
December 31, 2019

Summary Schedule of Prior Audit Findings

There were no findings or management letter comments for the prior period ended December 31, 2018.

Corrective Action Plan for Audit Findings for the Year Ended December 31, 2019

There are no findings or management letter comments for the current year audit for the year ended December 31, 2019.

COOK & MOREHART

Certified Public Accountants

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Directors
Providence House
Shreveport, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Providence House (a nonprofit organization), and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. Providence House's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collection for each type of revenue or agency fund additions.

- e)
- f) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- g) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- h) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- i) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- j) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- k) **Debt Service**, including (1) debt issuance approval, (2) Continuing disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- l) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Providence House provided written policies and procedures addressing all of the above.

Board (or Finance Committee, if applicable)

Testing not required for this area for fiscal year January 1, 2019 through December 31, 2019 due to no exceptions being noted in prior year.

Bank Reconciliations

Testing not required for this area for fiscal year January 1, 2019 through December 31, 2019 due to no exceptions being noted in prior year.

Collections

Testing not required for this area for fiscal year January 1, 2019 through December 31, 2019 due to no exceptions being noted in prior year.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

Testing not required for this area for fiscal year January 1, 2019 through December 31, 2019 due to no exceptions being noted in prior year.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement or each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Monthly statements selected for testing were reviewed and approved in writing by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Exception: One of the credit cards tested had a finance charge of \$4.58.

Management's Response: It is management's policy to not incur finance charges on credit cards.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Transactions selected for testing were supported by an original itemized receipt that identified precisely what was purchased, contained written documentation of the business purpose, and documentation of the individuals participating in meals, as applicable, except as noted below:

Travel and Expense Reimbursement

Testing not required for this area for fiscal year January 1, 2019 through December 31, 2019 due to no exceptions being noted in prior year.

Contracts

Testing not required for this area for fiscal year January 1, 2019 through December 31, 2019 due to no exceptions being noted in prior year.

Payroll and Personnel

Testing not required for this area for fiscal year January 1, 2019 through December 31, 2019 due to no exceptions being noted in prior year.

Ethics (excluding nonprofits)

Not applicable to nonprofit organizations.

Debt Service (excluding nonprofits)

Not applicable to nonprofit organizations.

Other

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Cook & Morehart
Certified Public Accountants
September 28, 2020