

RUTHERFORD HOUSE
SHREVEPORT, LOUISIANA
JUNE 30, 2019

RUTHERFORD HOUSE
SHREVEPORT, LOUISIANA

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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 18, 2019

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, 2019, 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.

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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, 2019, 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 discussed in Note 1 to the financial statements, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*.” The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Rutherford House adopted ASU 2016-14 for the year ended June 30, 2019 and its effects are reflected in the financial statements presented. Our opinion is not modified with respect to this matter.

Other Matter

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 18, 2019, 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 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 Rutherford House's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

RUTHERFORD HOUSE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Current assets:

Cash-Note 3	645,918
Accounts receivable-Note 5	260,981
Prepaid expenses	<u>35,381</u>
Total current assets	942,280

<u>Book value of fixed assets-Note 4</u>	<u>587,496</u>
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Total assets	<u><u>1,529,776</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	40,226
Other current liabilities	<u>136,072</u>
Total current liabilities	176,298

Net assets:

Without donor restrictions	<u>1,353,478</u>
Total net assets	<u>1,353,478</u>

Total liabilities and net assets	<u><u>1,529,776</u></u>
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The accompanying notes are an integral part of the financial statements.

RUTHERFORD HOUSE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Homes and School</u>	<u>Truancy Center</u>	<u>Curfew Program</u>	<u>Management and General</u>	<u>Total</u>
<u>Public support and revenue:</u>					
Public support:					
Contributions-Notes 7 and 8	-	-	-	8,235	8,235
Government grants:					
Louisiana Department of Corrections	2,485,960	-	-	-	2,485,960
Louisiana Commission on Law Enforcement	82,376	-	-	-	82,376
Louisiana Department of Education	68,374	-	-	-	68,374
Caddo Parish School Board	130,733	-	-	-	130,733
City of Shreveport	-	-	64,130	-	64,130
Caddo Parish	-	80,000	-	-	80,000
Total public support	<u>2,767,443</u>	<u>80,000</u>	<u>64,130</u>	<u>8,235</u>	<u>2,919,808</u>
Revenue:					
Investments	-	-	-	7,487	7,487
Fund-raising, net of \$267 in expenses	-	-	-	176	176
Other	-	-	-	56,108	56,108
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,771</u>	<u>63,771</u>
Total public support and revenue	2,767,443	80,000	64,130	72,006	2,983,579
<u>Expenses:</u>					
Salaries and wages	1,485,795	67,667	65,873	321,366	1,940,701
Payroll taxes and related expense	169,804	-	-	33,698	203,502
Fringe benefits	206,367	-	-	40,955	247,322
Travel and training	-	-	-	6,053	6,053
Office supplies	-	-	-	19,738	19,738
Repairs and maintenance	54,945	-	-	73,623	128,568
Utilities	34,013	63	20	93,748	127,844
Insurance	-	-	-	58,719	58,719

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

RUTHERFORD HOUSE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Homes and School</u>	<u>Truancy Center</u>	<u>Curfew Program</u>	<u>Management and General</u>	<u>Total</u>
<u>Expenses: (Continued)</u>					
Depreciation	-	-	-	50,257	50,257
Food	199,097	-	-	-	199,097
Medical	56,944	-	-	-	56,944
Recreation	13,003	-	-	-	13,003
Laundry and linen	21,128	-	-	-	21,128
Personal hygiene	8,227	-	-	-	8,227
Telephone	-	359	-	26,265	26,624
Professional	-	-	-	24,697	24,697
Outside contracts	-	-	-	12,000	12,000
Licensing	-	-	-	7,343	7,343
Work study and educational	38,830	643	-	-	39,473
Miscellaneous	619	-	-	10,277	10,896
Maintenance supplies	-	-	-	24,445	24,445
Program supplies	19,622	-	-	-	19,622
Personal allowance	774	-	-	-	774
Total expenses	<u>2,309,168</u>	<u>68,732</u>	<u>65,893</u>	<u>803,184</u>	<u>3,246,977</u>
<u>Change in net assets</u>	<u>458,275</u>	<u>11,268</u>	<u>(1,763)</u>	<u>(731,178)</u>	<u>(263,398)</u>
<u>Net assets-beginning of year</u>					<u>1,616,876</u>
<u>Net assets-end of year</u>					<u>1,353,478</u>

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

RUTHERFORD HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Cash flows from operating activities:</u>	
Change in net assets	(263,398)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	50,257
Decrease in accounts receivable	18,057
Decrease in prepaid expenses	18,996
Increase in accounts payable	3,494
(Decrease) in other current liabilities	<u>(1,837)</u>
Total adjustments	<u>88,967</u>
Net cash (used) by operating activities	(174,431)
 <u>Cash flow from investing activities:</u>	
Redemption of investments	<u>324,877</u>
Net cash provided by investing activities	<u>324,877</u>
 <u>Net increase in cash and cash equivalents</u>	150,446
 <u>Cash and cash equivalents at beginning of year</u>	<u>495,472</u>
 <u>Cash and cash equivalents at end of year</u>	<u>645,918</u>

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

RUTHERFORD HOUSE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Nature of Business

Rutherford House is a nonprofit Louisiana corporation that provides living support and educational experiences for adolescents through participation in a program aimed at reintegrating the adolescent into his home. These individuals are usually placed in the home by the juvenile court system. Rutherford House receives substantially all of its income from state and local government sources, generally under third-party reimbursement plans. It carries out its mission in the following service areas:

Homes and School

Residential support in group home settings, and age-appropriate educational activities, including vocational education.

Truancy Center

Referral center and staff to process and assess juveniles charged for delinquent offenses in Caddo Parish.

Curfew Program

Receiving center and appropriate staff for juveniles found in public places in the City of Shreveport during curfew hours.

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:

Without donor restrictions-Net assets that are not subject to donor-imposed stipulations. Some net assets without donor restrictions may be designated by the Board for specific purposes.

With donor restrictions-Net assets subject to donor-imposed stipulations that may or will be met by actions of Rutherford House, the passage of time, or that they be maintained permanently.

There were no significant net assets with donor restrictions at June 30, 2019.

(b) Contributions:

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions from related parties approximated \$100 during the fiscal year.

2. Summary of Significant Accounting Policies (Continued)

(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.

(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 of \$1,543 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. There is no limit for holiday accrual.

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.

2. Summary of Significant Accounting Policies (Continued)

(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 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) Functional Expenses:

The Statement of Activities reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses may require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll tax and fringe expenses, which are allocated on the basis of salary and wage expense. Substantially all other expenses are directly charged to applicable programs or supporting functions.

(l) Accounting Changes:

In August 2016, the Financial Accounting Standards Board (“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. Rutherford House adopted this standard for the year ended June 30, 2019 and its implementation is reflected in the financial statements.

(m) Accounting Principles Not Yet Adopted:

In May 2014, the 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.

3. Cash

Rutherford House holds approximately \$774 at June 30, 2019, 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 bank.

4. **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	130,585
Shop building	239,537
Shop improvements	297,007
Shop equipment	101,789
School equipment	125,984
Office and school building and improvements	994,224
Foster care equipment	4,653
DOC After Care Assistance equipment	39,539
Laundry and Book Store building	62,650
Total cost or donated value	<u>3,350,961</u>
<u>Less-accumulated depreciation</u>	<u>(2,763,465)</u>
Book value of fixed assets	<u><u>587,496</u></u>

5. **Receivables**

Receivables are summarized by source as follows:

State of Louisiana	226,354
Caddo Parish School Board	23,533
City of Shreveport	5,344
Other	5,750
	<u>260,981</u>

6. **Liquidity and Availability of Financial Resources**

Rutherford House manages its financial assets available to meet general operating expenditures with the guiding principle of operating within a prudent range of financial soundness and stability. At June 30, 2019, financial assets consisting of cash, cash equivalents, and accounts receivable that are available for general operating expenditure within one year of the balance sheet date amounted to \$906,899.

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, 2019. Future funding of such awards is conditioned upon Rutherford House's operation of certain programs, incurrence of certain costs, and meeting certain matching requirements. Because such awards represent conditional promises to Rutherford House, they have not been recognized in the financial statements at June 30, 2019. Such conditional promises amounted to approximately \$93,100 at June 30, 2019.

8. **Economic Dependency**

Rutherford House receives a substantial portion of its revenue from funds provided through approved awards from the Office of Juvenile Services. Funding has been approved through March 31, 2021.

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 18, 2019, the date which the financial statements were available to be issued, and noted no such subsequent events.

SUPPLEMENTARY INFORMATION

RUTHERFORD HOUSE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019

Agency Head: Ira Tieuel

Salary	89,250
Bonus	1,500
Benefits-insurance-health	12,553
Benefits-gasoline & repairs	2,768

OTHER REPORTS

HEARD, McELROY, & VESTAL

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CERTIFIED PUBLIC ACCOUNTANTS

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318-429-1525 PHONE • 318-429-2070 FAX

December 18, 2019

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, 2019, 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 18, 2019.

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.

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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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

RUTHERFORD HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

B. Findings - Financial Statement Audit

None

RUTHERFORD HOUSE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

No findings were reported.

RUTHERFORD HOUSE
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

No findings were reported.