

**Providence House  
Shreveport, Louisiana**

**Financial Statements**

**As of and for the Year Ended December 31, 2018**

Providence House

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# COOK & MOREHART

*Certified Public Accountants*

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA  
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA  
J. PRESTON DELAUNE, CPA

MEMBER  
AMERICAN INSTITUTE  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## 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 statement of financial position as of December 31, 2018, 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.

### ***Auditors' 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 Providence House as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Effect of Adopting New Accounting Standard***

As described in Note 2 to the financial statements, Providence House adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

## ***Report on Summarized Comparative Information***

We have previously audited Providence House's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***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 15 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 June 28, 2019, 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  
June 28, 2019

Providence House  
Statement of Financial Position  
December 31, 2018  
(with comparative amounts for 2017)

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 100,934	\$ 165,617
Investments		10,303
Grant receivables	103,809	116,583
Total current assets	204,743	292,503
Other assets:		
Cash restricted - resettlement funds	13,394	15,573
Cash surrender value of life insurance	909,731	898,825
Total other assets	923,125	914,398
Property and equipment	3,569,228	3,524,172
Accumulated depreciation	(2,129,619)	(2,011,415)
Net property and equipment	1,439,609	1,512,757
<b>Total Assets</b>	\$ 2,567,477	\$ 2,719,658
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 21,220	\$ 31,218
Accrued expenses	60,088	58,705
Current portion long-term debt	15,580	
Note payable - line of credit	74,294	313,726
Total current liabilities	171,182	403,649
Long-term debt	333,146	
Escrowed resettlement funds	13,394	15,573
Total liabilities	517,722	419,222
Net assets		
With donor restrictions	51,497	80,533
Without donor restrictions	1,998,258	2,219,903
Total net assets	2,049,755	2,300,436
<b>Total Liabilities and Net Assets</b>	\$ 2,567,477	\$ 2,719,658

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

Providence House  
Statement of Activities  
For the Year Ended December 31, 2018  
(with comparative amounts for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenues and Other Support:				
Contractual revenue – grants	\$ 710,943	\$	\$ 710,943	\$ 772,990
Donations and contributions	1,145,377	31,139	1,176,516	1,338,968
Other income	89,272		89,272	132,245
Net assets released from restrictions:				
Restrictions satisfied by expending funds for the purpose intended	60,175	(60,175)		
<b>Total revenues and other support</b>	<u>2,005,767</u>	<u>(29,036)</u>	<u>1,976,731</u>	<u>2,244,203</u>
Functional Expenses:				
Program services	1,730,367		1,730,367	1,864,600
General administration	248,473		248,473	248,705
Fund-raising	248,572		248,572	291,360
<b>Total operating expenses</b>	<u>2,227,412</u>		<u>2,227,412</u>	<u>2,404,665</u>
Change in net assets	(221,645)	(29,036)	(250,681)	(160,462)
Net assets, beginning of year, restated	2,219,903	80,533	2,300,436	2,460,898
<b>Net assets, end of year</b>	<u>\$ 1,998,258</u>	<u>\$ 51,497</u>	<u>\$ 2,049,755</u>	<u>\$ 2,300,436</u>

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

Providence House  
Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(with comparative amounts for 2017)

	Program Services	General Administration	Fund Raising	Total 2018	Total 2017
Expenses:					
Salaries and wages	\$ 929,508	\$ 118,919	\$ 175,277	\$ 1,223,704	\$ 1,258,944
Employee benefits	27,397	7,620	12,394	47,411	101,106
Payroll taxes and workers compensation	91,651	26,041	14,868	132,560	125,690
Office expense	9,303	3,429	4,760	17,492	25,726
Legal and accounting		43,948		43,948	43,921
Telephone	8,279	588	587	9,454	10,877
Utilities	123,028	3,645	3,032	129,705	131,255
Printing	1,596		1,859	3,455	2,152
Insurance	60,813	2,812	3,515	67,140	56,599
Repairs and maintenance	21,991	1,685	41	23,717	32,854
Vehicles	31,861	771		32,632	36,889
Resident transportation program	4,446			4,446	2,186
Resident expenses	59,365			59,365	55,382
Resident graduation program	2,807			2,807	6,481
Special events			13,117	13,117	22,333
Work to learn program	21,748			21,748	42,984
Offsite supportive housing	218,172			218,172	258,633
Travel and training	523	741		1,264	5,430
Public relations and advertising	691	167	3,589	4,447	13,320
Computer maintenance	2,079		325	2,404	8,021
Other	5,084	10,732	563	16,379	14,694
Dues and subscriptions	5,832	2,117	281	8,230	9,104
Website expense			7,359	7,359	11,514
Interest expense		18,253		18,253	8,823
Depreciation	104,193	7,005	7,005	118,203	119,747
<b>Total expenses</b>	<b>\$ 1,730,367</b>	<b>\$ 248,473</b>	<b>\$ 248,572</b>	<b>\$ 2,227,412</b>	<b>\$ 2,404,665</b>

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

Providence House  
Statement of Cash Flows  
For the Year Ended December 31, 2018  
(with comparative amounts for 2017)

	2018	2017
<b>Operating Activities</b>		
Change in net assets	\$ (250,681)	\$ (160,462)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	118,203	119,747
Increase in cash surrender value of life insurance	(10,906)	
(Increase) decrease in operating assets:		
Grant receivables	12,774	(12,457)
Other receivables		2,344
Increase (decrease) in operating liabilities:		
Accounts payable	(9,998)	(14,232)
Accrued expenses	1,383	8,049
Net cash (used in) operating activities	(139,225)	(57,011)
<b>Investing Activities</b>		
Proceeds from sale of investments	10,303	32,546
Purchase of investments		(10,303)
Purchase of property and equipment	(45,056)	(25,431)
Net cash (used in) investing activities	(34,753)	(3,188)
<b>Financing Activities</b>		
Proceeds line of credit	281,930	276,290
Payments on line of credit	(172,635)	(169,565)
Net cash provided by financing activities	109,295	106,725
Net increase (decrease) in cash and cash equivalents	(64,683)	46,526
Cash and cash equivalents beginning of year	165,617	119,091
Cash and cash equivalents end of year	\$ 100,934	\$ 165,617
<b>Supplemental Disclosure</b>		
Cash paid for interest expense	\$ 18,253	\$ 8,823

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

Providence House  
Notes to Financial Statements  
December 31, 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.

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Providence House  
Notes to Financial Statements  
December 31, 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. Investments

Investments consist of money market funds and marketable securities. Money market funds are stated at cost, which approximates the market value. Marketable securities are stated at fair value. Realized and unrealized gains and losses are included in the statement of activities.

E. 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.

F. 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.

G. 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

(Continued)

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

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.

H. Revenue and Support

Donations and contributions received are recorded as with donor or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as without donor restrictions due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

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 of 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.

I. 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, 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

J. 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 was no employer contribution amounts paid by Providence House for the year ended December 31, 2018.

K. Donated Assets

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

L. 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 contributions with donor restrictions.

(Continued)

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

M. 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.

N. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with Providence House's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

(2) Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, NLEP adopted the Financial Accounting Standard Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classifications, 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 between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in the financial statements. Amount previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

(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, 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, 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, 2018 but not received until after that date.

(Continued)

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

(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.

(6) Fixed Assets

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

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
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) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of grants and donations received for specific purposes which were not expended as of December 31, 2018, and detailed as follows:

Back to school	\$ 12,094
Workforce development	17,972
Building repair and maintenance	9,944
Other	11,487
	<u>\$ 51,497</u>

(8) Contractual Revenue – Grants

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

City of Shreveport and Bossier City – ESG	\$ 123,909
City of Bossier City – CDBG	10,500
Emergency Food and Shelter Program	8,750
Childrens Trust Fund	30,279
U.S. Department of HUD Continuum of Care Grants	199,271
Children and Adult Care Food Program	70,808
TANF	241,931
Child Care Assistance and vouchers	25,495
	<u>\$ 710,943</u>

(Continued)

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

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

(9) Accrued Expenses

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

Payroll taxes and other withholdings	\$	10,335
Salaries and wages		<u>49,753</u>
		<u>\$ 60,088</u>

(10) Leases

Providence House leases certain facilities under operating leases in conjunction with its supportive housing programs. The rental costs on these leases for the year ended December 31, 2018 were \$218,172. As of December 31, 2018, 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 year ended December 31, 2018 was \$23,457. As of December 31, 2018, obligations under leases in excess of one year are as follows:

Year Ended	Amount
12/31/19	\$ 18,900
12/31/20	16,705
12/31/21	<u>8,831</u>
	<u>\$ 44,436</u>

(11) Lines of Credit

Providence House obtained a line of credit for \$350,000. The line of credit is secured by real estate and building owned by Providence House. Interest rate is prime rate as published in the Wall Street Journal. The loan matures March 8, 2019. Interest is to be paid monthly. Interest expense paid on the loan during the year ended December 31, 2018 was \$16,765. The line of credit was converted to a note payable on December 20, 2018 in the amount of \$348,726

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 is 5.00% and line of credit matures September 31, 2019. Interest is to be paid monthly. Interest expense paid on the line of credit for the year ended December 31, 2018 was \$1,488. The amount outstanding and due on the line of credit at December 31, 2018 was \$74,294.

(Continued)

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

(12) Note Payable – Long-Term Debt

Long-term debt at December 31, 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.	\$ 348,726
Current portion of long-term debt	<u>( 15,580)</u>
Noncurrent portion of long-term debt	<u>\$ 333,146</u>

Approximate maturities of long-term debt are as follows:

Year Ending December 31,	Amount
2019	\$ 15,580
2020	16,459
2021	<u>316,687</u>
	<u>\$ 348,726</u>

(13) 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, 2018 was \$1,001,413.

(14) Subsequent Events

Subsequent events have been evaluated through June 28, 2019, the date the financial statements were available to be issued.

During April, 2019, Providence House borrowed \$50,000 from a local bank. The loan has a maturity date of October 13, 2019.

(Continued)

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

(15) 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:

Financial assets at year-end:		<u>2018</u>
Cash and cash equivalents	\$	100,934
Grant receivable		103,809
Cash restricted resettlement funds		<u>13,394</u>
Total financial assets		218,137
Less amounts not available to be used within one year, due to:		
Net assets with donor purpose restrictions	(	51,497)
Cash restricted for resettlement funds	(	<u>13,394)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>153,246</u>

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 11 for further description of this line of credit. Providence House also has cash surrender value of life insurance of \$909,731 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 \$139,225 for fiscal year ending December 31, 2018.

(16) 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.

(17) Prior Period Adjustment

The net assets at December 31, 2017 in the statement of financial position 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, 2018

Agency Head: Verni W. Howard, Executive Director

There were no payments for compensation, benefits and other derived from public funds during the year ended December 31, 2018.

# COOK & MOREHART

*Certified Public Accountants*

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA  
VICKIE D. CASE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

STUART L. REEKS, CPA  
J. PRESTON DELAUNE, CPA

MEMBER  
AMERICAN INSTITUTE  
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## **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, 2018, 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 June 28, 2019.

#### **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) 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 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 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 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  
June 28, 2019

Providence House  
Summary Schedule of Audit Findings for the  
Louisiana Legislative Auditor  
December 31, 2018

**Summary Schedule of Prior Audit Findings**

There were no findings or management letter comments for the prior period ended December 31, 2017.

**Corrective Action Plan for Audit Findings for the Year Ended December 31, 2018**

There are no findings or management letter comments for the current year audit for the year ended December 31, 2018.

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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, 2018 through December 31, 2018. 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***

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 due to no exceptions being noted in prior year.

### ***Board (or Finance Committee, if applicable)***

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 due to no exceptions being noted in prior year.

### ***Bank Reconciliations***

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 due to no exceptions being noted in prior year.

### ***Collections***

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 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, 2018 through December 31, 2018 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 late fee of \$25.00.

*Management's Response:* It is management's policy to not incur late fees 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, 2018 through December 31, 2018 due to no exceptions being noted in prior year.

### **Contracts**

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Contracts selected for testing were not subject to the Louisiana Public Bid Law.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

The contracts selected for testing did not require board approval.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

The contracts selected for testing were not amended.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

For the invoices selected for testing, invoices agreed to the contract terms, and the related payment agreed to the terms and conditions of the contract.

### **Payroll and Personnel**

Testing not required for this area for fiscal year January 1, 2018 through December 31, 2018 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, 2018 through December 31, 2018, 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  
June 28, 2019