

RUTHERFORD HOUSE

SHREVEPORT, LOUISIANA

JUNE 30, 2022

RUTHERFORD HOUSE

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Statement of Financial Position	4
Statement of Activities	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-12

SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits, and Other Payments to Agency Head	13
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OTHER REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14-15
Schedule of Findings and Questioned Costs	16
Schedule of Prior Year Findings	17
Management's Corrective Action Plan	18

AUDITED FINANCIAL STATEMENTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

November 10, 2022

The Board of Directors
Rutherford House
Shreveport, Louisiana

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Rutherford House, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rutherford House and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that Rutherford House will continue as a going concern. As discussed in Note 9, Rutherford House has incurred significant losses and net cash outflows, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions regarding these other matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rutherford House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rutherford House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of Rutherford House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 13 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 November 10, 2022, on our consideration of Rutherford House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rutherford House's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

RUTHERFORD HOUSE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS

Current assets:

Cash-Note 3	504,774
Accounts receivable-Note 5	193,685
Prepaid expenses	<u>62,466</u>
Total current assets	760,925

Book value of fixed assets-Note 4 449,628

Total assets 1,210,553

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	41,016
Other current liabilities	<u>124,955</u>
Total current liabilities	165,971

Net assets:

Without donor restrictions	<u>1,044,582</u>
Total net assets	<u>1,044,582</u>

Total liabilities and net assets 1,210,553

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

RUTHERFORD HOUSE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Homes and School</u>	<u>Curfew Program</u>	<u>Management and General</u>	<u>Total</u>
<u>Public support and revenue:</u>				
Public support:				
Contributions	-	-	21,525	21,525
Government grants:				
Louisiana Office of Juvenile Justice	1,800,680	-	-	1,800,680
Louisiana Commission on Law Enforcement	90,000	-	-	90,000
Louisiana Department of Education	61,520	-	-	61,520
Caddo Parish School Board	83,616	-	-	83,616
City of Shreveport	-	64,130	-	64,130
Total public support	<u>2,035,816</u>	<u>64,130</u>	<u>21,525</u>	<u>2,121,471</u>
Revenue:				
Investment	-	-	359	359
Other	-	-	111,313	111,313
Total revenue	<u>-</u>	<u>-</u>	<u>111,672</u>	<u>111,672</u>
Total public support and revenue	2,035,816	64,130	133,197	2,233,143
<u>Expenses:</u>				
Salaries and wages	1,219,704	58,223	314,723	1,592,650
Payroll taxes and related expense	116,041	-	28,578	144,619
Fringe benefits	145,133	-	35,743	180,876
Travel and training	-	-	4,239	4,239
Office supplies	-	-	17,616	17,616
Repairs and maintenance	21,145	-	69,218	90,363
Utilities	34,751	-	92,454	127,205
Insurance	-	-	72,736	72,736

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

RUTHERFORD HOUSE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Homes and School</u>	<u>Curfew Program</u>	<u>Management and General</u>	<u>Total</u>
<u>Expenses: (Continued)</u>				
Depreciation	-	-	50,465	50,465
Food	157,784	-	-	157,784
Medical	32,539	-	-	32,539
Recreation	3,571	-	-	3,571
Laundry and linen	10,428	-	-	10,428
Personal hygiene	3,410	-	-	3,410
Telephone	-	-	32,985	32,985
Professional	-	-	33,871	33,871
Outside contracts	-	-	12,000	12,000
Licensing	-	-	6,877	6,877
Work study and educational	35,655	-	-	35,655
Miscellaneous	679	-	14,058	14,737
Maintenance supplies	-	-	10,353	10,353
Program supplies	7,299	-	-	7,299
Personal allowance	732	-	-	732
Total expenses	<u>1,788,871</u>	<u>58,223</u>	<u>795,916</u>	<u>2,643,010</u>
<u>Change in net assets</u>	<u>246,945</u>	<u>5,907</u>	<u>(662,719)</u>	<u>(409,867)</u>
<u>Net assets-beginning of year</u>				<u>1,454,449</u>
<u>Net assets-end of year</u>				<u>1,044,582</u>

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

RUTHERFORD HOUSE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

<u>Cash flows from operating activities:</u>	
Change in net assets	(409,867)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	50,465
Decrease in accounts receivable	18,089
(Increase) in prepaid expenses	(27,085)
Increase in accounts payable	5,007
(Decrease) in other current liabilities	(1,839)
Total adjustments	<u>44,637</u>
Net cash (used) by operating activities	<u>(365,230)</u>
 <u>Cash flow from investing activities:</u>	
Purchase of fixed assets	<u>(21,000)</u>
Net cash (used) by investing activities	<u>(21,000)</u>
 <u>Net (decrease) in cash and cash equivalents</u>	(386,230)
 <u>Cash and cash equivalents at beginning of year</u>	<u>891,004</u>
 <u>Cash and cash equivalents at end of year</u>	<u><u>504,774</u></u>

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

RUTHERFORD HOUSE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 service fee and 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.

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. Rutherford House did not receive restricted funds during the fiscal year 2022.

(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.

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) Revenue and Revenue Recognition:

Revenues from daily support fees under grants from the Louisiana Office of Juvenile Justice derive from the provision of specific services that customarily include group home living and daily activity support under state-sponsored programs for adolescents enrolled in Rutherford House. Performance obligations under these arrangements, which consist of a series of distinct promises that generally have the same pattern of transfer on a daily basis, are satisfied as the services are provided.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) Advertising Costs:

Costs of advertising of \$6,255 are expensed as incurred.

2. Summary of Significant Accounting Policies (Continued)

(j) 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.

(k) 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.

(l) 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.

3. Cash

Rutherford House holds approximately \$5,600 at June 30, 2022, 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	159,385
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	<u>62,650</u>
Total cost or donated value	3,379,761
<u>Less-accumulated depreciation</u>	<u>(2,930,133)</u>
Book value of fixed assets	<u><u>449,628</u></u>

5. Receivables

Receivables are summarized by source as follows:

Louisiana Office of Juvenile Justice	156,420
Other State of Louisiana	26,845
Caddo Parish School Board	2,828
City of Shreveport	5,342
Other (including employee loans of \$1,250)	<u>2,250</u>
	<u><u>193,685</u></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, 2022, 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 \$698,459.

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, 2022. 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, 2022. Conditional promises outstanding at June 30, 2022 approximated \$48,000.

8. Economic Dependency

Rutherford House receives approximately 81% of its support and revenue from funds provided through approved awards from the Office of Juvenile Justice. Funding has been approved through March 31, 2025.

9. Uncertainties

Rutherford House has a current year loss of approximately \$410,000 and has incurred losses accumulating approximately \$476,000 over the prior five fiscal years. The prior year losses include approximately \$830,500 in non-recurring aid from the Federal government in the form of PPP grants. Pre-Covid pandemic losses were mainly attributable to a per diem rate under the support grant from the Office of Juvenile Justice (OJJ) that was too low to cover the entity's costs based on the number of adolescent residents housed. The current year operating loss mainly results from the effect the Covid pandemic continues to have on the staffing of its three group homes. As was the case beginning in 2020, one of the three homes has generally remained closed because the pandemic makes it very difficult to attract the personnel necessary to staff the home in accordance with current licensing standards. As a result, the entity loses a significant amount of its per diem support under its contract with OJJ without a commensurate decrease in its expenses. The entity's operating losses have continued each month since June 30, 2022.

To address this problem Rutherford House is attempting to negotiate a per diem rate under its OJJ contract that will allow it to recover a sufficient amount of its operating costs based on the number of residents currently housed, until such time that it can attract the staffing necessary to consistently operate a third home. There are significant uncertainties concerning the outcome of this negotiation.

If operating losses continue at the trend that has occurred since June 30, 2022, Rutherford House will substantially exhaust its available cash resources during the 2023 fiscal year.

10. 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 November 10, 2022, the date which the financial statements were available to be issued, and noted no subsequent events other than the matters included in Note 9.

SUPPLEMENTARY INFORMATION

RUTHERFORD HOUSE

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER

PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED JUNE 30, 2022

Agency Head: Ira Tieuel

Salary	89,250
Bonus	300
Benefits-insurance-health	14,207
Benefits-gasoline & repairs	3,120

OTHER REPORTS



REGIONS TOWER
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November 10, 2022

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, 2022, 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 November 10, 2022.

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) 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 Rutherford House's internal control. Accordingly, we do not express an opinion on the effectiveness of Rutherford House's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rutherford House's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

RUTHERFORD HOUSE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

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, 2022.

B. Findings - Financial Statement Audit

None

RUTHERFORD HOUSE

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2022

No findings were reported.

RUTHERFORD HOUSE
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

No findings were reported.