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RUTHERFORD HOUSE
SHREVEPORT, LOUISIANA
MINE M. 1897

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Reference Case NOY 0 5 1897

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LEGISLATIVE
AUDITOR

**BATHERPOSE HOUSE
SHREVEPORT, LOUISIANA**

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AUDITED FINANCIAL STATEMENTS

July 28, 1997

The Board of Directors
Rutherford House
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of Rutherford House at June 30, 1997, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rutherford House at June 30, 1997, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 28, 1997 on our consideration of Rutherford House's internal control structure and a report dated July 28, 1997 on its compliance with laws and regulations.

Heard, McElroy + Vestal, LLP

RUTHERFORD HOUSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1992

ASSETS	Rutherford House I	Rutherford House II	Rutherford House III	Rutherford House IV
Current assets:				
Cash-Note 3	-	-	-	-
Investments-Note 4	-	-	-	-
Accounts receivable-Note 7	30,806	34,292	26,158	26,481
Notes receivable-current portion-Note 11	-	-	-	-
Prepaid expenses	1,554	1,554	1,554	1,591
Total current assets	<u>32,360</u>	<u>35,846</u>	<u>27,712</u>	<u>27,996</u>
Book value of fixed assets-Notes 3 and 4	-	-	-	-
Notes receivable-long-term portion-Note 11	-	-	-	-
Total assets	<u>32,360</u>	<u>35,846</u>	<u>27,712</u>	<u>27,996</u>
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	-	-	-	-
Notes payable-current portion-Note 6	-	-	-	-
Other current liabilities	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term liabilities:				
Notes payable-less portion classified as current-Note 6	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets-unrestricted	<u>32,360</u>	<u>35,846</u>	<u>27,712</u>	<u>27,996</u>
Total liabilities and net assets	<u>32,360</u>	<u>35,846</u>	<u>27,712</u>	<u>27,996</u>

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

Authorised Homes Y.	Office and School	Carlow Program	Fixed Assets	Power Cars	Total
-	87,168	-	-	-	87,168
-	180,288	-	-	-	180,288
31,828	37,626	14,708	-	-	79,162
-	1,879	-	-	-	1,879
<u>1,554</u>	<u>1,554</u>	<u>1,553</u>	-	-	<u>4,511</u>
33,182	288,242	16,261	-	-	437,685
-	-	-	311,889	-	311,889
-	<u>13,733</u>	-	-	-	<u>13,733</u>
<u>33,182</u>	<u>308,812</u>	<u>16,261</u>	<u>311,889</u>	-	<u>1,182,523</u>
-	31,969	-	-	-	31,969
-	-	-	27,789	-	27,789
-	<u>9,825</u>	-	<u>248</u>	-	<u>9,873</u>
-	61,394	-	28,037	-	89,431
-	-	-	<u>68,841</u>	-	<u>68,841</u>
-	61,394	-	73,878	-	135,272
<u>33,182</u>	<u>344,621</u>	<u>16,261</u>	<u>653,213</u>	-	<u>1,047,267</u>
<u>33,182</u>	<u>386,017</u>	<u>16,261</u>	<u>718,889</u>	-	<u>1,182,523</u>

RUTHERFORD BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1987

	Rutherford House I	Rutherford House II	Rutherford House III	Rutherford House IV
Public support and income:				
Public support:				
Contributions—Notes 8 and 9				
Government grants:				
Louisiana Department of Corrections	287,876	318,003	280,440	377,869
Office of Community Services	43,315	33,087	43,351	39,694
Louisiana Commission on Law Enforcement	-	-	-	-
Louisiana Department of Education	-	-	-	-
City of Shreveport	-	-	-	-
Cade Parish School Board	-	-	-	-
Total public support	<u>334,791</u>	<u>348,179</u>	<u>323,791</u>	<u>397,513</u>
Revenue:				
Interest—Note 4	-	-	-	-
Fundraising, net of \$3,350 in expenses	-	-	-	-
Other	-	-	-	-
Total public support and revenue	<u>334,791</u>	<u>348,179</u>	<u>323,791</u>	<u>397,513</u>
Expenses:				
Salaries:				
Administrator	-	-	-	-
Administrative assistant	-	-	-	-
Program director	18,886	19,886	23,542	21,450
Children workers	32,084	33,727	64,230	43,182
Relief staff	1,218	3,910	964	321
Office manager	-	-	-	-
Secretaries	-	-	-	-
Counselors	61,722	37,136	33,747	14,782
Cooks	-	-	-	-
Magazine editor	-	-	-	-
Maintenance personnel	-	-	-	-
ITPA supervisor	-	-	-	-
Botanist	3,623	3,790	4,873	1,715
School in work	-	-	-	-

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

Waterford House Y.	Office and School	Curriculum	Fixed Assets	Finance Costs	Total
-	143,981	-	-	-	143,981
-	-	-	-	19,950	1,181,173
334,482	51,826	-	-	-	518,865
-	56,151	-	-	-	56,151
-	58,479	-	-	-	58,479
-	113,451	58,800	-	-	172,251
-	28,020	-	-	-	28,020
<u>324,482</u>	<u>452,978</u>	<u>58,800</u>	<u>-</u>	<u>19,950</u>	<u>2,037,690</u>
-	-	-	-	-	-
-	9,336	-	-	-	9,336
-	23,859	-	-	-	23,859
-	21,258	-	-	-	21,258
<u>324,482</u>	<u>485,200</u>	<u>24,160</u>	<u>-</u>	<u>19,950</u>	<u>2,141,505</u>
-	62,000	-	-	-	62,000
-	19,814	-	-	-	19,814
34,656	23,512	11,628	-	-	141,871
33,868	89,049	12,051	-	-	251,373
2,798	-	342	-	-	11,644
-	32,483	-	-	-	32,483
-	60,739	-	-	-	60,739
22,684	27,273	18,334	-	16,072	206,717
-	46,403	-	-	-	46,403
-	8,180	-	-	-	8,180
-	37,443	-	-	-	37,443
-	4,888	-	-	-	4,888
3,480	28,500	1,200	-	-	28,725
-	1,270	-	-	-	1,270

BATHURST HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1991

Expense (Continued)	Bathurst House I.	Bathurst House II.	Bathurst House III.	Bathurst House IV.
Fringe benefits	-	-	-	-
Travel	-	-	-	-
Utilities	3,486	7,346	7,045	8,792
Telephone	-	-	-	-
Vehicle expense	1,200	3,200	3,490	2,100
Insurance	-	-	-	-
Supplies:				
Office	-	-	-	-
Kitchen	275	28	326	283
School	-	-	-	-
Health and hygiene	24	874	(83)	-
Therapeutic:				
Medical	304	378	379	251
Cleaning	114	61	75	206
Bed linen	109	1,209	354	284
Food	4,820	4,549	4,343	3,740
Domestic	-	-	-	-
Maintenance	1,365	1,354	5,999	4,058
Utilities	-	-	-	-
Recreation	182	205	345	50
Repairs and maintenance	641	536	1,898	1,378
Contractual services	186	315	396	1,832
Shop expense	-	-	-	-
Personnel training	167	214	334	313
Recreation	-	89	145	678
Medical treatment	89	180	332	128
Clothing replacement	1,005	1,047	1,375	679
Allowances	3,687	3,785	3,681	3,641
Interest	-	-	-	-
Pest control	380	380	300	300
Domestic services	-	-	-	-
Newsletters	-	-	-	-
Waste removal	588	-	-	503
Taxes	-	-	-	-
Work study	1,367	1,054	1,111	882
Licensing and certification fee	380	380	300	300
Hair styling	1,143	1,823	1,388	788
Postage	-	-	-	-
Fringe care	-	-	-	-

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

<u>Rutherford Home X</u>	<u>Office and School</u>	<u>Curfew Program</u>	<u>Fines Assess</u>	<u>Police Cost</u>	<u>Total</u>
-	93,501	-	-	-	93,501
-	2,502	-	-	85	2,587
4,028	27,296	-	-	-	31,324
-	11,314	-	-	-	11,314
1,813	29,720	-	-	-	31,533
-	31,241	-	-	-	31,241
-	12,221	5	-	-	12,226
97	19,082	-	-	-	19,179
-	8,227	-	-	104	8,331
83	8,085	-	-	-	8,168
129	3,127	-	-	-	3,256
310	3,023	-	-	24	3,347
69	21,868	-	-	-	21,937
143	3,025	-	-	89	3,212
4,821	130,622	-	-	-	135,443
-	3,456	-	-	-	3,456
2,454	36,054	-	-	-	38,508
-	248	-	-	-	248
222	3,293	-	-	-	3,515
3,054	10,214	-	-	-	13,268
3,299	18,879	-	-	303	22,481
-	11,262	-	-	-	11,262
352	6,888	17	-	-	7,247
478	2,224	-	-	-	2,702
100	1,444	-	-	278	1,822
4,228	15,868	-	-	291	20,387
3,821	-	-	-	579	4,400
-	7,124	-	-	-	7,124
812	302	-	-	-	1,114
-	22,917	-	-	-	22,917
-	7,141	-	-	-	7,141
-	4,897	-	-	-	4,897
-	101,724	-	-	-	101,724
681	2,182	-	-	-	2,863
500	80	-	-	20	600
912	-	-	-	-	912
-	3,483	-	-	-	3,483
-	-	-	-	7,126	7,126

RUTHERFORD HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1997

	Rutherford House I	Rutherford House II	Rutherford House III	Rutherford House IV
Other expenses				
Dues and subscriptions	-	-	-	-
Director's expense	-	-	-	-
Depreciation	-	-	-	-
Accounting and legal fees	-	-	-	-
Nonreimbursable expenses	-	-	-	-
Loss on sale of fixed asset	-	-	-	-
Total expenses	<u>318,864</u>	<u>188,328</u>	<u>182,473</u>	<u>111,948</u>
Change in net assets	265,423	198,299	188,218	130,219
Net assets-beginning of year	81,279	68,478	48,179	48,284
Transfers:				
Disposal of fixed assets	-	-	-	-
Purchase of fixed assets	(7,107)	(4,111)	(11,898)	(8,180)
Other	(708,238)	(273,852)	(188,282)	(298,212)
	<u>(715,345)</u>	<u>(282,073)</u>	<u>(200,070)</u>	<u>(314,502)</u>
Net assets-end of year	<u>105,934</u>	<u>104,704</u>	<u>126,117</u>	<u>164,001</u>

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

<u>Waterford</u> <u>House No.</u>	<u>Office and</u> <u>School</u>	<u>Carlow</u> <u>Program</u>	<u>Fixed</u> <u>Assets</u>	<u>Power</u> <u>Costs</u>	<u>Total</u>
-	15	-	-	-	15
-	730	-	-	-	730
-	-	-	187,345	-	187,345
-	14,780	-	-	-	14,780
-	1,933	-	-	-	1,933
-	-	-	42,607	-	42,607
<u>183,330</u>	<u>1,117,881</u>	<u>48,779</u>	<u>149,952</u>	<u>25,433</u>	<u>2,087,392</u>
138,330	633,750	14,830	(145,787)	(5,453)	600,670
35,338	157,462	28,797	520,573	-	944,318
-	61,623	-	(61,623)	-	-
14,040	(251,853)	-	166,897	-	-
<u>(123,472)</u>	<u>888,179</u>	<u>(18,509)</u>	<u>51,886</u>	<u>3,453</u>	<u>-</u>
<u>(127,682)</u>	<u>319,428</u>	<u>(18,509)</u>	<u>157,551</u>	<u>3,453</u>	<u>944,318</u>
<u>36,182</u>	<u>299,622</u>	<u>16,251</u>	<u>633,311</u>	<u>-</u>	<u>1,044,251</u>

RUTHERFORD HOUSE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1997

	Rutherford House I.	Rutherford House II.	Rutherford House III	Rutherford House IV
Cash flows from operating activities:				
Change in net assets	295,417	298,299	180,320	183,329
Adjustments to reconcile excess (deficiency) of public support and revenue over expenses to net cash provided (used) by operating activities:				
Loss on sale of fixed asset	-	-	-	-
Depreciation	-	-	-	-
Decrease in accounts receivable	18,161	24,816	21,600	21,576
(Increase) in prepaid expenses	(242)	(242)	(242)	(242)
Increase in accounts payable	-	-	-	-
Increase in other current liabilities	-	-	-	-
Total adjustments	<u>17,919</u>	<u>24,574</u>	<u>21,358</u>	<u>21,334</u>
Net cash provided (used) by operating activities	313,336	322,873	201,678	204,663
Cash flows from investing activities:				
(Decrease) in notes receivable	-	-	-	-
Purchase of fixed assets	-	-	-	-
Proceeds from dispositions of fixed assets	-	-	-	-
Purchase of investments	-	-	-	-
Proceeds from maturities of investments	-	-	-	-
Net cash (used) by investing activities	-	-	-	-
Cash flows from financing activities:				
Borrowings on notes payable	-	-	-	-
Repayment of notes payable	-	-	-	-
Net cash (used) by financing activities	-	-	-	-
Transfers	<u>(212,360)</u>	<u>(232,172)</u>	<u>(181,681)</u>	<u>(204,551)</u>
Net increase in cash and cash equivalents	-	-	-	-
Cash and cash equivalents at beginning of year	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at end of year	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Supplemental disclosures:				
Increase paid	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

<u>Reflected</u> <u>Items V.</u>	<u>Office and</u> <u>School</u>	<u>Carfare</u> <u>Program</u>	<u>Flood</u> <u>Assets</u>	<u>Power</u> <u>Costs</u>	<u>Total</u>
130,331	633,376	14,000	(145,282)	(5,453)	606,972
-	-	-	42,807	-	42,807
-	-	-	100,349	-	100,349
3,798	7,378	4,788	-	-	16,064
(242)	(242)	(242)	-	-	(1,692)
-	11,384	-	-	-	11,384
-	153	-	-	-	153
<u>2,130</u>	<u>18,871</u>	<u>4,546</u>	<u>148,282</u>	<u>-</u>	<u>205,829</u>
137,487	652,247	18,546	-	(5,453)	668,387
-	(19,454)	-	-	-	(19,454)
-	-	-	(267,971)	-	(267,971)
-	-	-	20,000	-	20,000
-	(30,823)	-	-	-	(30,823)
-	15,080	-	-	-	15,080
-	(33,377)	-	(247,971)	-	(281,348)
-	-	-	14,073	-	14,073
-	-	-	(24,023)	-	(24,023)
-	-	-	(9,558)	-	(9,558)
<u>(133,487)</u>	<u>318,438</u>	<u>18,300</u>	<u>257,821</u>	<u>2,453</u>	<u>-</u>
-	78,739	-	-	-	78,739
-	18,412	-	-	-	18,412
-	82,168	-	-	-	82,168
-	322	-	5,845	-	2,128

RUTHERFORD HOUSE
NOTES TO FINANCIAL STATEMENTS
AT JUNE 30, 1991

1. Nature of Business:

For the year ending June 30, 1991, five homes, four for boys and one for girls, were operated for delinquent children. The children are usually placed in the homes by juvenile courts. Rutherford House also operates a schooling program for the children. Rutherford House receives substantially all of its income from state and local government grants, generally under third-party reimbursement plans, and is a not for profit entity exempt from federal income taxation under Internal Revenue Code Section 501(c)(3).

2. Summary of Significant Accounting Policies:

a) Financial Statement Presentation:

During the year ended June 30, 1990, Rutherford House adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of Rutherford House, and/or by the passage of time.

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by Rutherford House. Generally, donors provide all or part of the income earned on these assets to be used for general or specific purposes.

There were no significant temporarily or permanently restricted net assets at June 30, 1990.

b) Contributions:

Rutherford House also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1990. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

2. **Summary of Significant Accounting Policies** (Continued)

(c) **Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(d) **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:

Asset	Estimated Life
Furniture, fixtures, and equipment	5-10 years
Home 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 \$250 are capitalized.

(e) **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.

(f) **Advertising Costs:**

Costs of advertising are expensed as incurred.

3. **Cash:**

Rutherford House holds approximately \$12,600 at June 30, 1997, in various interest-bearing accounts on behalf of individual children. These monies have been earned by the children in various fundraising activities, and are not included in the accounts of Rutherford House.

4. **Investments:**

Investments are summarized as follows at June 30, 1997:

	Cost	Market Value	Unrealized Loss
U.S. Treasury bills, 5.17%	406,600	408,200	(760)
Certificate of Deposit, 4.15%	30,000	35,000	-
Certificate of Deposit, 4.15%	<u>28,800</u>	<u>20,000</u>	-
	<u>\$465,400</u>	<u>\$463,200</u>	<u>(760)</u>

Investment return for the year ended June 30, 1997 is summarized as follows:

	Unrealized
Interest Income	18,161
Net unrealized (loss)	<u>(200)</u>
	<u>\$17,961</u>

5. **Fixed Assets.**

The book value of fixed assets consists of:

	<u>Cost or Donated Value</u>
Land	58,268
Rutherford House I and improvements	56,649
Rutherford House II and improvements	213,598
Rutherford House III and improvements	114,345
Rutherford House IV and improvements	58,258
Rutherford House V and improvements	45,519
Auto garage improvements and equipment	1,232
Furniture and fixtures	344,842
Vehicles	137,432
Shop building	139,800
Shop improvements	65,488
Shop equipment	25,996
School equipment	155,299
Office and school, building and improvements	465,588
Power plant equipment	11,232
Total cost or donated value	1,923,431
Less accumulated depreciation	(1,212,342)
Book value of fixed assets	<u>711,089</u>

Included in land above are donated lots valued in total at \$7,000, held by Rutherford House for investment.

6. **Notes Payable.**

The notes payable are as follows:

Creditor	Terms	Amount
Bank One	8.25% , \$1,420 per month including interest; maturing November 1998; secured by Administration and School Building with improvements, and Rutherford House IV, with an approximate book value of \$129,080	65,025
Stuart's, Inc.	8.97% , \$350 per month including interest; maturing February 2001; secured by copies	32,687
		37,620
Less portion classified as current		(27,789)
Long-term notes payable		<u>40,341</u>

Maturities for the next five years are as follows:

1998	27,789
1999	30,185
2000	17,433
2001	2,233
2002	—
Total	<u>77,640</u>

7. **Receivables**

Receivables are summarized by source as follows:

State of Louisiana	174,865
Cadde Franck School Board	804
City of Shreveport	20,414
Other	<u>1,819</u>
Total	<u>197,899</u>

8. **Contributed Services**

Contributed services include approximately \$18,000 of time provided, substantially all by the student youth of the houses, to repair, maintain and otherwise enhance the physical facilities of Rutherford House. Such services also include approximately \$1,000 in donated professional accounting services.

9. **Temporarily Restricted Contributions**

During the year, Rutherford House received approximately \$24,000 in contributions with use restrictions, mainly for a roof on the newly acquired vocational-technical center. As these use restrictions were substantially met as of the end of the year, these contributions are included in unrestricted net assets.

10. **Conditional Promises**

Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after June 30, 1995. Future funding of such awards is conditional 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, 1991. Such conditional promises amounted to approximately \$1,500,000 at June 30, 1991.

11. **Notes Receivable**

Rutherford House sold certain real estate to two employees during the year, and financed the sale. The notes have a term of ten years at four percent, and are secured by the real estate sold.

OTHER REPORTS

July 28, 1997

The Board of Directors
Rutherford House
Shreveport, Louisiana

Compliance Report Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Rutherford House as of and for the year ended June 30, 1997, and have issued our report thereon dated July 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Rutherford House is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Rutherford House's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the board of directors, management, and the U. S. Departments of Labor, Justice, Agriculture and Education. However, this report is a matter of public record and its distribution is not limited.

Heard, McElroy & Vestal, LLP

July 28, 1997

The Board of Directors
Rutherford House
Shreveport, Louisiana

**Report on the Internal Control Structure Based on an
Audit in Accordance with Government Auditing Standards**

We have audited the financial statements of Rutherford House as of and for the year ended June 30, 1997, and have issued our report thereon dated July 28, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement.

The management of Rutherford House is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, perception of any evaluation of the structure in future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Rutherford House for the year ended June 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk

that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the board of directors, management, and the U. S. Departments of Labor, Justice, Agriculture and Education. However, this report is a matter of public record and its distribution is not limited.

Heard, McElroy + Vestal, LLP