

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

99100118
9675
22

RUTHERFORD HOUSE
SHREVEPORT, LOUISIANA

JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate, at the office of the parish clerk of court.

Release Date ~~DEC 16 1998~~

RUTHERFORD HOUSE
SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3-5
Statement of Cash Flows	6
Notes to Financial Statements	7-10

OTHER REPORTS

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Schedule of Findings and Questioned Costs	12
Schedule of Prior Year Findings	13

AUDITED FINANCIAL STATEMENTS

July 22, 1998

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, 1998, 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, 1998, 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 22, 1998 on our consideration of Rutherford House's internal control structure and on its compliance with laws and regulations.

Heard, McElroy + Vestal, LLP

RUTHERFORD HOUSE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1998

<u>A S S E T S</u>	<u>Rutherford House I</u>	<u>Rutherford House II</u>	<u>Rutherford House III</u>	<u>Rutherford House IV</u>
<u>Current assets:</u>				
Cash-Note 3	-	-	-	-
Investments-Note 4	-	-	-	-
Accounts receivable-Note 7	25,179	32,142	27,859	25,179
Notes receivable-current portion-Note 11	-	-	-	-
Prepaid expenses	<u>1,583</u>	<u>1,583</u>	<u>1,583</u>	<u>1,583</u>
Total current assets	26,762	33,725	29,442	26,762
 <u>Book value of fixed assets-Notes 5 and 6</u>	-	-	-	-
 Notes receivable-long-term portion-Note 11	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	<u>26,762</u>	<u>33,725</u>	<u>29,442</u>	<u>26,762</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>Current liabilities:</u>				
Accounts payable	-	-	-	-
Notes payable-current portion-Note 6	-	-	-	-
Other current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	-	-	-	-
 <u>Long-term liabilities:</u>				
Notes payable less portion classified as current-Note 6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	-	-	-	-
 <u>Net assets:</u>				
Unrestricted	26,762	33,725	29,442	26,762
Temporarily restricted-Note 9	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>26,762</u>	<u>33,725</u>	<u>29,442</u>	<u>26,762</u>
 Total liabilities and net assets	<u>26,762</u>	<u>33,725</u>	<u>29,442</u>	<u>26,762</u>

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

<u>Rutherford House V</u>	<u>Office and School</u>	<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Foster Care</u>	<u>Total</u>
-	111,984	-	-	-	111,984
-	146,572	-	-	-	146,572
35,835	110,958	15,100	-	-	272,252
-	1,747	-	-	-	1,747
<u>1,583</u>	<u>1,583</u>	<u>1,580</u>	-	-	<u>11,078</u>
37,418	372,844	16,680	-	-	543,633
-	-	-	851,698	-	851,698
-	<u>16,026</u>	-	-	-	<u>16,026</u>
<u>37,418</u>	<u>388,870</u>	<u>16,680</u>	<u>851,698</u>	-	<u>1,411,357</u>
-	113,088	-	-	-	113,088
-	-	-	30,195	-	30,195
-	<u>13,739</u>	-	<u>248</u>	-	<u>13,987</u>
-	126,827	-	30,443	-	157,270
-	-	-	<u>19,394</u>	-	<u>19,394</u>
-	126,827	-	49,837	-	176,664
37,418	249,043	16,680	801,861	-	1,221,693
-	<u>13,000</u>	-	-	-	<u>13,000</u>
<u>37,418</u>	<u>262,043</u>	<u>16,680</u>	<u>801,861</u>	-	<u>1,234,693</u>
<u>37,418</u>	<u>388,870</u>	<u>16,680</u>	<u>851,698</u>	-	<u>1,411,357</u>

RUTHERFORD HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Rutherford House I</u>	<u>Rutherford House II</u>	<u>Rutherford House III</u>	<u>Rutherford House IV</u>
<u>Public support and revenue:</u>				
Public support:				
Contributions-Notes 8 and 9	-	-	-	-
Government grants:				
Louisiana Department of Corrections	296,249	353,945	295,817	295,745
Office of Community Services	20,381	-	35,291	-
Louisiana Commission on Law Enforcement	-	-	-	-
Louisiana Department of Education	-	-	-	-
Caddo Parish	-	-	-	-
City of Shreveport	-	-	-	-
Caddo Parish School Board	-	-	-	-
Total public support	<u>316,630</u>	<u>353,945</u>	<u>331,108</u>	<u>295,745</u>
Revenue:				
Investments-Note 4	-	-	-	-
Fund-raising, net of \$4,360 in expenses	-	-	-	-
Other	-	-	-	-
Total public support and revenue	<u>316,630</u>	<u>353,945</u>	<u>331,108</u>	<u>295,745</u>
<u>Expenses:</u>				
Salaries:				
Administrator	-	-	-	-
Administrative assistant	-	-	-	-
Program directors	19,552	20,714	24,340	22,411
Childcare workers	44,076	58,899	61,379	31,914
Relief staff	1,505	2,060	1,431	2,187
Office manager	-	-	-	-
Secretaries	-	-	-	-
Counselors	40,635	35,090	46,507	15,326
Cooks	-	-	-	-
Magazine editor	-	-	-	-
Maintenance personnel	-	-	-	-
JTPA supervisor	-	-	-	-
Bonuses	2,325	2,175	4,450	1,225
Instructors	-	-	-	-

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

<u>Rutherford House V</u>	<u>Office and School</u>	<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Foster Care</u>	<u>Total</u>
-	133,168	-	-	-	133,168
-	-	-	-	24,511	1,266,267
403,296	51,903	-	-	-	510,871
-	158,671	-	-	-	158,671
-	64,682	-	-	-	64,682
-	38,008	-	-	-	38,008
-	113,711	58,700	-	-	172,411
-	34,277	-	-	-	34,277
<u>403,296</u>	<u>594,420</u>	<u>58,700</u>	<u>-</u>	<u>24,511</u>	<u>2,378,355</u>
-	9,169	-	-	-	9,169
-	11,910	-	-	-	11,910
-	16,124	-	-	-	16,124
<u>403,296</u>	<u>631,623</u>	<u>58,700</u>	<u>-</u>	<u>24,511</u>	<u>2,415,558</u>
-	62,000	-	-	-	62,000
-	19,867	-	-	-	19,867
25,742	23,033	13,689	-	-	149,481
62,124	87,502	15,346	-	-	361,240
1,489	532	561	-	-	9,765
-	30,849	-	-	-	30,849
-	108,937	-	-	-	108,937
84,776	36,531	11,524	-	30,513	300,902
-	53,196	-	-	-	53,196
-	8,250	-	-	-	8,250
-	39,420	-	-	-	39,420
-	18,415	-	-	-	18,415
3,950	25,000	1,000	-	-	40,125
-	5,988	-	-	-	5,988

RUTHERFORD HOUSE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Rutherford House I</u>	<u>Rutherford House II</u>	<u>Rutherford House III</u>	<u>Rutherford House IV</u>
<u>Expenses: (Continued)</u>				
Fringe benefits	-	-	-	-
Travel	-	-	-	-
Utilities	4,807	5,564	7,840	6,761
Telephone	-	-	-	-
Vehicle expense	1,307	3,569	1,138	1,341
Insurance	-	-	-	-
Supplies:				
Office	-	-	-	-
Identification	-	-	-	-
Kitchen	98	24	143	21
School	-	-	-	-
Health and hygiene	30	955	6	-
Therapeutic	9	-	-	4
Medical	30	164	113	62
Cleaning	104	58	109	92
Bed linens	582	150	472	-
Food	4,840	5,572	6,709	3,844
Donated	-	-	-	-
Maintenance	457	714	2,745	1,245
Uniforms	-	-	-	-
Recreation	12	482	(121)	36
Repairs and maintenance	454	767	2,414	4,598
Contractual services	204	1,088	923	578
Shop expense	-	-	-	-
Personnel training	150	-	300	300
Recreation	20	154	181	617
Medical treatment	68	781	161	599
Clothes replacement	1,455	894	836	(219)
Allowances	4,162	4,091	4,075	4,075
Interest	-	-	-	-
Pest control	300	300	300	300
Donated services	-	-	-	-
Newsletter	-	-	-	-
Waste removal	426	-	-	514
Taxes	-	-	-	-
Work study	621	787	541	368
Licensing and certification fee	330	560	530	330
Hair styling	1,238	2,437	1,283	1,092
Postage	-	-	-	-

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

<u>Rutherford House V</u>	<u>Office and School</u>	<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Foster Care</u>	<u>Total</u>
-	116,038	-	-	-	116,038
-	4,884	-	-	536	5,420
5,206	31,099	-	-	-	61,277
-	13,250	-	-	5	13,255
5,561	19,763	16	-	25	32,720
-	33,236	125	-	-	33,361
-	14,543	-	-	-	14,543
-	-	(10)	-	-	(10)
311	16,185	-	-	-	16,782
-	6,634	-	-	-	6,634
102	7,683	-	-	-	8,776
-	2,280	-	-	-	2,293
188	3,498	-	-	18	4,073
55	22,020	-	-	-	22,438
101	1,900	-	-	-	3,205
4,572	134,603	-	-	18	160,158
-	2,016	-	-	-	2,016
1,081	35,743	-	-	-	41,985
-	254	-	-	-	254
207	5,682	-	-	78	6,376
808	11,847	-	-	-	20,888
1,690	29,188	-	-	344	34,015
-	5,339	-	-	-	5,339
100	4,467	-	-	57	5,374
478	2,434	-	-	55	3,939
299	1,444	-	-	417	3,769
4,848	12,201	-	-	1,320	21,335
4,091	641	-	-	1,339	22,474
-	5,698	-	-	-	5,698
300	349	-	-	-	1,849
-	51,141	-	-	-	51,141
-	7,385	-	-	-	7,385
-	3,480	-	-	-	4,420
-	105,663	-	-	-	105,663
1,079	108	-	-	-	3,504
530	80	-	-	50	2,410
961	-	-	-	-	7,011
-	2,055	-	-	-	2,055

RUTHERFORD HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Rutherford House I</u>	<u>Rutherford House II</u>	<u>Rutherford House III</u>	<u>Rutherford House IV</u>
<u>Expenses: (Continued)</u>				
Foster care	-	-	-	-
Property taxes	-	-	-	-
Job development	-	-	-	-
DOC-After Care Assistance	-	-	-	-
<u>Other expenses:</u>				
Donated equipment	-	-	-	-
Director's expense	-	-	-	-
Depreciation	-	-	-	-
Accounting and legal fees	-	-	-	-
Nonreimbursable expenses	-	-	-	-
Total expenses	<u>129,797</u>	<u>148,049</u>	<u>168,805</u>	<u>99,621</u>
<u>Change in net assets</u>	186,833	205,896	162,303	196,124
<u>Net assets-beginning of year</u>	33,360	31,846	27,812	27,956
<u>Transfers:</u>				
Purchase of fixed assets	(3,495)	(5,379)	(9,943)	(7,682)
Other	<u>(189,936)</u>	<u>(198,638)</u>	<u>(150,730)</u>	<u>(189,636)</u>
	<u>(193,431)</u>	<u>(204,017)</u>	<u>(160,673)</u>	<u>(197,318)</u>
<u>Net assets-end of year</u>	<u>26,762</u>	<u>33,725</u>	<u>29,442</u>	<u>26,762</u>

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

<u>Rutherford House V</u>	<u>Office and School</u>	<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Foster Care</u>	<u>Total</u>
-	-	-	-	9,583	9,583
-	854	-	-	-	854
-	4,779	-	-	-	4,779
-	6,746	-	-	-	6,746
-	3,500	-	-	-	3,500
-	1,013	-	-	-	1,013
-	-	-	115,972	-	115,972
-	16,024	-	-	-	16,024
-	2,339	-	-	-	2,339
<u>210,649</u>	<u>1,269,606</u>	<u>42,251</u>	<u>115,972</u>	<u>44,358</u>	<u>2,229,108</u>
192,647	(637,983)	16,449	(115,972)	(19,847)	186,450
33,182	244,623	16,253	633,211	-	1,048,243
(4,221)	(225,862)	-	256,582	-	-
<u>(184,190)</u>	<u>881,265</u>	<u>(16,022)</u>	<u>28,040</u>	<u>19,847</u>	<u>-</u>
<u>(188,411)</u>	<u>655,403</u>	<u>(16,022)</u>	<u>284,622</u>	<u>19,847</u>	<u>1,048,243</u>
<u>37,418</u>	<u>262,043</u>	<u>16,680</u>	<u>801,861</u>	<u>-</u>	<u>1,234,693</u>

RUTHERFORD HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Rutherford House I</u>	<u>Rutherford House II</u>	<u>Rutherford House III</u>	<u>Rutherford House IV</u>
<u>Cash flows from operating activities:</u>				
Change in net assets	186,833	205,896	162,303	196,124
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Depreciation	-	-	-	-
(Increase) decrease in accounts receivable	6,627	(1,850)	(1,601)	1,223
(Increase) in prepaid expenses	(29)	(29)	(29)	(29)
Increase in accounts payable	-	-	-	-
Increase in other current liabilities	-	-	-	-
Total adjustments	<u>6,598</u>	<u>(1,879)</u>	<u>(1,630)</u>	<u>1,194</u>
Net cash provided (used) by operating activities	193,431	204,017	160,673	197,318
<u>Cash flows from investing activities:</u>				
Decrease in notes receivable	-	-	-	-
Purchase of fixed assets	-	-	-	-
Proceeds from maturities of investments	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
<u>Cash flows from financing activities:</u>				
Repayment of notes payable	-	-	-	-
Net cash (used) by financing activities	-	-	-	-
<u>Transfers</u>	<u>(193,431)</u>	<u>(204,017)</u>	<u>(160,673)</u>	<u>(197,318)</u>
<u>Net increase in cash and cash equivalents</u>	-	-	-	-
<u>Cash and cash equivalents at beginning of year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Cash and cash equivalents at end of year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Supplemental disclosures:</u>				
Interest paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

<u>Rutherford House V</u>	<u>Office and School</u>	<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Foster Care</u>	<u>Total</u>
192,647	(637,983)	16,449	(115,972)	(19,847)	186,450
-	-	-	115,972	-	115,972
(4,207)	(73,322)	(400)	-	-	(73,530)
(29)	(29)	(27)	-	-	(201)
-	61,119	-	-	-	61,119
-	4,314	-	-	-	4,314
<u>(4,236)</u>	<u>(7,918)</u>	<u>(427)</u>	<u>115,972</u>	<u>-</u>	<u>107,674</u>
188,411	(645,901)	16,022	-	(19,847)	294,124
-	1,681	-	-	-	1,681
-	-	-	(256,582)	-	(256,582)
-	13,633	-	-	-	13,633
<u>-</u>	<u>15,314</u>	<u>-</u>	<u>(256,582)</u>	<u>-</u>	<u>(241,268)</u>
-	-	-	(28,040)	-	(28,040)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,040)</u>	<u>-</u>	<u>(28,040)</u>
<u>(188,411)</u>	<u>655,403</u>	<u>(16,022)</u>	<u>284,622</u>	<u>19,847</u>	<u>-</u>
-	24,816	-	-	-	24,816
-	87,168	-	-	-	87,168
<u>-</u>	<u>111,984</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,984</u>
<u>-</u>	<u>370</u>	<u>-</u>	<u>5,328</u>	<u>-</u>	<u>5,698</u>

RUTHERFORD HOUSE

NOTES TO FINANCIAL STATEMENTS

AT JUNE 30, 1998

1. Nature of Business.

For the year ending June 30, 1998, five homes, four for boys and one for girls, were operated for delinquent adolescents. These individuals are usually placed in the home by juvenile courts. Rutherford House also operates a schooling program for the adolescents. 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:

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:

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 permit 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, 1998, other than as disclosed in Note 9.

b) Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. 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.

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.

2. Summary of Significant Accounting Policies. (Continued)

d) 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 those estimates.

e) 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 \$250 are capitalized.

f) 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.

g) Advertising Costs:

Costs of advertising are expensed as incurred.

3. Cash.

Rutherford House holds approximately \$12,000 at June 30, 1998, in various interest-bearing accounts on behalf of individual adolescents. These monies have been earned by them in various fund-raising activities, and are not included in the accounts of Rutherford House.

4. Investments.

Investments are summarized as follows at June 30, 1998:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized (Loss)</u>
U.S. Treasury, Money Market Funds	1,322	1,322	-
U.S. Treasury bill, zero coupon	100,000	99,250	(750)
Certificate of Deposit, 4.15 %	35,000	35,000	-
Certificate of Deposit, 4.15 %	<u>11,000</u>	<u>11,000</u>	-
	<u>147,322</u>	<u>146,572</u>	<u>(750)</u>

Investment return for the year ended June 30, 1998 is summarized as follows:

	<u>Unrestricted</u>
Interest income	9,919
Net unrealized (loss)	<u>(750)</u>
	<u>9,169</u>

5. Fixed Assets.

The book value of fixed assets consists of:

	<u>Cost or Donated Value</u>
Land	80,260
Rutherford House I and improvements	99,386
Rutherford House II and improvements	215,884
Rutherford House III and improvements	121,187
Rutherford House IV and improvements	92,973
Rutherford House V and improvements	45,509
Auto garage improvements and equipment	1,232
Furniture and fixtures	360,349
Vehicles	139,133
Shop building	120,000
Shop improvements	174,174
Shop equipment	40,177
School equipment	105,897
Office and school, building and improvements	470,439
Foster care equipment	11,222
DOC After Care Assistance equipment	39,539
Laundry/Book Store building	<u>62,650</u>
 Total cost or donated value	 2,180,011
 <u>Less-accumulated depreciation</u>	 <u>(1,328,313)</u>
 Book value of fixed assets	 <u><u>851,698</u></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:

<u>Creditor</u>	<u>Terms</u>	<u>Amount</u>
Bank One	8.25%, \$2,420 per month including interest; maturing November 1999; secured by Administration and School Building with improvements, and Rutherford House IV, with an approximate book value of \$96,000	40,501
Stuart's, Inc.	8.97%, \$350 per month including interest; maturing February 2001; secured by copier	<u>9,088</u>
		49,589
 <u>Less-portion classified as current</u>		 <u>30,195</u>
 Long-term notes payable		 <u><u>19,394</u></u>

6. Notes Payable. (Continued)

Maturities for the next five years are as follows:

1999	30,195
2000	17,413
2001	1,981
2002	-
2003	-
Total	<u>49,589</u>

7. Receivables.

Receivables are summarized by source as follows:

State of Louisiana	229,753
Caddo Parish School Board	6,664
City of Shreveport	30,260
Other	<u>5,575</u>
Total	<u>272,252</u>

8. Contributed Services.

Contributed services include approximately \$38,000 of time provided, substantially all by the resident youth of the homes, to repair, maintain and otherwise enhance the physical facilities of Rutherford House.

9. Temporarily Restricted Contributions.

During the year, Rutherford House received approximately \$13,000 in contributions with use restrictions for equipment for the vocational technical center. As such equipment will be acquired next year, these contributions are included in temporarily restricted 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, 1998. 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, 1998. Such conditional promises amounted to approximately \$764,000 at June 30, 1998.

11. Notes Receivable.

Rutherford House sold certain real estate to two employees during 1997, 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 22, 1998

The Board of Directors
Rutherford House
Shreveport, Louisiana

Report on Compliance and on Internal Control over Financial
Reporting 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, 1998, and have issued our report thereon dated July 22, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rutherford House's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford House's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and the Louisiana Legislative Auditor's office. However, this report is a matter of public record and its distribution is not limited.

RUTHERFORD HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Rutherford House.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Rutherford House were disclosed during the audit.

B. Financial Statement Findings
None

RUTHERFORD HOUSE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998

The audit of Rutherford House for the year ended June 30, 1997 disclosed no findings.