

**RUTHERFORD HOUSE
SHREVEPORT, LOUISIANA**

JUNE 30, 2011

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	3-4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

OTHER REPORTS

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>	11-12
Schedule of Findings and Responses	13
Schedule of Prior Year Findings	14
Management's Corrective Action Plan	15

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE 318-429-2070 FAX

December 12, 2011

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, 2011, 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 auditing standards generally accepted in the United States of America 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, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing over internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Heard, McElroy & Vestal, LLC

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hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

RUTHERFORD HOUSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

<u>A S S E T S</u>	<u>Rutherford House I-V</u>	<u>Office and School</u>	<u>Truancy Center</u>
<u>Current assets:</u>			
Cash-Note 3	-	267,369	-
Investments-Note 4	-	101,994	-
Accounts receivable-Note 6	214,199	68,572	5,648
Prepaid expenses	<u>-</u>	<u>38,231</u>	<u>-</u>
Total current assets	214,199	476,166	5,648
 <u>Book value of fixed assets-Note 5</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Total assets	 <u>214,199</u>	 <u>476,166</u>	 <u>5,648</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>Current liabilities:</u>			
Accounts payable	-	46,428	-
Other current liabilities	<u>-</u>	<u>14,879</u>	<u>-</u>
Total current liabilities	-	61,307	-
 <u>Net assets:</u>			
Unrestricted	214,199	414,859	5,648
Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>214,199</u>	<u>414,859</u>	<u>5,648</u>
 Total liabilities and net assets	 <u>214,199</u>	 <u>476,166</u>	 <u>5,648</u>

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

<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
-	-	267,369
-	-	101,994
5,344	-	293,763
<u>-</u>	<u>-</u>	<u>38,231</u>
5,344	-	701,357
<u>-</u>	<u>1,221,877</u>	<u>1,221,877</u>
<u>5,344</u>	<u>1,221,877</u>	<u>1,923,234</u>
-	-	46,428
<u>-</u>	<u>-</u>	<u>14,879</u>
-	-	61,307
5,344	1,221,877	1,861,927
<u>-</u>	<u>-</u>	<u>-</u>
<u>5,344</u>	<u>1,221,877</u>	<u>1,861,927</u>
<u>5,344</u>	<u>1,221,877</u>	<u>1,923,234</u>

RUTHERFORD HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Rutherford House I-V</u>	<u>Office and School</u>	<u>Truancy Center</u>
<u>Public support and revenue:</u>			
Public support:			
Contributions-Note 7	-	59,399	-
Government grants:			
Louisiana Department of Corrections	2,061,517	-	-
Office of Community Services	142,490	11,101	-
Louisiana Commission on Law Enforcement	-	35,904	-
Louisiana Department of Education	-	82,809	-
Caddo Parish School Board	-	177,493	-
City of Shreveport	-	-	-
Caddo Parish	-	57,465	268,228
Total public support	<u>2,204,007</u>	<u>424,171</u>	<u>268,228</u>
Revenue:			
Investments	-	2,261	-
Fundraising, net of \$2,146 in expenses	-	7,622	-
Other	-	62,125	-
Total revenue	<u>-</u>	<u>72,008</u>	<u>-</u>
Total public support and revenue	2,204,007	496,179	268,228
<u>Expenses:</u>			
Salaries and wages	1,039,845	793,787	32,560
Payroll taxes and related expense	-	198,996	-
Fringe benefits	-	236,381	-
Travel and training	914	7,551	139
Office supplies	-	22,998	198
Repairs and maintenance	23,012	28,142	1,458
Utilities	41,795	77,989	15,366
Insurance	-	52,360	-
Depreciation	-	-	-
Food	9,138	193,905	-
Medical	6,947	20,401	124
Recreation	8,914	1,132	-
Laundry and linen	22,010	-	-
Personal hygiene	8,192	1,250	-
Telephone	-	18,210	5,183

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

<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
-	-	59,399
-	-	2,061,517
-	-	153,591
-	-	35,904
-	-	82,809
-	-	177,493
64,130	-	64,130
-	-	<u>325,693</u>
<u>64,130</u>	<u>-</u>	<u>2,960,536</u>
-	-	2,261
-	-	7,622
-	-	<u>62,125</u>
<u>-</u>	<u>-</u>	<u>72,008</u>
64,130	-	3,032,544
78,337	-	1,944,529
-	-	198,996
-	-	236,381
-	-	8,604
-	-	23,196
-	-	52,612
-	-	135,150
-	-	52,360
-	99,880	99,880
-	-	203,043
-	-	27,472
-	-	10,046
-	-	22,010
-	-	9,442
-	-	23,393

RUTHERFORD HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Rutherford House I-V</u>	<u>Office and School</u>	<u>Truancy Center</u>
<u>Expenses:</u> (Continued)			
Professional	-	17,055	-
Outside contracts	-	29,738	6,677
Licensing	190	3,004	-
Work study and educational	6,814	23,074	-
Miscellaneous	-	13,275	433
Maintenance supplies	513	10,609	8
Program supplies	-	37,980	-
Personal allowance	<u>14,859</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,183,143</u>	<u>1,787,837</u>	<u>62,146</u>
<u>Change in net assets</u>	1,020,864	(1,291,658)	206,082
<u>Net assets-beginning of year</u>	352,614	311,003	64,045
Transfers:			
Purchase of fixed assets	(6,000)	(8,037)	-
Other	<u>(1,153,279)</u>	<u>1,403,551</u>	<u>(264,479)</u>
	<u>(1,159,279)</u>	<u>1,395,514</u>	<u>(264,479)</u>
<u>Net assets-end of year</u>	<u>214,199</u>	<u>414,859</u>	<u>5,648</u>

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

<u>Curfew Program</u>	<u>Fixed Assets</u>	<u>Total</u>
-	-	17,055
-	-	36,415
-	-	3,194
-	-	29,888
-	-	13,708
-	-	11,130
-	-	37,980
-	-	14,859
<u>78,337</u>	<u>99,880</u>	<u>3,211,343</u>
(14,207)	(99,880)	(178,799)
5,344	1,307,720	2,040,726
-	14,037	-
<u>14,207</u>	<u>-</u>	<u>-</u>
<u>14,207</u>	<u>14,037</u>	<u>-</u>
<u>5,344</u>	<u>1,221,877</u>	<u>1,861,927</u>

RUTHERFORD HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Cash flows from operating activities:</u>	
Change in net assets	(178,799)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	99,880
Decrease in accounts receivable	203,615
Decrease in prepaid expenses	2,022
(Decrease) in accounts payable	(16,977)
(Decrease) in other current liabilities	<u>(23,026)</u>
Total adjustments	<u>265,514</u>
Net cash provided by operating activities	86,715
<u>Cash flows from investing activities:</u>	
Decrease in investments	189,194
Purchase of fixed assets	<u>(14,037)</u>
Net cash provided by investing activities	<u>175,157</u>
<u>Net increase in cash and cash equivalents</u>	261,872
<u>Cash and cash equivalents at beginning of year</u>	<u>5,497</u>
<u>Cash and cash equivalents at end of year</u>	<u><u>267,369</u></u>
<u>Interest paid</u>	<u><u>-</u></u>

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

RUTHERFORD HOUSE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. Nature of Business.

For the year ending June 30, 2011, five homes for boys were operated for delinquent adolescents. These individuals are usually placed in the home by juvenile court. 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.

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, 2011.

(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. Contributions from related parties approximated \$30,000 during the fiscal year.

(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) Accounts Receivable:

Receivables that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount.

Rutherford House uses the direct write-off method for charging off bad debts, which does not materially differ from results obtained using the allowance method. The past due status of receivables is based on contractual terms.

(e) Estimates:

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

(f) Fixed Assets:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture, fixtures, and equipment	5-10 years
House improvements	10-20 years
Buildings	20 years

Donated property and equipment are reported at their estimated fair market value at the date of gift. All expenditures for fixed assets in excess of \$500 are capitalized.

(g) Cash Equivalents:

For purposes of the statement of cash flows, Rutherford House considers all cash on hand and demand deposits with banks to be cash equivalents.

(h) Advertising Costs:

Costs of advertising are expensed as incurred.

(i) Compensated Absences:

Annual leave generally is earned by employees at the rate of eight hours per month, beginning with the third month of employment. A maximum of fifteen days may be carried forward to the next fiscal year.

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.

(j) Income Taxes:

As a nonprofit, privately supported organizations, 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

2. Summary of Significant Accounting Policies. (Continued)

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 990s for informational purposes. The federal income tax returns for the tax years 2008 and beyond remain subject to examination by the Internal Revenue Service.

3. Cash.

Rutherford House holds approximately \$6,100 at June 30, 2011, 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, and are not included in the accounts of Rutherford House.

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 banks.

4. Investments.

Investments are summarized as follows at June 30, 2011:

	<u>Cost</u>	<u>Approximate Market Value</u>
Bossier Federal Credit Union CD, 0.99%, matures 10/26/11	<u>101,994</u>	<u>101,994</u>

Because of the short maturities of each investment, cost and market value are identical.

5. Fixed Assets.

The book value of fixed assets consists of:

	<u>Cost or Donated Value</u>
Land	233,161
Rutherford House I and improvements	113,016
Rutherford House II and improvements	218,162
Rutherford House III and improvements	131,643
Rutherford House IV and improvements	103,822
Rutherford House V and improvements	75,233
Truancy Center Building and improvements	499,535
Auto garage improvements	1,532
Furniture and fixtures	503,540
Vehicles	124,340
Shop building	188,537
Shop improvements	257,432
Shop equipment	88,696
School equipment	125,984

5. Fixed Assets. (Continued)

	<u>Cost or Donated Value</u>
Office and school, building and improvements	872,720
Foster care equipment	4,653
DOC After Care Assistance equipment	39,539
Laundry/Book Store building	<u>62,650</u>
Total cost or donated value	3,644,195
<u>Less-accumulated depreciation</u>	<u>(2,422,318)</u>
Book value of fixed assets	<u>1,221,877</u>

6. Receivables.

Receivables are summarized by source as follows:

State of Louisiana	236,777
Caddo Parish School Board	46,243
City of Shreveport	5,344
Other	<u>5,399</u>
	<u>293,763</u>

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, 2011. 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, 2011. Such conditional promises amounted to approximately \$2,309,000 at June 30, 2011.

8. Fair Value Measurements.

The following table presents the fair value hierarchy of Rutherford House for assets measured at fair value on a recurring basis at June 30, 2011:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Certificates of deposit	<u>101,994</u>	<u>-</u>	<u>-</u>	<u>101,994</u>

Fair values for these investments are determined by reference to quoted market prices generated by market transactions (Level 1).

9. Subsequent Events.

Rutherford House is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. Rutherford House performed such an evaluation through December 12, 2011, the date which the financial statements were available to be issued, and noted no such subsequent events.

10. Contingencies and Uncertainties.

As shown in the accompanying financial statements, Rutherford House has incurred a change in net assets of (\$178,799) in the current year; (\$237,117) in 2010; and (\$191,815) in 2009. This condition is generally the result of a lower level of grant funding for truancy programs and the lack per diem increases in state funding for its residential program. As a response to these negative factors, Rutherford House has trimmed personnel and fringe costs. In addition, it has successfully requested an increase in its actual and authorized placement slots in its residential programs, and has proposed a new residential contract with the state that contains significantly higher daily board rates. Management believes these factors will contribute towards achieving financial stability.

OTHER REPORTS

December 12, 2011

The Board of Directors
Rutherford House
Shreveport, Louisiana

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 the financial statements of Rutherford House, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford House's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rutherford House's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 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*.

This report is intended for the information and use of the members of the board, management, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy, & Vestal, LLC

RUTHERFORD HOUSE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2011

A. Summary of Audit Results

1. The auditor's report expresses an unqualified 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, 2011.

B. Findings - Financial Statement Audit

None

RUTHERFORD HOUSE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

No findings were reported.

RUTHERFORD HOUSE
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2011

No findings were reported.