

HOUSE OF RUTH
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2019
**(WITH SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED JUNE 30, 2018)**



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**HOUSE OF RUTH
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INDEPENDENT AUDITORS' REPORT

Board of Directors
House of Ruth
Claremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of House of Ruth (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements described above present fairly, in all material respects, the financial position of House of Ruth. as of June 30, 2019, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited House of Ruth's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules identified in the table of contents as supplementary information, including the accompanying schedule of expenditures of federal awards as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are 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 October 14, 2019, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
October 14, 2019

HOUSE OF RUTH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 596,913	\$ 781,627
Investments - Fair Value	738,393	754,302
Accounts Receivable	781,562	613,598
Pledges Receivable, Current	53,087	103,337
In-Kind Lease Value Receivable, Current	-	200,760
Prepaid Expenses and Deposits	<u>1,288</u>	<u>2,950</u>
Total Current Assets	2,171,243	2,456,574
LONG-TERM ASSETS		
Net Property, Plant, and Equipment	<u>2,512,812</u>	<u>2,521,670</u>
Total Long-Term Assets	<u>2,512,812</u>	<u>2,521,670</u>
Total Assets	<u><u>\$ 4,684,055</u></u>	<u><u>\$ 4,978,244</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 40,225	\$ 15,446
Accrued Expenses	244,196	230,966
Security Liens	<u>807,774</u>	<u>807,774</u>
Total Current Liabilities	1,092,195	1,054,186
LONG-TERM LIABILITIES		
Conditional Grants	318,500	318,500
Security Liens	<u>318,000</u>	<u>318,000</u>
Total Long-Term Liabilities	<u>636,500</u>	<u>636,500</u>
Total Liabilities	1,728,695	1,690,686
NET ASSETS		
Net Assets Without Donor Restriction		
General Net Assets Without Donor Restriction	1,184,091	989,735
Net Assets Related to Property, Plant, and Equipment	<u>1,068,538</u>	<u>1,077,396</u>
Total Net Assets Without Donor Restriction	2,252,629	2,067,131
Net Assets With Donor Restrictions:		
Robert W. Lowne Donor Restricted Quasi-Endowment	474,201	449,387
Other Net Assets With Donor Restriction	<u>228,530</u>	<u>771,040</u>
Total Net Assets With Donor Restriction	<u>702,731</u>	<u>1,220,427</u>
Total Net Assets	<u>2,955,360</u>	<u>3,287,558</u>
Total Liabilities and Net Assets	<u><u>\$ 4,684,055</u></u>	<u><u>\$ 4,978,244</u></u>

See accompanying Notes to Financial Statements.

**HOUSE OF RUTH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)**

	Without Donor Restriction	With Donor Restriction	2019 Total	2018 Total
PUBLIC SUPPORT AND OTHER REVENUES				
PUBLIC SUPPORT				
Contributions	\$ 244,331	\$ -	\$ 244,331	\$ 199,048
Foundations	264,500	30,000	294,500	623,984
Federal Grants	1,881,092	-	1,881,092	1,394,448
State and Local Government Grants	541,398	-	541,398	586,055
United Way	25,000	-	25,000	25,000
Events (Net of Direct Expenses)	184,282	-	184,282	128,928
In-Kind Contributions	18,499	-	18,499	409,147
Total Public Support	3,159,102	30,000	3,189,102	3,366,610
OTHER REVENUES				
Interest and Dividend Income	8,186	9,493	17,679	13,735
Unrealized Gain on Investments	3,037	15,321	18,358	13,234
Other Revenues	81,478	-	81,478	104,314
Net Assets Released from Restrictions	572,510	(572,510)	-	-
Total Other Revenues	665,211	(547,696)	117,515	131,283
Total Public Support and Other Revenues	3,824,313	(517,696)	3,306,617	3,497,893
EXPENSES				
Program Services	2,790,911	-	2,790,911	2,428,896
General and Administrative	615,756	-	615,756	420,501
Fundraising	232,148	-	232,148	314,889
Total Expenses	3,638,815	-	3,638,815	3,164,286
CHANGE IN NET ASSETS	185,498	(517,696)	(332,198)	333,607
Net Assets, Beginning of Year	2,067,131	1,220,427	3,287,558	3,056,172
Adjustment for Restatement	-	-	-	(102,221)
Net Assets, Beginning of Year, as Restated	2,067,131	1,220,427	3,287,558	2,953,951
NET ASSETS, END OF YEAR	\$ 2,252,629	\$ 702,731	\$ 2,955,360	\$ 3,287,558

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

Program Services

	Residential Emergency and Transitional Shelter Programs:	Community Services:	Prevention Education:	Counseling Services for Adults and Children:	Housing Services:	Total Programs	Management and General	Fundraising	2019 Total	2018 Total
Salaries and Wages	\$ 480,547	\$ 405,057	\$ 111,779	\$ 201,652	\$ 173,414	\$ 1,372,449	\$ 363,068	\$ 152,653	\$ 1,888,170	\$ 1,717,064
Other Employee Benefits	92,832	53,047	11,051	44,206	19,893	221,029	57,528	24,222	302,779	342,815
Payroll Taxes	46,204	26,402	5,500	22,002	9,901	110,009	28,633	12,056	150,698	133,700
Legal Expenses	-	-	-	-	-	-	11,778	-	11,778	-
Accounting Expenses	-	-	-	-	-	-	20,682	-	20,682	18,137
Fees for Service	11,044	3,387	-	2,025	3,970	20,426	59,221	-	79,647	77,046
Advertising and Recruitment Expenses	-	-	-	150	233	383	4,374	95	4,852	2,228
Telephone and Internet	14,112	10,839	1,528	6,112	3,413	36,004	5,741	2,414	44,159	39,501
Equipment Rental and Maintenance	23,177	14,894	2,749	10,882	4,935	56,637	8,293	2,906	67,836	74,593
Occupancy Expenses	133,228	39,271	3,948	14,918	277,343	468,708	15,954	6,648	491,310	416,973
Travel Expenses	3,140	5,103	4,469	3,358	7,510	23,580	473	1,240	25,293	17,608
Conferences and Meeting Expenses	435	4,630	969	550	395	6,979	7,744	-	14,723	5,053
Depreciation Expense	32,120	18,354	3,824	15,295	6,883	76,476	12,274	5,665	94,415	95,412
Insurance Expense	18,861	10,778	2,245	8,981	4,042	44,907	7,207	3,326	55,440	50,591
Supplies	31,463	15,682	4,155	10,100	4,544	65,944	4,021	1,856	71,821	68,861
Client Assistance: Food, Vouchers, etc.	30,111	3,400	-	940	178,632	213,083	-	-	213,083	39,237
Fundraising Expenses	-	-	-	-	-	-	-	6,455	6,455	72,895
Equipment and Furnishing Expenses	551	-	-	2,807	3,715	7,073	8,765	926	16,764	7,216
Other Expenses	29,673	17,723	3,680	14,725	1,423	67,224	-	18,141	85,365	58,251
Subtotal 2019 Functional Expenses	947,498	628,567	155,897	358,703	700,246	2,790,911	615,756	238,603	3,645,270	3,237,181
Less: Special Event Expenses	-	-	-	-	-	-	-	(6,455)	(6,455)	(72,895)
Total 2019 Functional Expenses	<u>\$ 947,498</u>	<u>\$ 628,567</u>	<u>\$ 155,897</u>	<u>\$ 358,703</u>	<u>\$ 700,246</u>	<u>\$ 2,790,911</u>	<u>\$ 615,756</u>	<u>\$ 232,148</u>	<u>\$ 3,638,815</u>	
Total 2018 Functional Expenses					<u>\$ 2,428,896</u>		<u>\$ 420,501</u>	<u>\$ 314,889</u>		<u>\$ 3,164,286</u>

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (332,198)	\$ 333,607
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	94,415	95,412
In-Kind Lease Value Contribution	200,760	(200,760)
Net Unrealized Loss (Gains) on Investments	(18,358)	(11,693)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(167,964)	(207,018)
Pledges Receivable	50,250	99,966
Prepaid Expenses and Deposits	1,662	3,404
(Decrease) Increase in Operating Liabilities:		
Accounts Payable	24,779	(2,865)
Accrued Expenses	13,230	50,184
Deferred Revenue	-	(12,279)
Net Cash Provided (Used) by Operating Activities	<u>(133,424)</u>	<u>147,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(85,557)	(9,723)
Proceeds from Sales of Investments	150,000	-
Purchases of Investments	<u>(115,733)</u>	<u>(116,414)</u>
Net Cash Used by Investing Activities	<u>(51,290)</u>	<u>(126,137)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(184,714)	21,821
Cash and Cash Equivalents, Beginning of Year	<u>781,627</u>	<u>759,806</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 596,913</u></u>	<u><u>\$ 781,627</u></u>

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

House of Ruth's (the Organization) is dedicated to increasing the safety and wellbeing of survivors of domestic violence.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Estimates

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

Functional Expenses

The costs of providing various programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

Net Asset Classes

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restriction – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes (Continued)

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

As of June 30, 2019 and 2018 the Organization had the following net assets with donor restriction:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Robert W. Lowrie Donor Restricted		
Quasi-Endowment Fund	\$ 474,201	\$ 449,387
Robert W. Lowrie - Nonendowment	195,443	195,443
Eisner Foundation	-	100,000
Kaiser Balwin Park Foundation	-	9,000
Weingart Foundation	-	62,500
Ahmanson Foundation	-	100,000
Ontario Community Foundation	20,000	-
Sisters of St. Joseph	10,000	-
Total	<u>699,644</u>	<u>916,330</u>
Subject to the Passage of Time:		
In-Kind Lease Value - Randall	-	57,360
In-Kind Lease Value - Olive	-	143,400
Satterberg Foundation	3,087	103,337
Total	<u>3,087</u>	<u>304,097</u>
Total Net Assets With Donor Restriction	<u>\$ 702,731</u>	<u>\$ 1,220,427</u>

Revenue Recognition

Government contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as contributions with donor restrictions. Restricted contributions that are received and released in the same period are reported as promises to give without donor restrictions. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributed Supplies, Property, and Services

Contributed supplies and property given to the Organization are recorded as support and expenses at fair value when determinable, otherwise at values indicated by the donor. The Organization recorded \$18,499 for donated goods for shelter use for the year ended June 30, 2019 and \$7,627 for the year ended June 30, 2018. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization; the value of these services does not meet revenue recognition criteria and is therefore not recorded in these financial statements.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Organization. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the Organization are paid for days or hours worked based upon board-approved schedules which include vacation. Sick leave is not accumulated and is therefore not recognized as a liability of the organization at year-end. Sick leave with pay is provided when employees are absent for health reasons.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

The Organization has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Organization's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Subsequent Events

All events subsequent to the statement of financial position date of June 30, 2019 through October 14, 2019, which is the date these financial statements were available to be issued, have been evaluated in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those that do not have donor or other restrictions limiting their use, and are available to meet general expenditures within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of the following as of June 30, 2019:

Cash and Cash Equivalents	\$ 596,913
Investments - Fair Value	738,393
Accounts Receivable	781,562
Pledges Receivable, Current	53,087
Less: Net Assets with Donor Restriction	(702,731)
Financial assets available for general expenditure	<u>\$ 1,467,224</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short term investments, CDs, and money market accounts.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 3 CONCENTRATION OF CREDIT RISK

The Organization has a potential need to maintain a cash balance in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC) and the \$500,000 insured by the Securities Investor Protection Corporation (SIPC). The Organization had no uninsured balances as of June 30, 2019 and 2018.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of grant funds due from governmental agencies and private grants receivable due within the next fiscal year. No provision for uncollectible accounts was recorded as the balances are considered fully collectible.

NOTE 5 INVESTMENTS

In accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, level 1 through level 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the Organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Investments are stated at fair value and consist of the following:

	Fair Market Value	
	2019	2018
Mutual Funds - Level 1	264,192	\$ 304,915
Quasi-Endowment Investments:		
Mutual Funds and ETF's - Level 1	474,201	449,387
Total Fair Market Value	<u>\$ 738,393</u>	<u>\$ 754,302</u>

Quasi-Endowment

During 2014, the Organization voted to hold \$400,000 of the Robert W. Lowrie bequest as a quasi-endowment fund. The Robert W. Lowrie bequest is donor restricted for certain expenses related to the care and recovery of women and children served by the Organization. These funds are invested for long-term growth and appreciation. The current asset target allocation is 55% Equities, 35% Fixed income and 10% alternative investment strategies. An annual distribution of the earnings on the principal investment will be calculated on December 31st of each year and distributed in July of the following year.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 5 INVESTMENTS (CONTINUED)

Quasi-Endowment (continued)

The distribution will be based on the "Yale Spending Rule." It will be calculated using a spending policy based on a weighted average comprising 80% of the prior year's spending adjusted for inflation and 20% of the amount that results when the spending policy rate (4%) is applied to the fund's fair value.

For the fiscal years ended June 30, 2019 and 2018, endowment fund performance was as follows:

	2019	2018
Quasi-Endowment Net Assets, Beginning of Year	\$ 449,387	\$ 440,202
Investment Gain, Net:		
Interest and Dividends	9,493	10,922
Net Appreciation:		
Unrealized Gain (Loss)	15,321	(1,737)
Quasi-Endowment Net Assets, End of Year	<u>\$ 474,201</u>	<u>\$ 449,387</u>

As of June 30, 2019 the Quasi-Endowment was comprised of the following.

	2019
Cash and Cash Equivalents	\$ 69,777
Mutual Funds and ETF's	404,424
Total Quasi-Endowment	<u>\$ 474,201</u>

NOTE 6 PROPERTY, PLANT, AND EQUIPMENT

Land, buildings, and equipment are stated at cost. Depreciation of buildings, furniture, and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years. At June 30, 2019 and 2018 the costs and accumulated depreciation were as follows:

	2019	2018
Nondepreciable Assets:		
Land	<u>\$ 450,000</u>	<u>\$ 450,000</u>
Depreciable Assets:		
Buildings and Improvements	\$ 3,308,296	\$ 3,248,533
Furniture and Equipment	362,348	471,826
Vehicle	28,449	28,449
Total Depreciable Assets	<u>3,699,093</u>	<u>3,748,808</u>
Total Property, Plant, and Equipment	4,149,093	4,198,808
Less: Accumulated Depreciation	(1,636,281)	(1,677,138)
Property, Plant, and Equipment, Net	<u>\$ 2,512,812</u>	<u>\$ 2,521,670</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$94,415 and \$95,412, respectively.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 7 LONG-TERM DEBT

Conditional Grants

In June 2011, the Organization received conditional grants for two condominiums and related repairs for a total up to \$378,500. Under the conditional grants, there are two promissory notes totaling \$318,500 secured by the properties. Each promissory note requires no payments to the lender provided that the Organization abides by the requirements within each agreement. One requirement is that the Organization must use the facilities exclusively as residences for low, moderate, and middle-income families who were previous residents of the City of Rancho Cucamonga for at least one year. The lender also has right of first refusal on any sale of the property and if the property is sold, the promissory notes must be repaid. As of June 30, 2019 and 2018, the amount outstanding under the conditional grants was \$318,500.

Security Liens

A security lien is held by Housing Authority of the County of Los Angeles for financing of housing units. A promissory note dated February 17, 2000 is secured by real property. Payments began March 15, 2001 and are limited to 50% of the residual receipts from housing units. Management does not expect there to be payments required as there are no receipts from the housing units. Interest is charged at 3% per annum, and the loan matures on March 15, 2030. Loan covenants are that the Organization must use the housing units for the purpose of providing transitional housing for victims of domestic violence. The balance as of June 30, 2019 and 2018 was \$318,000.

A security lien is held by the California Department of Housing and Community Development for financing a capital development project at the Organization's residential facility. As part of the agreement, the Organization agrees to use the property as an emergency shelter or transitional housing for a period of seven years. Interest is charged at 3% per annum, and the loan was set to mature in February 2019, seven years after construction was completed. However, as of June 30, 2019 the Organization is still waiting to receive full reconveyance on this security lien. The Organization is working with the lien holder and expects to receive it in the next fiscal year. Repayment of principal and interest is required only if the property is not used in compliance with the terms of the agreement. At maturity, the lien and related interest will be forgiven. The balance as of June 30, 2019 and 2018 was \$807,774.

	2019	2018
Total Security Liens	<u>\$ 1,125,774</u>	<u>\$ 1,125,774</u>

NOTE 8 RETIREMENT PLAN

The Organization offers a tax deferred annuity plan under Internal Revenue Code Section 403(b). This voluntary plan allows participants to contribute a percentage of salary to be placed in the individual's specific account. The Organization also offers a defined contribution plan under Internal Revenue Code Section 401(a). This plan provides for contributions by the Organization for eligible employees. The Organization has no liability under the plan. Retirement expense for the years ended June 30, 2019 and 2018 was \$0 and \$0, respectively.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 9 IN-KIND CONTRIBUTION RECEIVABLE

In May 2014, the Organization entered into two leases with the Fontana Housing Authority for the use of apartment buildings as transitional housing facilities for its clients. The leases call for annual rent of \$1 per year and were extended through June 2019. As of October 2019 no additional extension has been executed. The Organization is using the buildings on a month to month basis. In accordance with applicable accounting standards, the Organization estimated and recognized the fair lease value of \$401,520 as an in-kind lease value receivable asset. The asset is amortized to lease expense over the life of the lease. For the year ended June 30, 2019, \$200,760 was amortized as lease expense for these leases. As of June 30, 2019, there was \$0 remaining of unamortized in-kind lease receivable.

NOTE 10 PLEDGES RECEIVABLE

Unconditional promises to give expected to be received in one year or less are recorded as pledges receivable at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded as pledges receivable at the fair value at the date of the promise, if material. At June 30, 2019, the Organization had pledges receivable to be received in the following periods:

	2019
In One Year or Less	\$ 53,087
Between One and Five Years	-
Net Pledges Receivable	<u>\$ 53,087</u>

NOTE 11 CONTINGENCIES

The Organization has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 12 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, pension expense, other employee benefits, payroll taxes, other fees for services, office expenses, printing and postage, information technology, and other expenses, which are allocated on the basis of estimates of time and effort.

SUPPLEMENTARY INFORMATION

HOUSE OF RUTH
SCHEDULE OF STATE AND LOCAL GOVERNMENT GRANTS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

	<u>2019</u>	<u>2018</u>
California Emergency Management Agency:		
Law Enforcement and Victims Services Division	\$ 227,945	\$ 197,301
Los Angeles County:		
Domestic Violence	249,579	324,783
San Bernardino County:		
Domestic Violence	42,000	42,000
San Bernardino County:		
Children and Family Services	<u>21,874</u>	<u>21,971</u>
Total State and Local Government Grants	<u><u>\$ 541,398</u></u>	<u><u>\$ 586,055</u></u>

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2019 Total Federal Expenditures	2018 Total Federal Expenditures
U.S. Department of Justice				
Pass through from California Office of Emergency Services:				
AT 17031256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	\$ 55,142	\$ 50,535
AT 18031256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	117,414	140,984
Domestic Violence Shelter and Supportive Services:				
DV 17311256 - Domestic Violence Shelter and Supportive Services	16.575	18230	37,026	-
DV 18321256 - Domestic Violence Shelter and Supportive Services	16.575	18230	149,866	-
KU 18011256 Increased Access to Services Program	16.575	N/A	2,298	-
Domestic Violence Housing Assistance (Housing First):				
KD 17011256 - Domestic Violence Housing Assistance	16.575	18230	341,360	-
Pass through from County of Los Angeles District Attorney:				
Sexual Assault Section:				
Victims of Crime Program (XC16010190)	16.575	N/A	120,817	-
Total Crime Victim Assistance			<u>823,923</u>	<u>191,519</u>
Total U.S. Department of Justice			823,923	191,519
U.S. Department of Housing and Urban Development				
Community Development Block Grants:				
City of Chino	14.218	N/A	10,000	10,000
City of Chino Hills	14.218	N/A	10,000	10,000
City of Pomona	14.218	N/A	5,500	6,500
City of Rancho Cucamonga	14.218	N/A	5,500	5,500
Total Community Development Block Grants			<u>31,000</u>	<u>32,000</u>
Emergency Shelter Grants:				
City of Ontario	14.231	N/A	12,600	12,600
Total Emergency Shelter Grants			<u>12,600</u>	<u>12,600</u>
Transitional Housing Project:				
Los Angeles Homeless Services Authority CA0515L9D001609	14.267	N/A	68,515	178,646
Los Angeles Homeless Services Authority CA0515L9D001710	14.267	N/A	193,446	51,185
Total Transitional Housing Project			<u>261,961</u>	<u>229,831</u>
Total U.S. Department of Housing and Urban Development			305,561	274,431

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2019 Total Federal Expenditures	2018 Total Federal Expenditures
U.S. Department of Homeland Security				
Emergency Food and Shelter Program:				
Los Angeles County	97.024	N/A	\$ 7,445	\$ 8,423
San Bernardino County	97.024	N/A	12,385	10,994
Total U.S. Department of Homeland Security			<u>19,830</u>	<u>19,417</u>
U.S. Department of Health and Human Services				
Pass through from California Office of Emergency Services:				
Domestic Violence Shelter and Supportive Services:				
DV 17311256 - Domestic Violence Shelter and Supportive Services	93.671	18230	39,694	204,682
DV 18321256 - Domestic Violence Shelter and Supportive Services	93.671	18230	137,806	72,657
Domestic Violence Housing Assistance (Housing First):				
KD 17011256 - Domestic Violence Housing Assistance	93.671	18230	-	38,314
Family Violence Prevention and Services:				
FV 18051256- Family Violence Prevention & Services	93.671	18201	110,000	110,000
Total Pass through from California Office of Emergency Services			<u>287,500</u>	<u>425,653</u>
Temporary Assistance to Needy Families (TANF):				
Pass through from Los Angeles County CalWORKs	93.558	N/A	196,465	222,304
Pass through from San Bernardino County CalWORKs	93.558	N/A	217,841	217,931
Total Temporary Assistance to Needy Families (TANF)			<u>414,306</u>	<u>440,235</u>
Total U.S. Department of Health and Human Services			701,806	865,888
U.S. Department of Agriculture Food and Nutrition Service				
State of California Department of Education:				
Child and Adult Care Food Program	10.558	N/A	29,972	43,193
Total U.S. Department of Agriculture Food and Nutrition Service			<u>29,972</u>	<u>43,193</u>
Total Federal Grants			<u>\$ 1,881,092</u>	<u>\$ 1,394,448</u>

N/A - Not applicable and/or not available.

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES BY COST CATEGORY – CAL OES GRANTS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Grant Identification Number	Federal	Federal Match	State	State Match	Local Match	Total Expenditures
Fiscal 2019						
FV 18051256:						
Personal Services	\$ 99,473	\$ 26,107	\$ 10,185	\$ -	\$ -	\$ 135,765
Operating Expenses	10,527	1,393	4,815	1,500	-	18,235
Total FV 18051256	<u>\$ 110,000</u>	<u>\$ 27,500</u>	<u>\$ 15,000</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 154,000</u>
DV 18321256:						
Personal Services	\$ 219,049	\$ -	\$ 72,541	\$ -	\$ -	\$ 291,590
Operating Expenses	68,623	-	68,102	28,041	-	164,766
Total DV 18321256	<u>\$ 287,672</u>	<u>\$ -</u>	<u>\$ 140,643</u>	<u>\$ 28,041</u>	<u>\$ -</u>	<u>\$ 456,356</u>
DV 17311256:						
Personal Services	\$ 66,267	\$ -	\$ 27,373	\$ -	\$ -	\$ 93,640
Operating Expenses	10,453	-	44,929	-	-	55,382
Total DV 17311256	<u>\$ 76,720</u>	<u>\$ -</u>	<u>\$ 72,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,022</u>
AT 18031256:						
Personal Services	\$ 102,500	\$ 21,918	\$ -	\$ -	\$ -	\$ 124,418
Operating Expenses	14,914	2,500	-	-	-	17,414
Total AT 18031256	<u>\$ 117,414</u>	<u>\$ 24,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,832</u>
AT 17031256:						
Personal Services	\$ 45,026	\$ 12,992	\$ -	\$ -	\$ -	\$ 58,018
Operating Expenses	10,116	-	-	-	-	10,116
Total AT 17031256	<u>\$ 55,142</u>	<u>\$ 12,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,134</u>
KU 18011256:						
Personal Services	\$ 2,298	\$ -	\$ -	\$ -	\$ -	\$ 2,298
Operating Expenses	-	-	-	-	-	-
Total KU 18011256	<u>\$ 2,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,298</u>
KU 17011256:						
Personal Services	\$ 123,245	\$ 30,625	\$ -	\$ -	\$ -	\$ 153,870
Operating Expenses	218,115	-	-	-	-	218,115
Total KU 17011256	<u>\$ 341,360</u>	<u>\$ 30,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,985</u>
Fiscal 2018						
FV 17041256:						
Personal Services	\$ 98,252	\$ 24,951	\$ 11,953	\$ 1,500	\$ -	\$ 136,656
Operating Expenses	11,748	2,549	3,047	-	-	17,344
Total FV 17041256	<u>\$ 110,000</u>	<u>\$ 27,500</u>	<u>\$ 15,000</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 154,000</u>
DV 16301256:						
Personal Services	\$ 58,647	\$ -	\$ 37,767	\$ -	\$ -	\$ 96,414
Operating Expenses	14,010	-	14,858	-	-	28,868
Total DV 16301256	<u>\$ 72,657</u>	<u>\$ -</u>	<u>\$ 52,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,282</u>
DV 17311256:						
Personal Services	\$ 147,068	\$ -	\$ 89,865	\$ -	\$ -	\$ 236,933
Operating Expenses	57,614	-	39,813	20,198	-	117,625
Total DV 17311256	<u>\$ 204,682</u>	<u>\$ -</u>	<u>\$ 129,678</u>	<u>\$ 20,198</u>	<u>\$ -</u>	<u>\$ 354,558</u>
AT 17031256:						
Personal Services	\$ 123,610	\$ -	\$ -	\$ -	\$ -	\$ 123,610
Operating Expenses	17,374	-	-	-	-	17,374
Total AT 17031256	<u>\$ 140,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,984</u>
AT 16021256:						
Personal Services	\$ 44,134	\$ 190	\$ -	\$ -	\$ -	\$ 44,324
Operating Expenses	6,401	-	-	-	-	6,401
Total AT 16021256	<u>\$ 50,535</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,725</u>

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

NOTE 1 SCHEDULE OF STATE AND LOCAL GOVERNMENT GRANTS

This schedule presents the Organization's State and Local Government Grants for the current fiscal year. It is presented on the accrual basis of accounting.

NOTE 2 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 230, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable, or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE 3 INDIRECT COST RATE

The Organization has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 SCHEDULE OF EXPENDITURES BY COST CATEGORY – CAL OES GRANTS

This schedule presents the Organization's expenditures and matching for each award received from Cal OES. It is presented on the accrual basis of accounting.



**INDEPENDENT AUDITORS' 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***

Board of Directors
House of Ruth
Claremont, California

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 of America, the financial statements of House of Ruth, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statement 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 October 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 the Organization'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 test 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
October 14, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
House of Ruth
Claremont, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of House of Ruth, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and terms and conditions of federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

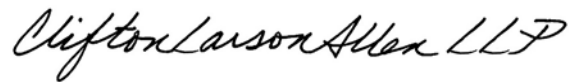
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
October 14, 2019

**HOUSE OF RUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)

16.575

Name of Federal Program or Cluster

Crime Victim Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

HOUSE OF RUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings

Our audit did not disclose any findings and questioned costs related to the basic financial statements.

Section III – Findings and Questioned Costs – Major Federal Programs

FINDING 2019-001 – Crime Victim Assistance

Federal agency: US Department of Justice

Federal program title: Crime Victim Assistance

CFDA Number: 16.575

Pass-Through Agency: California Governor's Office of Emergency Services

Pass-Through Number(s): N/A

Award Period: various from 10/1/2017 – 3/31/2020

Type of Finding: Significant deficiency in internal control over compliance; other matters

Criteria or specified requirement: Under federal guidelines 2 CFR 220 documentation requirements for time and effort distribution require after-the-fact determination to account for total activity of employees.

Condition/ Context: Of the 11 sampled payroll transactions tested, 1 transaction was for a total of 5 relief advocate employees who did not have timecards showing the allocation of their time by program/grant. This was a systemic problem since all relief advocate timecards were missing this allocation.

Questioned Costs: \$3,231 of relief advocate employee costs charged to this grant during the period tested and \$51,055 of total relief advocate time charged to this grant during the fiscal year.

Cause: The Organization believed an allocation of relief advocate's time could be made based on their expected work schedules so program allocations were not included in their time sheets.

Effect: The Organization is not in compliance with 2 CFR 220 documentation requirements.

Identification of repeat finding: No

Recommendation: We recommend the Organization add program allocations to relief advocate timesheets to support the time charged to each grant.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. Timesheets for all relief advocate employees will include an allocation of the time spent for each grant to comply with 2 CFR 220 documentation requirements.

**HOUSE OF RUTH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (UNAUDITED)
YEAR ENDED JUNE 30, 2019**

FINDINGS—FINANCIAL STATEMENT AUDIT

FINDING 2018-001 – Grant Revenue

Criteria: Grant revenue should be recognized on a reimbursement or fee for service basis depending on the specifications in the grant award.

Condition / Context: Revenue was recognized in a prior year based on reimbursement basis instead of fee for service basis. This was not identified until the current year.

Cause: A change in the basis from reimbursement to fee for service occurred in a previous award.

Effect: Revenue and accounts receivable was overstated in the previous year resulting in a restatement of net assets in the current year.

Identification of repeat finding: Not a repeat finding.

Recommendation: The Organization should implement additional review processes to ensure grant revenue is recognized according to the terms of the specific contracts.

Status: Implemented

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

There were no federal award program audit findings in the prior year.

**HOUSE OF RUTH, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

The findings from the schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS: SIGNIFICANT DEFICIENCY

2019-001 Crime Victim Assistance – CFDA No. 16.575

Recommendation: We recommend the Organization add program allocations to relief advocate timesheets to support the time charged to each grant.

Disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Allocations have been added to Relief Staff Time Sheets.

Name(s) of the contact person(s) responsible for corrective action: Pat Bell, Executive Director (909-623-4364)

Planned completion date for corrective action plan: Effective payroll period 7/26/2019.