

HOUSE OF RUTH, INC.
REPORT OF INDEPENDENT AUDITOR
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
June 30, 2016



HOUSE OF RUTH, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
House of Ruth, Inc.
Claremont, CA

Report on the Financial Statements

We have audited the accompanying financial statements of House of Ruth, Inc. (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2016, 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.

Auditor's 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. 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 auditor's 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.

To the Board of Directors
House of Ruth, Inc.

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, Inc. as of June 30, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 accompanying financial information identified as supplementary information, including the schedule of expenditures of federal awards, is presented for purposes of additional analysis 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), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

To the Board of Directors
House of Ruth, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2016, 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 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 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.

A handwritten signature in black ink that reads "Vicenti Lloyd + Stutzman LLP". The signature is written in a cursive, flowing style.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
September 9, 2016

HOUSE OF RUTH, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Comparative Totals for June 30, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 849,549	\$ 641,341
Investments, at fair value (Note 4)	639,009	1,127,007
Accounts receivable (Note 3)	490,560	424,259
In-kind lease value receivable, current (Note 8)	140,316	140,316
Prepaid expenses and deposits	6,648	7,948
Total current assets	<u>2,126,082</u>	<u>2,340,871</u>
Long-Term Assets:		
In-kind lease value receivable, long-term (Note 8)	-	140,316
Net property, plant, and equipment (Note 5)	<u>2,709,666</u>	<u>2,813,027</u>
Total long-term assets	<u>2,709,666</u>	<u>2,953,343</u>
Total assets	<u>\$ 4,835,748</u>	<u>\$ 5,294,214</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 8,344	\$ 11,029
Accrued expenses	166,870	131,243
Deferred revenue	-	9,461
Total current liabilities	<u>175,214</u>	<u>151,733</u>
Long-Term Liabilities:		
Conditional grants (Note 6)	318,500	318,500
Security liens (Note 6)	<u>1,125,774</u>	<u>1,725,774</u>
Total long-term liabilities	<u>1,444,274</u>	<u>2,044,274</u>
Total liabilities	<u>1,619,488</u>	<u>2,196,007</u>
NET ASSETS		
Unrestricted:		
General unrestricted net assets	966,447	1,136,534
Net assets related to property, plant, and equipment	<u>1,265,392</u>	<u>768,753</u>
Total unrestricted net assets	<u>2,231,839</u>	<u>1,905,287</u>
Temporarily restricted net assets:		
Robert W. Lowrie temporarily restricted quasi-endowment	405,927	401,845
Other temporarily restricted net assets	<u>578,494</u>	<u>791,075</u>
Total temporarily restricted net assets	<u>984,421</u>	<u>1,192,920</u>
Total net assets	<u>3,216,260</u>	<u>3,098,207</u>
Total liabilities and net assets	<u>\$ 4,835,748</u>	<u>\$ 5,294,214</u>

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

HOUSE OF RUTH, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

		Temporarily		
	Unrestricted	Restricted	2016	2015
Public support				
Contributions	\$ 145,449	\$ -	\$ 145,449	\$ 227,240
Foundations	169,541	-	169,541	405,556
Federal grants	1,526,338	-	1,526,338	1,371,074
State and local government grants	422,188	-	422,188	414,190
United Way	17,500	-	17,500	19,000
Events (net of direct expenses)	94,770	-	94,770	93,934
In-kind contributions (Note 1)	29,213	-	29,213	40,794
Total public support	<u>2,404,999</u>	<u>-</u>	<u>2,404,999</u>	<u>2,571,788</u>
Other revenues				
Interest income	2,328	-	2,328	1,943
Investment return (Note 4)	1,351	4,082	5,433	692
Forgiveness of security lien (Note 6)	600,000	-	600,000	-
Other revenues	119,443	-	119,443	100,293
Net assets released from restrictions	212,581	(212,581)	-	-
Total other revenues	<u>935,703</u>	<u>(208,499)</u>	<u>727,204</u>	<u>102,928</u>
Total public support and other revenues	<u>3,340,702</u>	<u>(208,499)</u>	<u>3,132,203</u>	<u>2,674,716</u>
Expenses				
Program expenses	2,336,680	-	2,336,680	2,306,724
General and administrative	387,783	-	387,783	424,377
Fundraising	289,687	-	289,687	272,854
Total expenses	<u>3,014,150</u>	<u>-</u>	<u>3,014,150</u>	<u>3,003,955</u>
Change in net assets	326,552	(208,499)	118,053	(329,239)
Net assets at beginning of year	1,905,287	1,192,920	3,098,207	3,427,446
Net assets at end of year	<u><u>\$ 2,231,839</u></u>	<u><u>\$ 984,421</u></u>	<u><u>\$ 3,216,260</u></u>	<u><u>\$ 3,098,207</u></u>

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

HOUSE OF RUTH, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2016 With Comparative Totals for the Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	2016	2015
Salaries and wages	\$ 1,206,948	\$ 223,963	\$ 180,992	1,611,903	\$ 1,582,627
Pension expense	11,560	2,158	1,695	15,413	16,894
Other employee benefits	314,931	58,787	46,190	419,908	449,192
Payroll taxes	97,072	18,726	14,624	130,422	129,639
Legal expenses	-	-	-	-	377
Accounting expenses	-	19,000	-	19,000	16,900
Consulting fees	10,947	9,611	1,061	21,619	9,147
Advertising and recruitment expenses	1,215	-	-	1,215	1,329
Telephone and internet	33,709	3,119	1,941	38,769	37,668
Printing and postage expenses	6,609	2,541	12,705	21,855	23,276
Equipment rental and maintenance	44,656	4,235	2,910	51,801	46,711
Occupancy expenses	308,686	10,285	6,402	325,373	325,683
Travel expenses	14,034	1,251	870	16,155	13,779
Conference and meeting expenses	784	200	296	1,280	9,344
Depreciation expense	95,111	5,750	2,500	103,361	104,923
Insurance expense	42,162	9,306	1,400	52,868	52,979
Office, household and program supplies	94,967	3,066	1,713	99,746	96,692
Client assistance: food, vouchers, etc.	39,862	-	-	39,862	41,262
Fundraising expenses	-	-	11,230	11,230	8,315
Membership dues	-	-	2,980	2,980	3,483
Equipment and furnishing expenses	8,336	-	-	8,336	17,691
Other expenses	<u>5,091</u>	<u>15,785</u>	<u>178</u>	<u>21,054</u>	<u>16,044</u>
Total 2016 functional expenses	<u>\$ 2,336,680</u>	<u>\$ 387,783</u>	<u>\$ 289,687</u>	<u>\$ 3,014,150</u>	
Total 2015 functional expenses	<u>\$ 2,306,724</u>	<u>\$ 424,377</u>	<u>\$ 272,854</u>		<u>\$ 3,003,955</u>

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

HOUSE OF RUTH, INC.

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2016 With Comparative Totals for the Year Ended June 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 118,053	\$ (329,239)
Adjustments to reconcile increase in net assets to net cash flows from operations:		
Depreciation	103,361	104,923
In-kind lease value receivable amortization	140,316	140,316
Net unrealized loss (gains) on investments	11,170	7,712
Foregiveness of security lien	(600,000)	-
(Increase) Decrease in operating assets:		
Accounts receivable	(66,301)	(57,361)
Prepaid expenses and deposits	1,300	1,572
(Decrease) Increase in operating liabilities:		
Accounts payable	(2,685)	(12,988)
Accrued expenses	35,627	49,646
Deferred revenue	(9,461)	6,016
Net cash flows from operating activities	<u>(268,620)</u>	<u>(89,403)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(9,279)
Proceeds from sale of investments	485,000	1,489,000
Purchase of investments	<u>(8,172)</u>	<u>(1,371,137)</u>
Net cash flows from investing activities	<u>476,828</u>	<u>108,584</u>
Net increase (decrease) in cash and cash equivalents	208,208	19,181
Cash and cash equivalents at beginning of year	<u>641,341</u>	<u>622,160</u>
Cash and cash equivalents at end of year	<u><u>\$ 849,549</u></u>	<u><u>\$ 641,341</u></u>

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

HOUSE OF RUTH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

House of Ruth, Inc.'s (the Organization) mission is to advocate for and assist women victimized by domestic violence and children exposed to violence in transforming their lives by providing culturally competent shelter, programs, opportunities and education; and to contribute to social change through intervention, education, prevention programs and community awareness.

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

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of June 30, 2016 and 2015 the Organization had the following in temporarily restricted net assets:

	2016	2015
Robert W. Lowrie temporarily restricted quasi-endowment fund	\$ 405,927	\$ 401,845
Robert W. Lowrie - non-endowment	354,843	360,443
In-kind lease value - Randall	49,476	87,384
In-kind lease value - Olive	90,840	193,248
Rose Hills Foundation	-	50,000
Ahmanson Foundation	83,335	100,000
Total temporarily restricted net assets	<u>\$ 984,421</u>	<u>\$ 1,192,920</u>

HOUSE OF RUTH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

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.

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.

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.

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.

The Organization files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three to four years, respectively.

HOUSE OF RUTH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Contributed Supplies, Property and Services

Contributed supplies and property given to the Organization over \$10,000, annually, are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. The Organization recorded \$29,213 for donated goods for shelter use for the year ended June 30, 2016 and \$40,794 for the year ended June 30, 2015. 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.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. For contributions whose restrictions are met within one year, the Organization has elected to classify those contributions as unrestricted.

Subsequent Events

All events subsequent to the statement of financial position date of June 30, 2016 through September 9, 2016 which is the date these financial statements were available to be issued, have been evaluated in accordance with generally accepted accounting principles.

HOUSE OF RUTH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE 2 – 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, 2016 and 2015.

NOTE 3 – 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 4 – INVESTMENTS:

In accordance with FASB *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, levels 1 through 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.

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

NOTE 4 – INVESTMENTS: (continued)

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

	<u>Fair Market Value</u>	
	<u>2016</u>	<u>2015</u>
Certificates of deposit (Level 1)	\$ -	\$ 484,765
Mutual Funds (Level 1)	251,188	249,501
Quasi-endowment investments:		
Mutual funds and ETFs (Level 1)	<u>387,821</u>	<u>392,741</u>
Totals	<u>\$ 639,009</u>	<u>\$ 1,127,007</u>

Investment return is composed of the following:

	<u>2016</u>	<u>2015</u>
Dividends	\$ 16,603	\$ 8,404
Net unrealized loss	<u>(11,170)</u>	<u>(7,712)</u>
Total investment return	<u>\$ 5,433</u>	<u>\$ 692</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 temporarily 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.

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 market value.

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2016 With Comparative Totals for the Year Ended June 30, 2015

NOTE 4 – INVESTMENTS: (continued)

Quasi-Endowment (continued)

For the fiscal years ended June 30, 2016 and 2015, endowment fund performance was as follows:

	2016	2015
Quasi-endowment net assets, beginning of year	\$ 401,845	\$ 400,000
Investment gain, net		
Interest and dividends	10,144	8,406
Net appreciation		
Unrealized gains (losses)	(6,062)	(6,561)
Quasi-endowment net assets, end of year	<u>\$ 405,927</u>	<u>\$ 401,845</u>

As of June 30, 2016 the Quasi-Endowment was comprised of the following:

Cash and cash equivalents	\$ 18,106
Mutual funds and ETFs	<u>387,821</u>
Total Quasi-Endowment	<u>\$ 405,927</u>

NOTE 5 – 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. At June 30, 2016 and 2015 the costs and accumulated depreciation were as follows:

	2016	2015
Nondepreciable assets:		
Land	<u>\$ 450,000</u>	<u>\$ 450,000</u>
Depreciable assets:		
Buildings & improvements	3,248,533	3,248,533
Furniture & equipment	462,103	462,103
Vehicle	<u>28,449</u>	<u>28,449</u>
Total depreciable assets	<u>3,739,085</u>	<u>3,739,085</u>
Total land, buildings, and equipment	4,189,085	4,189,085
Less: accumulated depreciation	<u>(1,479,419)</u>	<u>(1,376,058)</u>
Total Net Book Value	<u>\$ 2,709,666</u>	<u>\$ 2,813,027</u>

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT: (continued)

Depreciation expense for the years ended June 30, 2016 and 2015 was \$103,361 and \$104,923, respectively.

NOTE 6 – 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, 2016 and 2015, 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, 2016 and 2015 was \$318,000.

A security lien was held by The Federal Home Loan Bank of San Francisco for financing affordable housing. The project was awarded to finance the rehabilitation of real property purchased in 1999. The Organization agreed to use the property to provide affordable housing through the maturity date in December 2015. Repayment of principal and interest was only required if the was not used in compliance with terms of Affordable Housing Program Agreement. During the year ended June 30, 2016, the full balance of \$600,000 was forgiven.

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

NOTE 6 – LONG-TERM DEBT: (continued)

Security Liens (continued)

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 7 years. Interest is charged at 3% per annum, and the loan matures in February 2019, 7 years after construction was completed. 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, 2016 and 2015 was \$807,774.

	<u>2016</u>	<u>2015</u>
Total security liens as of June 30, 2016 and 2015	<u>\$ 1,125,774</u>	<u>\$ 1,725,774</u>

NOTE 7 – 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, 2016 and 2015 was \$15,413 and \$16,894, respectively.

NOTE 8 – 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 expire in June 2017. In accordance with applicable accounting standards, the Organization estimated and recognized the fair market lease value of \$444,334 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, 2016, \$140,316 was amortized as lease expense for these leases. As of June 30, 2016, the remaining unamortized in-kind lease receivable was \$140,316.

HOUSE OF RUTH, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

NOTE 9 – 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.

SUPPLEMENTARY INFORMATION

HOUSE OF RUTH, INC.

**SCHEDULE OF STATE AND LOCAL GOVERNMENT GRANTS
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015**

	<u>2016</u>	<u>2015</u>
City of Montclair	\$ 1,000	\$ 1,000
California Emergency Management Agency Law Enforcement and Victims Services Division	215,019	220,682
Los Angeles County Domestic Violence	131,034	138,964
San Bernardino County Domestic Violence	42,000	34,286
San Bernardino County Children and Family Services	33,135	18,695
Tri-City Mental Health Center Mental Health Services Act	<u>-</u>	<u>563</u>
Total State and Local Grants	<u>\$ 422,188</u>	<u>\$ 414,190</u>

See independent auditor's report and notes to the supplementary information.

HOUSE OF RUTH, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2016 With Comparative Totals for the Year Ended June 30, 2015

Federal Grant or Pass-Through Grant or Program or Cluster Title	Federal CFDA Number	Pass - Through Entity Identifying Number	2016	2015
			Federal Expenditures	Federal Expenditures
Office of Justice				
<i>Pass through from California Office of Emergency Services:</i>				
Children's Section				
AT 15011256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	\$ 188,890	\$ 82,313
AT 14111256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	55,930	214,425
Total Children's Section			244,820	296,738
Total Office of Justice			244,820	296,738
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	5,000	5,000
City of Pomona	14.218	N/A	7,500	6,438
City of Rancho Cucamonga	14.218	N/A	6,000	5,700
Emergency Shelter Grants				
City of Pomona	14.231	N/A	15,000	16,719
City of Ontario	14.231	N/A	12,600	12,600
Continuum of Care				
Los Angeles Homeless Services Authority HUD 1	14.267	N/A	188,742	26,023
Los Angeles Homeless Services Authority HUD 2	14.267	N/A	23,637	107,532
Total U.S. Department of Housing and Urban Development			268,479	190,012
U.S. Department of Homeland Security				
Emergency Food and Shelter Program				
Los Angeles County	97.024	N/A	-	16,000
San Bernardino County	97.024	N/A	7,392	13,745
Total U.S. Department of Homeland Security			7,392	29,745
U.S. Department of Health and Human Services				
<i>Pass through from California Office of Emergency Services:</i>				
Domestic Violence Shelter and Supportive Services				
DV 14281256 - Domestic Violence Shelter and Supportive Services	93.671	18230	-	203,646
DV 15291256 - Domestic Violence Shelter and Supportive Services	93.671	18230	275,277	-
Family Violence Prevention and Services				
FV 15021256 - Family Violence Prevention & Services	93.671	18201	96,350	-
FV 14011256 - Family Violence Prevention & Services	93.671	18201	-	25,000
<i>Pass through from TELACU:</i>				
Healthy Marriage Promotion and Responsible Fatherhood Grants				
90FE0056 - Healthy Marriage Demonstration Grant - Priority Area #2	93.086	N/A	3,914	5,224
<i>Temporary Assistance to Needy Families (TANF)</i>				
CalWORKs - Los Angeles County	93.558	N/A	360,327	366,804
CalWORKs - San Bernardino County	93.558	N/A	217,931	217,931
Total U.S. Department of Health and Human Services			953,799	818,605
U.S. Department of Agriculture Food and Nutrition Service				
<i>State of California Department of Education</i>				
Child and Adult Care Food Program	10.558	N/A	51,848	35,974
Total U.S. Department of Agriculture Food and Nutrition Service			51,848	35,974
Total Federal Grants			\$ 1,526,338	\$ 1,371,074

See independent auditor's report and notes to the supplementary information.

HOUSE OF RUTH, INC.

SCHEDULE OF EXPENDITURES BY COST CATEGORY – CAL OES GRANTS
For the Year Ended June 30, 2016
With Comparative Totals for the Year Ended June 30, 2015

<u>Grant Identification Number</u>	<u>Federal</u>	<u>Federal Match</u>	<u>State</u>	<u>State Match</u>	<u>Local Match</u>	<u>Total Expenditures</u>
Fiscal 2016:						
DV 15291256						
Personal Services	\$ 265,917		\$ 86,297		\$ -	\$ 352,214
Operating Expenses	<u>9,360</u>	<u>-</u>	<u>113,722</u>	<u>20,002</u>	<u>-</u>	<u>143,084</u>
	<u>\$ 275,277</u>	<u>\$ -</u>	<u>\$ 200,019</u>	<u>\$ 20,002</u>	<u>\$ -</u>	<u>\$ 495,298</u>
AT 15011256						
Personal Services	\$ 180,179	\$ 11,842	\$ -	\$ -	\$ -	\$ 192,021
Operating Expenses	<u>8,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,711</u>
	<u>\$ 188,890</u>	<u>\$ 11,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,732</u>
AT 114111256						
Personal Services	\$ 55,083	\$ 14,229	\$ -	\$ -	\$ -	\$ 69,312
Operating Expenses	<u>847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847</u>
	<u>\$ 55,930</u>	<u>\$ 14,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,159</u>
FV 15021256						
Personal Services	\$ 57,453	\$ 6,250	\$ 5,964	\$ 1,500	\$ -	\$ 71,167
Operating Expenses	<u>38,897</u>	<u>-</u>	<u>9,036</u>	<u>-</u>	<u>-</u>	<u>47,933</u>
	<u>\$ 96,350</u>	<u>\$ 6,250</u>	<u>\$ 15,000</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 119,100</u>
Fiscal 2015:						
DV 14281256						
Personal Services	\$ 209,309	\$ 52,328	\$ 98,189	\$ 10,592	\$ -	\$ 370,418
Operating Expenses	<u>-</u>	<u>-</u>	<u>49,502</u>	<u>9,410</u>	<u>-</u>	<u>58,912</u>
	<u>\$ 209,309</u>	<u>\$ 52,328</u>	<u>\$ 147,691</u>	<u>\$ 20,002</u>	<u>\$ -</u>	<u>\$ 429,330</u>
AT 114111256						
Personal Services	\$ 209,298	\$ 14,229	\$ -	\$ -	\$ -	\$ 223,527
Operating Expenses	<u>5,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,128</u>
	<u>\$ 214,426</u>	<u>\$ 14,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,655</u>
AT 13101256						
Personal Services	\$ 79,883	\$ -	\$ -	\$ -	\$ -	\$ 79,883
Operating Expenses	<u>2,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,431</u>
	<u>\$ 82,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,314</u>
FV 14011256						
Personal Services	\$ 25,000	\$ 6,250	\$ 7,554	\$ 1,500	\$ -	\$ 40,304
Operating Expenses	<u>-</u>	<u>-</u>	<u>7,446</u>	<u>-</u>	<u>-</u>	<u>7,446</u>
	<u>\$ 25,000</u>	<u>\$ 6,250</u>	<u>\$ 15,000</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 47,750</u>

See independent auditor's report and notes to the supplementary information.

HOUSE OF RUTH, INC.

**NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016**

NOTE 1 – BASIS OF PRESENTATION

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.

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, 2016. 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 Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

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

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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

House of Ruth, Inc.
Claremont, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of House of Ruth, Inc. (the Organization), a non-profit organization, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated September 9, 2016.

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 control. 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. 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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
September 9, 2016

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

House of Ruth, Inc.
Claremont, CA

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, 2016. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor 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; 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.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

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, 2016.

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, material weaknesses may exist that have not been identified.

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

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 black ink that reads "Vicenti, Lloyd & Stutzman LLP". The signature is written in a cursive, flowing style.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
September 9, 2016

HOUSE OF RUTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of Major Federal Programs:

CFDA Number(s) Name of Federal Program or Cluster

93.671 Domestic Violence Assistance Program

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, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

Sections II & III: Financial Statement and Federal Award Findings and Questioned Costs

There were no findings and questioned costs related to the basic financial statements nor were there any findings or questioned costs related to federal awards.

HOUSE OF RUTH, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2016

There were no prior year findings and questioned costs related to the basic financial statements nor were there any prior year findings or questioned costs related to federal awards.