

HOUSE OF RUTH
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEAR ENDED JUNE 30, 2020
**(WITH SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED JUNE 30, 2019)**



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**HOUSE OF RUTH
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YEAR ENDED JUNE 30, 2020**

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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, 2020, 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.

HOUSE OF RUTH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 March 1, 2021, 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
March 1, 2021

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,101,341	\$ 596,913
Investments - Fair Value	486,995	738,393
Accounts Receivable	515,904	781,562
Pledges Receivable, Current	275,000	53,087
Prepaid Expenses and Deposits	2,843	1,288
Total Current Assets	<u>2,382,083</u>	<u>2,171,243</u>
LONG-TERM ASSETS		
Investments - Fair Value	250,000	-
Pledges Receivable	339,637	-
Net Property, Plant, and Equipment	2,453,145	2,512,812
Total Long-Term Assets	<u>3,042,782</u>	<u>2,512,812</u>
Total Assets	<u>\$ 5,424,865</u>	<u>\$ 4,684,055</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 89,402	\$ 40,225
Accrued Expenses	351,129	244,196
Security Liens	-	807,774
Notes Payable, Current	104,586	-
Total Current Liabilities	<u>545,117</u>	<u>1,092,195</u>
LONG-TERM LIABILITIES		
Conditional Grants	318,500	318,500
Security Liens	318,000	318,000
Notes Payable	348,246	-
Total Long-Term Liabilities	<u>984,746</u>	<u>636,500</u>
Total Liabilities	1,529,863	1,728,695
NET ASSETS		
Net Assets Without Donor Restriction:		
General Net Assets Without Donor Restriction	620,919	1,184,091
Net Assets Related to Property, Plant, and Equipment	1,816,645	1,068,538
Total Net Assets Without Donor Restriction	<u>2,437,564</u>	<u>2,252,629</u>
Net Assets With Donor Restrictions:		
Robert W. Lowne Donor Restricted Quasi-Endowment	486,995	474,201
Other Net Assets With Donor Restriction	970,443	228,530
Total Net Assets With Donor Restriction	<u>1,457,438</u>	<u>702,731</u>
Total Net Assets	<u>3,895,002</u>	<u>2,955,360</u>
Total Liabilities and Net Assets	<u>\$ 5,424,865</u>	<u>\$ 4,684,055</u>

See accompanying Notes to Financial Statements.

**HOUSE OF RUTH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2019)**

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
PUBLIC SUPPORT AND OTHER REVENUES				
PUBLIC SUPPORT				
Contributions	\$ 310,520	\$ -	\$ 310,520	\$ 244,331
Foundations	467,028	775,000	1,242,028	294,500
Federal Grants	1,831,867	-	1,831,867	1,881,092
State and Local Government Grants	562,826	-	562,826	541,398
United Way	-	-	-	25,000
Events (Net of Direct Expenses)	67,652	-	67,652	184,282
In-Kind Contributions	14,661	-	14,661	18,499
Total Public Support	3,254,554	775,000	4,029,554	3,189,102
OTHER REVENUES				
Interest and Dividend Income	5,552	8,500	14,052	17,679
Unrealized Gain on Investments	1,375	4,294	5,669	18,358
Loan Forgiveness	807,774	-	807,774	-
Other Revenues	348,031	-	348,031	81,478
Net Assets Released from Restrictions	33,087	(33,087)	-	-
Total Other Revenues	1,195,819	(20,293)	1,175,526	117,515
Total Public Support and Other Revenues	4,450,373	754,707	5,205,080	3,306,617
EXPENSES				
Program Services	3,335,865	-	3,335,865	2,790,911
General and Administrative	536,142	-	536,142	615,756
Fund Raising	393,431	-	393,431	232,148
Total Expenses	4,265,438	-	4,265,438	3,638,815
CHANGE IN NET ASSETS	184,935	754,707	939,642	(332,198)
Net Assets - Beginning of Year	2,252,629	702,731	2,955,360	3,287,558
NET ASSETS - END OF YEAR	<u>\$ 2,437,564</u>	<u>\$ 1,457,438</u>	<u>\$ 3,895,002</u>	<u>\$ 2,955,360</u>

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2019)

	Program Services							Management and General	Fundraising	2020 Total	2019 Total
	Residential Emergency and Transitional Shelter Programs	Community Services	Prevention Education	Counseling Services for Adults and Children	Housing Services	Volunteer	Total Programs				
Salaries and Wages	\$ 812,448	\$ 362,601	\$ 105,197	\$ 309,265	\$ 223,143	\$ 48,625	\$ 1,861,279	\$ 264,710	\$ 264,035	\$ 2,390,024	\$ 1,888,170
Other Employee Benefits	120,095	53,599	15,549	45,715	32,985	7,188	275,131	39,129	39,029	353,289	302,779
Payroll Taxes	61,948	27,487	7,978	23,444	16,915	2,087	139,859	20,093	20,017	179,969	150,698
Legal Expenses	-	-	-	-	-	-	-	927	-	927	11,778
Accounting Expenses	4,119	1,376	350	1,029	718	142	7,734	11,781	4,357	23,872	20,682
Fees for Service	7,889	1,219	60	318	110	-	9,596	29,248	17,598	56,442	79,647
Advertising and Recruitment Expenses	-	-	-	-	-	-	-	24,387	-	24,387	4,852
Telephone and Internet	17,559	8,748	2,681	6,443	7,462	1,012	43,905	5,783	5,500	55,188	44,159
Information Technology	11,982	5,348	1,552	4,561	3,291	717	27,451	3,904	3,894	35,249	-
Equipment Rental and Maintenance	3,907	1,887	15	45	32	7	5,893	7,143	38	13,074	67,836
Occupancy Expenses	66,316	23,238	2,553	7,506	292,728	1,180	393,521	36,204	6,408	436,133	349,396
Travel Expenses	-	-	-	-	-	-	-	-	-	-	25,293
Conferences and Meeting Expenses	5,245	9,236	2,170	3,950	3,936	164	24,701	7,723	4,443	36,867	14,723
Depreciation Expense	32,577	14,539	4,219	12,401	8,947	1,950	74,633	10,614	10,587	95,834	94,415
Insurance Expense	22,568	7,908	869	2,554	12,275	402	46,576	12,321	2,181	61,078	55,440
Supplies	56,837	10,181	1,244	902	4,197	1,571	74,932	23,144	4,251	102,327	71,821
Client Assistance: Food, Vouchers, etc.	49,806	645	-	277	148,217	-	198,945	-	141	199,086	213,083
Fundraising Expenses	-	-	-	-	-	-	-	-	2,159	2,159	6,455
Equipment and Furnishing Expenses	-	-	-	-	-	-	-	-	-	-	16,764
Maintenance and Repairs	66,669	28,426	148	436	40,294	68	136,041	625	372	137,038	141,914
Other Expenses	6,677	3,152	824	2,728	1,906	381	15,668	38,406	10,580	64,654	85,365
Subtotal 2020 Functional Expenses	1,346,642	559,590	145,409	421,574	797,156	65,494	3,335,865	536,142	395,590	4,267,597	3,645,270
Less: Special Event Expenses	-	-	-	-	-	-	-	-	(2,159)	(2,159)	(6,455)
Total 2020 Functional Expenses	<u>\$ 1,346,642</u>	<u>\$ 559,590</u>	<u>\$ 145,409</u>	<u>\$ 421,574</u>	<u>\$ 797,156</u>	<u>\$ 65,494</u>	<u>\$ 3,335,865</u>	<u>\$ 536,142</u>	<u>\$ 393,431</u>	<u>\$ 4,265,438</u>	
Total 2019 Functional Expenses							<u>\$ 2,790,911</u>	<u>\$ 615,756</u>	<u>\$ 232,148</u>		<u>\$ 3,638,815</u>

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 939,642	\$ (332,198)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	95,834	94,415
In-Kind Lease Value Contribution	-	200,760
Net Realized and Unrealized Gains on Investments	(19,721)	(18,358)
Forgiveness of Security Lien	(807,774)	-
(Increase) Decrease in Operating Assets:		
Accounts Receivable	265,658	(167,964)
Pledges Receivable	(561,550)	50,250
Prepaid Expenses and Deposits	(1,555)	1,662
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	49,177	24,779
Accrued Expenses	106,933	13,230
Net Cash Provided (Used) by Operating Activities	66,644	(133,424)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant, and Equipment	(36,167)	(85,557)
Proceeds from Sales of Investments	270,477	150,000
Purchases of Investments	(249,358)	(115,733)
Net Cash Used by Investing Activities	(15,048)	(51,290)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Debt	452,832	-
Net Cash Provided by Financing Activities	452,832	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	504,428	(184,714)
Cash and Cash Equivalents, Beginning of Year	596,913	781,627
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,101,341	\$ 596,913

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

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 restricted revenue when received and released from restrictions when the assets are placed in service.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

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.

Revenue Recognition

Government contracts are conditional and recognized 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.

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 (those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. See Note 7 for conditional grant information.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. As of June 30, 2020, the Organization has conditional grants of \$951,140.

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 \$14,661 for donated goods for shelter use for the year ended June 30, 2020 and \$18,499 for the year ended June 30, 2019. 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.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Organization. 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, 2019, 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. 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

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenues from Contracts with Customers (Topic 606). The update establishes the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The Organization has early adopted the implementation of ASU 2014-09 under the full retrospective approach. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

The Organization has implemented ASU 2018-08 under the modified prospective approach. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

Subsequent Events

All events subsequent to the statement of financial position date of June 30, 2020 through March 1, 2021, 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, 2020:

Cash and Cash Equivalents	\$ 1,101,341
Investments - Fair Value	486,995
Accounts Receivable	515,904
Pledges Receivable, Current	275,000
Less: Net Assets with Donor Restriction	<u>(1,457,438)</u>
Financial Assets Available for General Expenditure	<u><u>\$ 921,802</u></u>

As part of its liquidity management plan, the Organization monitors liquidity required and cash flows to meet operating needs on a monthly basis. The Organization structures its financial assets to be available as general expenditures, liabilities and other obligations come due and the Organization invests cash in excess of daily requirements in short term investments, CDs, and money market accounts.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts at various institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, cash in these accounts exceeds the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

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	
	2020	2019
Mutual Funds - Level 1	\$ -	\$ 264,192
Quasi-Endowment Investments:		
Mutual Funds and ETF's - Level 1	486,995	474,201
Certificate of Deposit - Level 2	250,000	-
Total Fair Market Value	<u>\$ 736,995</u>	<u>\$ 738,393</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 31 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 fair value.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 5 INVESTMENTS (CONTINUED)

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

	2020	2019
Quasi-Endowment Net Assets - Beginning of Year	\$ 474,201	\$ 449,387
Investment Gain, Net:		
Interest and Dividends	8,500	9,493
Net Appreciation:		
Unrealized Gain	4,294	15,321
Quasi-Endowment Net Assets - End of Year	<u>\$ 486,995</u>	<u>\$ 474,201</u>

As of June 30, 2020 the Quasi-Endowment was comprised of the following.

	2020
Cash and Cash Equivalents	\$ 78,488
Mutual Funds and ETF's	408,507
Total Quasi-Endowment	<u>\$ 486,995</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, the costs and accumulated depreciation were as follows:

	2020	2019
Nondepreciable Assets:		
Land	<u>\$ 450,000</u>	<u>\$ 450,000</u>
Depreciable Assets:		
Buildings and Improvements	\$ 3,329,993	\$ 3,308,296
Furniture and Equipment	376,818	362,348
Vehicle	28,449	28,449
Total Depreciable Assets	<u>3,735,260</u>	<u>3,699,093</u>
Total Property, Plant, and Equipment	<u>4,185,260</u>	<u>4,149,093</u>
Less: Accumulated Depreciation	<u>(1,732,115)</u>	<u>(1,636,281)</u>
Property, Plant, and Equipment, Net	<u>\$ 2,453,145</u>	<u>\$ 2,512,812</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$95,834 and \$94,415, respectively.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

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, 2020 and 2019, 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, 2020 and 2019 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. As of June 30, 2020 the Organization received full reconveyance on this security lien of \$807,744. The balance as of June 30, 2020 and 2019 was \$-0- and \$807,774, respectively.

	2020	2019
Total Security Liens	<u>\$ 318,000</u>	<u>\$ 1,125,774</u>

Notes Payable

On April 18, 2020 the Organization received a loan from Banner Bank in the amount of \$452,832 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 7 LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in April 2021 principal and interest payments will be required through the maturity date in April 2022.

Future maturities under notes payable are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 104,586
2022	348,246
Total	<u>\$ 452,832</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTION

As of June 30, 2020 and 2019 the Organization had the following net assets with donor restriction:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Robert W. Lowrie Donor Restricted		
Quasi-Endowment Fund	\$ 486,995	\$ 474,201
Robert W. Lowrie - Nonendowment	195,443	195,443
Eisner Foundation	125,000	-
Ontario Community Foundation	-	20,000
Sisters of St. Joseph	-	10,000
Total	<u>807,438</u>	<u>699,644</u>
Subject to the Passage of Time:		
Winnifred Stevens Foundation	75,000	-
Rose Hills Foundation	75,000	-
Satterberg Foundation	500,000	3,087
Total	<u>650,000</u>	<u>3,087</u>
Total Net Assets With Donor Restriction	<u>\$ 1,457,438</u>	<u>\$ 702,731</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Subject to Specific Purpose	\$ 30,000	\$ 271,500
Subject to Passage of Time	3,087	301,010
Total	<u>\$ 33,087</u>	<u>\$ 572,510</u>

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 9 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, 2020 and 2019 was \$-0- and \$-0-, respectively.

NOTE 10 IN-KIND CONTRIBUTION

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. No additional extension has been executed and 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 \$256,660 as an in-kind lease revenue and expense in the year ended June 30, 2020.

NOTE 11 PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Organization. Pledges which will not be received are discounted using an estimated rate of return of 3%, which could be earned if such contributions had been made in the current year. The Organization considers pledges receivable fully collectible; accordingly, no allowance for uncollectible pledges has been established. At June 30, 2020, the Organization had pledges receivable to be received in the following periods:

In One Year or Less	\$ 275,000
Between One and Five Years	375,000
Less: Discount to Net Present Value	<u>(35,363)</u>
Net Pledges Receivable	<u><u>\$ 614,637</u></u>

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, other employee benefits, payroll taxes, accounting expenses, fees for services, telephone and internet, information technology, equipment rental and maintenance, occupancy, conferences and meeting expenses, depreciation, insurance, supplies, client assistance, maintenance and repairs, and other expenses, which are allocated on the basis of estimates of time and effort.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

NOTE 13 CONTINGENCIES, RISKS AND UNCERTAINTIES

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.

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

The Organization is subject to certain claims that arise out of the normal course of business. The outcomes of these claims are currently unknown; therefore, no estimation of losses can be made at this time.

HOUSE OF RUTH
SCHEDULE OF STATE AND LOCAL GOVERNMENT GRANTS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2019)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

	<u>2020</u>	<u>2019</u>
California Emergency Management Agency: Law Enforcement and Victims Services Division	\$ 367,541	\$ 227,945
Los Angeles County: Domestic Violence	-	249,579
San Bernardino County: Domestic Violence	-	42,000
Homeless Emergency Aid Program (HEAP)	108,055	-
San Bernardino County: Children and Family Services	24,135	21,874
Volunteers of America of Los Angeles (VOALA): Case Management Services	<u>63,095</u>	<u>-</u>
Total State and Local Government Grants	<u><u>\$ 562,826</u></u>	<u><u>\$ 541,398</u></u>

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2019)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2020 Total Federal Expenditures	2019 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	18406	\$ -	\$ 55,142
AT 18031256 - Child Abuse Treatment (CHAT) Program	16.575	18407	64,878	117,414
AT 19051256 - Child Abuse Treatment (CHAT) Program	16.575	18408	230,407	-
Domestic Violence Shelter and Supportive Services:				
DV 17311256 - Domestic Violence Shelter and Supportive Services	16.575	18406	-	37,026
DV 18321256 - Domestic Violence Shelter and Supportive Services	16.575	18407	35,892	149,866
DV 19331256 - Domestic Violence Shelter and Supportive Services	16.575	18408	225,402	-
KU 18011256 Increased Access to Services Program	16.575	18407	125,690	2,298
Domestic Violence Housing Assistance (Housing First):				
KD 17011256 - Domestic Violence Housing Assistance	16.575	18230	157,549	341,360
XD 19021256 - Domestic Violence Housing Assistance	16.575	18230	83,798	-
Pass through from County of Los Angeles District Attorney:				
Sexual Assault Section:				
Victims of Crime Program (XC16010190)	16.575	N/A	-	120,817
Victims of Crime Program (XC19021256)	16.575	N/A	52,043	-
Total Crime Victim Assistance			<u>975,659</u>	<u>823,923</u>
Total U.S. Department of Justice			975,659	823,923
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	15,000	10,000
City of Pomona	14.218	N/A	7,539	5,500
City of Rancho Cucamonga	14.218	N/A	4,214	5,500
Total Community Development Block Grants			<u>36,753</u>	<u>31,000</u>
Emergency Shelter Grants:				
City of Ontario	14.231	N/A	5,289	12,600
Total Emergency Shelter Grants			<u>5,289</u>	<u>12,600</u>
Transitional Housing Project:				
Los Angeles Homeless Services Authority CA0515L9D001609	14.267	N/A	-	68,515
Los Angeles Homeless Services Authority CA0515L9D001710	14.267	N/A	-	193,446
Los Angeles Homeless Services Authority CA0515L9D01912	14.267	N/A	258,758	-
Total Transitional Housing Project			<u>258,758</u>	<u>261,961</u>
Total U.S. Department of Housing and Urban Development			300,800	305,561

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2019)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2020 Total Federal Expenditures	2019 Total Federal Expenditures
U.S. Department of Homeland Security				
Emergency Food and Shelter Program:				
Los Angeles County	97.024	N/A	\$ -	\$ 7,445
San Bernardino County	97.024	N/A	11,270	12,385
San Bernardino County (CARES)	97.024	N/A	6,825	-
Total U.S. Department of Homeland Security			18,095	19,830
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
DV 18321256 - Domestic Violence Shelter and Supportive Services	93.671	18230	-	137,806
Family Violence Prevention and Services:				
FV 18051256- Family Violence Prevention & Services	93.671	18201	-	110,000
Total Pass through from California Office of Emergency Services			-	287,500
Temporary Assistance to Needy Families (TANF):				
Pass through from Los Angeles County CalWORKs	93.558	N/A	238,988	196,465
Pass through from San Bernardino County CalWORKs	93.558	N/A	274,157	217,841
Total Temporary Assistance to Needy Families (TANF)			513,145	414,306
Total U.S. Department of Health and Human Services			513,145	701,806
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	24,168	29,972
Total U.S. Department of Agriculture Food and Nutrition Service			24,168	29,972
Total Federal Grants			\$ 1,831,867	\$ 1,881,092

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, 2020
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2019)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Grant Identification Number	Federal	Federal Match	State	State Match	Local Match	Total Expenditures
Fiscal 2020						
DV 18321256:						
Personal Services	\$ 26,641	\$ -	\$ 95,428	\$ -	\$ -	\$ 122,069
Operating Expenses	9,251	-	44,340	-	-	53,591
Total DV 18321256	<u>\$ 35,892</u>	<u>\$ -</u>	<u>\$ 139,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,660</u>
DV 19331256:						
Personal Services	\$ 214,949	\$ -	\$ 27,373	\$ -	\$ -	\$ 242,322
Operating Expenses	10,453	-	44,929	-	-	55,382
Total DV 19331256	<u>\$ 225,402</u>	<u>\$ -</u>	<u>\$ 72,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,704</u>
AT 18031256:						
Personal Services	\$ 52,352	\$ -	\$ -	\$ -	\$ -	\$ 52,352
Operating Expenses	12,526	3,910	-	-	-	16,436
Total AT 18031256	<u>\$ 64,878</u>	<u>\$ 3,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,788</u>
AT 19051256:						
Personal Services	\$ 201,831	\$ -	\$ -	\$ -	\$ -	\$ 201,831
Operating Expenses	28,576	6,534	-	-	-	35,110
Total AT 19051256	<u>\$ 230,407</u>	<u>\$ 6,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,941</u>
KU 18011256:						
Personal Services	\$ 61,882	\$ -	\$ -	\$ -	\$ -	\$ 61,882
Operating Expenses	63,808	20,964	-	-	-	84,772
Total KU 18011256	<u>\$ 125,690</u>	<u>\$ 20,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,654</u>
XD 19021256:						
Personal Services	\$ 60,064	\$ 443	\$ -	\$ -	\$ -	\$ 60,507
Operating Expenses	23,734	-	-	-	-	23,734
Total XD 19021256	<u>\$ 83,798</u>	<u>\$ 443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,241</u>
KD 17011256:						
Personal Services	\$ 75,310	\$ -	\$ -	\$ -	\$ -	\$ 75,310
Operating Expenses	82,239	-	-	-	-	82,239
Total KD 17011256	<u>\$ 157,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,549</u>
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>

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)
(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, 2020. 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, 2020, 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 March 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
March 1, 2021



**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, 2020. 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, 2020.

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 2020-001. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 2020-001 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
March 1, 2021

**HOUSE OF RUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (UNAUDITED)
YEAR ENDED JUNE 30, 2020**

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 2020-001 – 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): 18230

Award Period: 10/1/2017 – 12/31/2019

Type of Finding: Significant deficiency in internal control over compliance; reporting and cash management

Criteria or Specified Requirement: Under federal guidelines 2 CFR 220.327 each recipient must accurately report program outlays and program income on a cash or accrual basis, as prescribed by the federal awarding agency. Under federal guidelines 48 CFR the non-federal entity must request reimbursement for (a) only allocable, allowable, and reasonable contract costs that have already been paid, or (b) if the non-federal entity is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid (within 30 days of the request).

Condition/ Context: Of the 7 sampled financial reports 1 report was based on an estimate and not actual expenses which resulted in the over-reporting of \$20,048 of expenses.

Questioned Costs: \$20,048 of over-reported expenses.

Cause: The Organization incorrectly filed the report based on an estimate of expected expenses to close out the contract instead of actual expenses.

Effect: The Organization is not in compliance with 2 CFR 220.327 reporting requirements and 48 CFR cash management requirements.

Identification of Repeat Finding: No

Recommendation: We recommend the Organization ensure all reports are based on actual expenses incurred before reports are submitted.

Views of responsible officials and corrective actions: There is no disagreement with the audit finding. Reports will be compared to supporting documents before they are submitted.

