HOUSE OF RUTH, INC.

REPORT OF INDEPENDENT AUDITOR
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
June 30, 2017

House of Ruth

Assisting Families Victimized
by Domestic Violence

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, 2017, 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, 2017, 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

The 2016 financial statements were audited by Vicenti Lloyd & Stutzman, LLP, whose practice became part of CliftonLarsonAllen LLP as of June 1, 2017, and whose report dated September 9, 2016, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 October 11, 2017, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
October 11, 2017

HOUSE OF RUTH, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2017
With Comparative Totals for June 30, 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 759,806	$ 849,549
Investments, at fair value (Note 4)	626,195	639,009
Accounts receivable (Note 3)	508,801	490,560
Pledges receivable, current (Note 9)	101,652	-
In-kind lease value receivable, current (Note 8)	-	140,316
Prepaid expenses and deposits	6,354	6,648
Total current assets	2,002,808	2,126,082
Long-Term Assets:		
Pledges receivable (Note 9)	101,651	-
Net property, plant, and equipment (Note 5)	2,607,359	2,709,666
Total long-term assets	2,709,010	2,709,666
Total assets	**$ 4,711,818**	**$ 4,835,748**
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 18,311	$ 8,344
Accrued expenses	180,782	166,870
Deferred revenue	12,279	-
Total current liabilities	211,372	175,214
Long-Term Liabilities:		
Conditional grants (Note 6)	318,500	318,500
Security liens (Note 6)	1,125,774	1,125,774
Total long-term liabilities	1,444,274	1,444,274
Total liabilities	1,655,646	1,619,488
NET ASSETS		
Unrestricted:		
General unrestricted net assets	902,377	966,447
Net assets related to property, plant, and equipment	1,163,085	1,265,392
Total unrestricted net assets	2,167,113	2,231,839
Temporarily restricted net assets:		
Robert W. Lowrie temporarily restricted quasi-endowment	440,202	405,927
Other temporarily restricted net assets	448,857	578,494
Total temporarily restricted net assets	889,059	984,421
Total net assets	3,056,172	3,216,260
Total liabilities and net assets	**$ 4,711,818**	**$ 4,835,748**

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

HOUSE OF RUTH, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
With Comparative Totals for the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	2017	2016
Public support				
Contributions	$ 198,832	$ -	$ 198,832	$ 145,449
Foundations	224,651	203,303	427,954	169,541
Federal grants	1,488,420	-	1,488,420	1,526,338
State and local government grants	401,296	-	401,296	422,188
United Way	17,500	-	17,500	17,500
Events (net of direct expenses)	94,750	-	94,750	94,770
In-kind contributions (Note 1)	28,986	-	28,986	29,213
Total public support	2,454,435	203,303	2,657,738	2,404,999
Other revenues				
Interest income	645	-	645	2,328
Investment return (Note 4)	3,481	34,275	37,756	5,433
Forgiveness of security lien (Note 6)	-	-	-	600,000
Other revenues	101,559	-	101,559	119,443
Net assets released from restrictions	332,940	(332,940)	-	-
Total other revenues	438,625	(298,665)	139,960	727,204
Total public support and other revenues	2,893,060	(95,362)	2,797,698	3,132,203
Expenses				
Program expenses	2,371,741	-	2,371,741	2,336,680
General and administrative	335,880	-	335,880	387,783
Fundraising	250,165	-	250,165	289,687
Total expenses	2,957,786	-	2,957,786	3,014,150
Change in net assets	(64,726)	(95,362)	(160,088)	118,053
Net assets at beginning of year	2,231,839	984,421	3,216,260	3,098,207
Net assets at end of year	**$ 2,167,113**	**$ 889,059**	**$ 3,056,172**	**$ 3,216,260**

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, 2017
With Comparative Totals for the Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	2017	2016
Salaries and wages	$ 1,193,440	$ 215,986	$ 168,080	$ 1,577,506	$ 1,611,903
Pension expense	-	-	-	-	15,413
Other employee benefits	330,571	30,183	23,712	384,466	419,908
Payroll taxes	94,809	17,366	13,353	125,528	130,422
Accounting expenses	-	16,222	-	16,222	19,000
Consulting fees	46,365	1,839	1,144	49,348	21,619
Advertising and recruitment expenses	795	-	-	795	1,215
Telephone and internet	31,355	2,602	1,619	35,576	38,769
Printing and postage expenses	11,723	2,313	11,341	25,377	21,855
Equipment rental and maintenance	89,063	6,221	3,946	99,230	51,801
Occupancy expenses	306,804	9,219	5,737	321,760	325,373
Travel expenses	13,956	1,207	870	16,033	16,155
Conference and meeting expenses	10,708	200	331	11,239	1,280
Depreciation expense	94,057	5,750	2,500	102,307	103,361
Insurance expense	37,469	9,956	1,400	48,825	52,868
Office, household and program supplies	69,730	3,240	1,822	74,792	99,746
Client assistance: food, vouchers, etc.	23,737	-	-	23,737	39,862
Fundraising expenses	-	-	8,733	8,733	11,230
Membership dues	-	-	3,470	3,470	2,980
Equipment and furnishing expenses	11,754	-	-	11,754	8,336
Other expenses	5,405	13,576	2,107	21,088	21,054
Total 2017 functional expenses	**$ 2,371,741**	**$ 335,880**	**$ 250,165**	**$ 2,957,786**	
Total 2016 functional expenses	**$ 2,336,680**	**$ 387,783**	**$ 289,687**		**$ 3,014,150**

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, 2017
With Comparative Totals for the Year Ended June 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (160,088)	$ 118,053
Adjustments to reconcile increase in net assets to net cash flows from operations:		
Depreciation	102,307	103,361
In-kind lease value receivable amortization	140,316	140,316
Net unrealized loss (gains) on investments	18,573	11,170
Forgiveness of security lien	-	(600,000)
(Increase) Decrease in operating assets:		
Accounts receivable	(18,241)	(66,301)
Pledges receivable	(203,303)	-
Prepaid expenses and deposits	294	1,300
(Decrease) Increase in operating liabilities:		
Accounts payable	9,967	(2,685)
Accrued expenses	13,912	35,627
Deferred revenue	12,279	(9,461)
Net cash flows from operating activities	(83,984)	(268,620)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	(96,697)	485,000
Purchase of investments	90,938	(8,172)
Net cash flows from investing activities	(5,759)	476,828
Net increase (decrease) in cash and cash equivalents	(89,743)	208,208
Cash and cash equivalents at beginning of year	849,549	641,341
Cash and cash equivalents at end of year	**$ 759,806**	**$ 849,549**

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, 2017
With Comparative Totals for the Year Ended June 30, 2016

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, 2017 and 2016 the Organization had the following in temporarily restricted net assets:

	2017	2016
Robert W. Lowrie temporarily restricted quasi-endowment fund	$ 440,202	$ 405,927
Robert W. Lowrie - non-endowment	245,554	354,843
In-kind lease value - Randall	-	49,476
In-kind lease value - Olive	-	90,840
Ahmanson Foundation	-	83,335
Satterberg Foundation	203,303	-
Total temporarily restricted net assets	$ 889,059	$ 984,421

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, 2017 and 2016.

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.

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 $28,986 for donated goods for shelter use for the year ended June 30, 2017 and $29,213 for the year ended June 30, 2016. 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.

Revenue Recognition

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

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.

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

Subsequent Events

All events subsequent to the statement of financial position date of June 30, 2017 through October 11, 2017 which is the date these financial statements were available to be issued, have been evaluated in accordance with generally accepted accounting principles.

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, 2016, 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, 2017 and 2016.

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.

NOTE 4 – INVESTMENTS: (continued)

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	
	2017	**2016**
Mutual Funds (Level 1)	$ 254,720	$ 251,188
Quasi-endowment investments:		
Mutual funds and ETFs (Level 1)	371,475	387,821
Totals	$ 626,195	$ 639,009

Investment return is composed of the following:

	2017	**2016**
Dividends	$ 56,329	$ 16,603
Net unrealized loss	(18,573)	(11,170)
Total investment return	$ 37,756	$ 5,433

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.

NOTE 4 – INVESTMENTS: (continued)

Quasi-Endowment (continued)

For the fiscal years ended June 30, 2017 and 2016, endowment fund performance was as follows:

	2017	2016
Quasi-endowment net assets, beginning of year	$ 405,927	$ 401,845
Investment gain, net		
Interest and dividends	51,615	10,144
Net appreciation		
Unrealized gains (losses)	(17,340)	(6,062)
Quasi-endowment net assets, end of year	$ 440,202	$ 405,927

As of June 30, 2017 the Quasi-Endowment was comprised of the following:

Cash and cash equivalents	$ 68,727
Mutual funds and ETFs	371,475
Total Quasi-Endowment	$ 440,202

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, 2017 and 2016 the costs and accumulated depreciation were as follows:

	2017	2016
Nondepreciable assets:		
Land	$ 450,000	$ 450,000
Depreciable assets:		
Buildings & improvements	3,248,533	3,248,533
Furniture & equipment	462,103	462,103
Vehicle	28,449	28,449
Total depreciable assets	3,739,085	3,739,085
Total land, buildings, and equipment	4,189,085	4,189,085
Less: accumulated depreciation	(1,581,726)	(1,479,419)
Total Net Book Value	$ 2,607,359	$ 2,709,666

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

Depreciation expense for the years ended June 30, 2017 and 2016 was $102,307 and $103,361, 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, 2017 and 2016, 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, 2017 and 2016 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 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, 2017 and 2016 was $807,774.

	2017	2016
Total security liens as of June 30, 2017 and 2016	$ 1,125,774	$ 1,125,774

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, 2017 and 2016 was $1,291 and $15,413, 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 expired 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, 2017, $140,316 was amortized as lease expense for these leases. As of June 30, 2017, there was no remaining unamortized in-kind lease receivable.

NOTE 9 – PLEDGES RECEIVABLE:

Unconditional promises to give expected to be received in one year or less are recorded as pledges receivable at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded as pledges receivable at the fair market value at the date of the promise, if material. At June 30, 2017, the Organization had pledges receivable to be received in the following periods:

In one year or less	$ 101,652
Between one and five years	101,651
Net pledges receivable	$ 203,303

NOTE 10 – 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, 2017
With Comparative Totals for the Year Ended June 30, 2016

	2017	2016
City of Montclair	$ -	$ 1,000
California Emergency Management Agency		
Law Enforcement and Victims Services Division	205,399	215,019
Los Angeles County		
Domestic Violence	131,034	131,034
San Bernardino County		
Domestic Violence	42,000	42,000
San Bernardino County		
Children and Family Services	22,863	33,135
Total State and Local Grants	**$ 401,296**	**$ 422,188**

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, 2017
With Comparative Totals for the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2017 Federal Expenditures	2016 Federal Expenditures
Office of Justice				
Pass through from California Office of Emergency Services:				
Children's Section				
AT 14111256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	$ -	$ 188,890
AT 15011256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	170,365	55,930
AT 16021256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	36,110	-
Total Children's Section			206,475	244,820
Total Office of Justice			206,475	244,820
U.S. Department of Housing and Urban Development				
Community Development Block Grants				
City of Chino	14.218	N/A	10,000	10,000
City of Chino Hills	14.218	N/A	10,000	5,000
City of Pomona	14.218	N/A	9,900	7,500
City of Rancho Cucamonga	14.218	N/A	5,000	6,000
Total Community Devleopment Block Grants			34,900	28,500
Emergency Shelter Grants				
City of Pomona	14.231	N/A	-	15,000
City of Ontario	14.231	N/A	12,600	12,600
Total Emergency Shelter Grants			12,600	27,600
Transitional Housing Project				
Los Angeles Homeless Services Authority CA0515L9D001407	14.267	N/A	-	188,742
Los Angeles Homeless Services Authority CA0515L9D001508	14.267	N/A	164,207	23,637
Los Angeles Homeless Services Authority CA0515L9D001609	14.267	N/A	66,308	-
Total Transitional Housing Project			230,515	212,379
Total U.S. Department of Housing and Urban Development			278,015	268,479
U.S. Department of Homeland Security				
Emergency Food and Shelter Program				
Los Angeles County	97.024	N/A	10,272	-
San Bernardino County	97.024	N/A	9,112	7,392
Total U.S. Department of Homeland Security			19,384	7,392
U.S. Department of Health and Human Services				
Pass through from California Office of Emergency Services:				
Domestic Violence Shelter and Supportive Services				
DV 16301256 - Domestic Violence Shelter and Supportive Services	93.671	18230	275,280	275,277
Family Violence Prevention and Services				
FV 16031256- Family Violence Prevention & Services	93.671	18201	170,000	96,350
Pass through from TELACU:				
Healthy Marriage Promotion and Responsible Fatherhood Grants				
90FE0056 - Healthy Marriage Demonstration Grant - Priority Area #2	93.086	N/A	-	3,914
Temporary Assistance to Needy Families (TANF)				
CalWORKs - Los Angeles County	93.558	N/A	316,240	360,327
CalWORKs - San Bernardino County	93.558	N/A	217,931	217,931
Total U.S. Department of Health and Human Services			979,451	953,799
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	5,095	51,848
Total U.S. Department of Agriculture Food and Nutrition Service			5,095	51,848
Total Federal Grants			**$ 1,488,420**	**$ 1,526,338**

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

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, 2017
With Comparative Totals for the Year Ended June 30, 2016

Grant Identification Number	Federal	Federal Match	State	State Match	Local Match	Total Expenditures
Fiscal 2017:						
FV 16031256						
Personal Services	$ 138,204	$ 26,868	$ 7,368	$ -	$ -	$ 172,440
Operating Expenses	24,577	15,632	7,632	1,500	-	49,341
	$ 162,781	$ 42,500	$ 15,000	$ 1,500	$ -	$ 221,781
DV 16301256						
Personal Services	$ 244,610	$ -	$ 85,705	$ -	$ -	$ 330,315
Operating Expenses	78,005	-	63,650	20,198	-	161,853
	$ 322,615	$ -	$ 149,355	$ 20,198	$ -	$ 492,168
AT 16021256						
Personal Services	$ 161,401	$ 27,423	$ -	$ -	$ -	$ 188,824
Operating Expenses	8,963	-	-	-	-	8,963
	$ 170,364	$ 27,423	$ -	$ -	$ -	$ 197,787
AT 15011256						
Personal Services	$ 32,549	$ 10,081	$ -	$ -	$ -	$ 42,630
Operating Expenses	3,561	-	-	-	-	3,561
	$ 36,110	$ 10,081	$ -	$ -	$ -	$ 46,191
Fiscal 2016:						
DV 15291256						
Personal Services	$ 265,917	$ -	$ 86,297	$ -	$ -	$ 352,214
Operating Expenses	9,360	-	113,722	20,002	-	143,084
	$ 275,277	$ -	$ 200,019	$ 20,002	$ -	$ 495,298
AT 15011256						
Personal Services	$ 180,179	$ 11,842	$ -	$ -	$ -	$ 192,021
Operating Expenses	8,711	-	-	-	-	8,711
	$ 188,890	$ 11,842	$ -	$ -	$ -	$ 200,732
AT 114111256						
Personal Services	$ 55,083	$ 14,229	$ -	$ -	$ -	$ 69,312
Operating Expenses	847	-	-	-	-	847
	$ 55,930	$ 14,229	$ -	$ -	$ -	$ 70,159
FV 15021256						
Personal Services	$ 57,453	$ 6,250	$ 5,964	$ 1,500	$ -	$ 71,167
Operating Expenses	38,897	-	9,036	-	-	47,933
	$ 96,350	$ 6,250	$ 15,000	$ 1,500	$ -	$ 119,100

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, 2017

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, 2017. 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), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
October 11, 2017

CliftonLarsonAllen LLP
CLAconnect.com

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, 2017. 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 federal statutes, regulations, and terms and conditions of federal awards 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, 2017.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
October 11, 2017

HOUSE OF RUTH, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

Section I: Summary of Auditor's Results

<u>Financial Statements</u>

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*

<u>Federal Awards</u>

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families (TANF)

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, 2017

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, 2017

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.