

HOUSE OF RUTH

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED JUNE 30, 2017)**



**HOUSE OF RUTH
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INDEPENDENT AUDITORS' REPORT

Board of Directors
House of Ruth
Claremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of House of Ruth (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2018, 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. 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.

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

Opinion

In our opinion, the financial statements described above present fairly, in all material respects, the financial position of House of Ruth. as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, beginning net assets for the Organization were restated in the amount of \$102,221 to correct certain errors resulting in overstatement of amounts previously reported for accounts receivable and revenue. Our opinion is not modified with respect to that matter.

Other Matters***Report on Summarized Comparative Information***

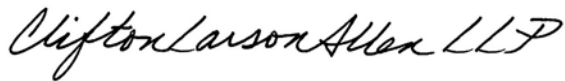
We have previously audited House of Ruth's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived. As discussed in Note 11 to the financial statements the Organization adjusted its financial statements for the correction of an error. The previous audit report on the financial statements is before the restatement. As part of our audit of the financial statements, we also audited the adjustments to the financial statements to correct the error as described in Note 11. In our opinion, such adjustments are appropriate and have been properly applied.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules identified in the table of contents as supplementary information, including the accompanying schedule of expenditures of federal awards as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 , 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.

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

CliftonLarsonAllen LLP

Glendora, California
October 9, 2018

HOUSE OF RUTH
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 781,627	\$ 759,806
Investments - Fair Value	754,302	626,195
Accounts Receivable	613,598	508,801
Pledges Receivable, Current	103,337	101,652
In-Kind Lease Value Receivable, Current	200,760	-
Prepaid Expenses and Deposits	2,950	6,354
Total Current Assets	<u>2,456,574</u>	<u>2,002,808</u>
LONG-TERM ASSETS		
Pledges Receivable	-	101,651
Net Property, Plant, and Equipment	<u>2,521,670</u>	<u>2,607,359</u>
Total Long-Term Assets	<u>2,521,670</u>	<u>2,709,010</u>
Total Assets	<u><u>\$ 4,978,244</u></u>	<u><u>\$ 4,711,818</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 15,446	\$ 18,311
Accrued Expenses	230,966	180,782
Deferred Revenue	-	12,279
Security Liens	<u>807,774</u>	<u>-</u>
Total Current Liabilities	<u>1,054,186</u>	<u>211,372</u>
LONG-TERM LIABILITIES		
Conditional Grants	318,500	318,500
Security Liens	<u>318,000</u>	<u>1,125,774</u>
Total Long-Term Liabilities	<u>636,500</u>	<u>1,444,274</u>
Total Liabilities	1,690,686	1,655,646
NET ASSETS		
Unrestricted Net Assets		
General Unrestricted Net Assets	989,735	902,377
Net Assets Related to Property, Plant, and Equipment	<u>1,077,396</u>	<u>1,163,085</u>
Total Unrestricted Net Assets	2,067,131	2,167,113
Temporarily Restricted Net Assets:		
Robert W. Lowne Temporarily Restricted Quasi-Endowment	449,387	440,202
Other Temporarily Restricted Net Assets	<u>771,040</u>	<u>448,857</u>
Total Temporarily Restricted Net Assets	<u>1,220,427</u>	<u>889,059</u>
Total Net Assets	<u>3,287,558</u>	<u>3,056,172</u>
Total Liabilities and Net Assets	<u><u>\$ 4,978,244</u></u>	<u><u>\$ 4,711,818</u></u>

See accompanying Notes to Financial Statements.

**HOUSE OF RUTH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)**

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
PUBLIC SUPPORT AND OTHER REVENUES				
PUBLIC SUPPORT				
Contributions	\$ 199,048	\$ -	\$ 199,048	\$ 198,832
Foundations	352,484	271,500	623,984	427,954
Federal Grants	1,394,448	-	1,394,448	1,488,420
State and Local Government Grants	586,055	-	586,055	401,296
United Way	25,000	-	25,000	17,500
Events (Net of Direct Expenses)	128,928	-	128,928	94,750
In-Kind Contributions	208,387	200,760	409,147	28,986
Total Public Support	2,894,350	472,260	3,366,610	2,657,738
OTHER REVENUES				
Interest Income	4,141	9,594	13,735	645
Investment Return	13,643	(409)	13,234	37,756
Other Revenues	104,314	-	104,314	101,559
Net Assets Released from Restrictions	150,077	(150,077)	-	-
Total Other Revenues	272,175	(140,892)	131,283	139,960
Total Public Support and Other Revenues	3,166,525	331,368	3,497,893	2,797,698
EXPENSES				
Program Services	2,428,896	-	2,428,896	2,371,741
General and Administrative	420,501	-	420,501	335,880
Fundraising	314,889	-	314,889	250,165
Total Expenses	3,164,286	-	3,164,286	2,957,786
CHANGE IN NET ASSETS	2,239	331,368	333,607	(160,088)
Net Assets - Beginning of Year	2,167,113	889,059	3,056,172	3,216,260
Adjustment for Restatement	(102,221)	-	(102,221)	-
Net Assets - Beginning of Year, as Restated	2,064,892	889,059	2,953,951	3,216,260
NET ASSETS - END OF YEAR	\$ 2,067,131	\$ 1,220,427	\$ 3,287,558	\$ 3,056,172

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Salaries and Wages	\$ 1,293,711	\$ 222,480	\$ 200,873	\$ 1,717,064	\$ 1,577,506
Other Employee Benefits	258,291	44,419	40,105	342,815	384,466
Payroll Taxes	100,736	17,323	15,641	133,700	125,528
Accounting Expenses	-	18,137	-	18,137	16,222
Fees for Service	8,629	68,417	-	77,046	49,348
Advertising and Recruitment Expenses	728	-	1,500	2,228	795
Telephone and Internet	33,877	3,077	2,547	39,501	35,576
Printing and Postage Expenses	-	-	-	-	25,377
Equipment Rental and Maintenance	65,053	5,211	4,329	74,593	99,230
Occupancy Expenses	401,603	8,422	6,948	416,973	321,760
Travel Expenses	15,488	1,250	870	17,608	16,033
Conferences and Meeting Expenses	4,662	50	341	5,053	11,239
Depreciation Expense	87,412	5,500	2,500	95,412	102,307
Insurance Expense	35,445	11,769	3,377	50,591	48,825
Supplies	63,995	2,820	2,046	68,861	74,792
Client Assistance: Food, Vouchers, etc.	39,237	-	-	39,237	23,737
Fundraising Expenses	-	-	-	-	8,733
Membership Dues	-	-	-	-	3,470
Equipment and Furnishing Expenses	7,216	-	-	7,216	11,754
Other Expenses	12,813	11,626	33,812	58,251	21,088
Total 2018 Functional Expenses	<u>\$ 2,428,896</u>	<u>\$ 420,501</u>	<u>\$ 314,889</u>	<u>\$ 3,164,286</u>	
Total 2017 Functional Expenses	<u>\$ 2,371,741</u>	<u>\$ 335,880</u>	<u>\$ 250,165</u>		<u>\$ 2,957,786</u>

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 333,607	\$ (160,088)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	95,412	102,307
In-Kind Lease Value Receivable Amortization	-	140,316
In-Kind Lease Value Contribution	(200,760)	-
Net Unrealized Loss (Gains) on Investments	(11,693)	18,573
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(207,018)	(18,241)
Pledges Receivable	99,966	(203,303)
Prepaid Expenses and Deposits	3,404	294
(Decrease) Increase in Operating Liabilities:		
Accounts Payable	(2,865)	9,967
Accrued Expenses	50,184	13,912
Deferred Revenue	(12,279)	12,279
Net Cash Provided (Used) by Operating Activities	<u>147,958</u>	<u>(83,984)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(9,723)	-
Proceeds from Sales of Investments	-	(96,697)
Purchases of Investments	<u>(116,414)</u>	<u>90,938</u>
Net Cash Used by Investing Activities	<u>(126,137)</u>	<u>(5,759)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,821	(89,743)
Cash and Cash Equivalents - Beginning of Year	<u>759,806</u>	<u>849,549</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 781,627</u></u>	<u><u>\$ 759,806</u></u>

See accompanying Notes to Financial Statements.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

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. 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, 2018 and 2017 the Organization had the following in temporarily restricted net assets:

	2018	2017
Robert W. Lowrie Temporarily Restricted		
Quasi-Endowment Fund	\$ 449,387	\$ 440,202
Robert W. Lowrie - Nonendowment	195,443	245,554
In-Kind Lease Value - Randall	57,360	-
In-Kind Lease Value - Olive	143,400	-
Eisner Foundation	100,000	-
Kaiser Balwin Park Foundation	9,000	-
Weingart Foundation	62,500	-
Ahmanson Foundation	100,000	-
Satterberg Foundation	103,337	203,303
Total Temporarily Restricted Net Assets	<u>\$ 1,220,427</u>	<u>\$ 889,059</u>

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, 2018 and 2017.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Supplies, Property, and Services

Contributed supplies and property given to the Organization are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. The Organization recorded \$7,627 for donated goods for shelter use for the year ended June 30, 2018 and \$28,986 for the year ended June 30, 2017. 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.

Subsequent Events

All events subsequent to the statement of financial position date of June 30, 2018 through October 9, 2018, 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.

Comparative Totals

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

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

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, 2018 and 2017.

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*, 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	
	2018	2017
Mutual Funds - Level 1	304,915	\$ 254,720
Quasi-Endowment Investments:		
Mutual Funds and ETF's - Level 1	449,387	371,475
Total Fair Market Value	<u>\$ 754,302</u>	<u>\$ 626,195</u>

Investment return is composed of the following:

	2018	2017
Dividends	\$ 1,541	\$ 56,329
Net Unrealized Gain (Loss)	11,693	(18,573)
Total Investment Return	<u>\$ 13,234</u>	<u>\$ 37,756</u>

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

NOTE 4 INVESTMENTS (CONTINUED)

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.

For the fiscal years ended June 30, 2018 and 2017, endowment fund performance was as follows:

	2018	2017
Quasi-Endowment Net Assets - Beginning of Year	\$ 440,202	\$ 405,927
Investment Gain, Net:		
Interest and Dividends	10,922	51,615
Net Appreciation:		
Unrealized Gain (Loss)	(1,737)	(17,340)
Quasi-Endowment Net Assets - End of Year	<u>\$ 449,387</u>	<u>\$ 440,202</u>

As of June 30, 2018 the Quasi-Endowment was comprised of the following.

	2018
Cash and Cash Equivalents	\$ 62,321
Mutual Funds and ETF's	387,066
Total Quasi-Endowment	<u>\$ 449,387</u>

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

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 ranging from 3 to 39 years. At June 30, 2018 and 2017 the costs and accumulated depreciation were as follows:

	2018	2017
Nondepreciable Assets:		
Land	\$ 450,000	\$ 450,000
Depreciable Assets:		
Buildings and Improvements	\$ 3,248,533	\$ 3,248,533
Furniture and Equipment	471,826	462,103
Vehicle	28,449	28,449
Total Depreciable Assets	3,748,808	3,739,085
Total Property, Plant, and Equipment	4,198,808	4,189,085
Less: Accumulated Depreciation	(1,677,138)	(1,581,726)
Property, Plant, and Equipment, Net	\$ 2,521,670	\$ 2,607,359

Depreciation expense for the years ended June 30, 2018 and 2017 was \$95,412 and \$102,307, 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, 2018 and 2017, the amount outstanding under the conditional grants was \$318,500.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

NOTE 6 LONG-TERM DEBT (CONTINUED)

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, 2018 and 2017 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 matures in February 2019, seven 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, 2018 and 2017 was \$807,774.

	2018	2017
Total Security Liens	<u>\$ 1,125,774</u>	<u>\$ 1,125,774</u>

NOTE 7 RETIREMENT PLAN

The Organization offers a tax deferred annuity plan under Internal Revenue Code Section 403(b). This voluntary plan allows participants to contribute a percentage of salary to be placed in the individual's specific account. The Organization also offers a defined contribution plan under Internal Revenue Code Section 401(a). This plan provides for contributions by the Organization for eligible employees. The Organization has no liability under the plan. Retirement expense for the years ended June 30, 2018 and 2017 was \$0 and \$1,291, 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 were extended through June 2019. In accordance with applicable accounting standards, the Organization estimated and recognized the fair market lease value of \$401,520 as an in-kind lease value receivable asset. The asset is amortized to lease expense over the life of the lease. For the year ended June 30, 2018, \$200,760 was amortized as lease expense for these leases. As of June 30, 2018, there was \$200,760 remaining of unamortized in-kind lease receivable.

HOUSE OF RUTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

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, 2018, the Organization had pledges receivable to be received in the following periods:

	2018
In One Year or Less	\$ 103,337
Between One and Five Years	-
Net Pledges Receivable	<u>\$ 103,337</u>

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.

NOTE 11 RESTATEMENT OF BEGINNING NET ASSETS

Beginning net assets for the Organization were restated in the amount of \$102,221 to correct certain errors resulting in overstatement of amounts previously reported for accounts receivable and revenue.

SUPPLEMENTARY INFORMATION

HOUSE OF RUTH
SCHEDULE OF STATE AND LOCAL GOVERNMENT GRANTS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

	<u>2018</u>	<u>2017</u>
California Emergency Management Agency:		
Law Enforcement and Victims Services Division	\$ 197,301	\$ 205,399
Los Angeles County:		
Domestic Violence	324,783	131,034
San Bernardino County:		
Domestic Violence	42,000	42,000
San Bernardino County:		
Children and Family Services	<u>21,971</u>	<u>22,863</u>
Total State and Local Government Grants	<u>\$ 586,055</u>	<u>\$ 401,296</u>

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2018 Total Federal Expenditures	2017 Total Federal Expenditures
Office of Justice				
Pass through from California Office of Emergency Services:				
Children's Section:				
AT 15011256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	\$ -	\$ 36,110
AT 16021256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	50,535	170,365
AT 17031256 - Child Abuse Treatment (CHAT) Program	16.575	N/A	140,984	-
Total Children's Section			<u>191,519</u>	<u>206,475</u>
Total Office of Justice			191,519	206,475
U.S. Department of Housing and Urban Development				
Community Development Block Grants:				
City of Chino	14.218	N/A	10,000	10,000
City of Chino Hills	14.218	N/A	10,000	10,000
City of Pomona	14.218	N/A	6,500	9,900
City of Rancho Cucamonga	14.218	N/A	5,500	5,000
Total Community Development Block Grants			<u>32,000</u>	<u>34,900</u>
Emergency Shelter Grants:				
City of Ontario	14.231	N/A	12,600	12,600
Total Emergency Shelter Grants			<u>12,600</u>	<u>12,600</u>
Transitional Housing Project:				
Los Angeles Homeless Services Authority CA0515L9D001508	14.267	N/A	-	164,207
Los Angeles Homeless Services Authority CA0515L9D001609	14.267	N/A	178,646	66,308
Los Angeles Homeless Services Authority CA0515L9D001710	14.267	N/A	51,185	-
Total Transitional Housing Project			<u>229,831</u>	<u>230,515</u>
Total U.S. Department of Housing and Urban Development			274,431	278,015

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2018 Total Federal Expenditures	2017 Total Federal Expenditures
U.S. Department of Homeland Security				
Emergency Food and Shelter Program:				
Los Angeles County	97.024	N/A	\$ 8,423	\$ 10,272
San Bernardino County	97.024	N/A	10,994	9,112
Total U.S. Department of Homeland Security			<u>19,417</u>	<u>19,384</u>
U.S. Department of Health and Human Services				
Pass through from California Office of Emergency Services:				
Domestic Violence Shelter and Supportive Services:				
DV 17311256 - Domestic Violence Shelter and Supportive Services	93.671	18230	204,682	-
DV 160301256 - Domestic Violence Shelter and Supportive Services	93.671	18230	72,657	275,280
Domestic Violence Housing Assistance (Housing First):				
KD 17041256 - Domestic Violence Housing Assistance	93.671	18230	38,314	-
Family Violence Prevention and Services:				
FV 16031256- Family Violence Prevention & Services	93.671	18201	110,000	170,000
Total Pass through from California Office of Emergency Services			<u>425,653</u>	<u>445,280</u>
Temporary Assistance to Needy Families (TANF):				
Pass through from Los Angeles County CalWORKs	93.558	N/A	222,304	316,240
Pass through from San Bernardino County CalWORKs	93.558	N/A	217,931	217,931
Total Temporary Assistance to Needy Families (TANF)			<u>440,235</u>	<u>534,171</u>
Total U.S. Department of Health and Human Services			<u>865,888</u>	<u>979,451</u>
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	43,193	5,095
Total U.S. Department of Agriculture Food and Nutrition Service			<u>43,193</u>	<u>5,095</u>
Total Federal Grants			<u>\$ 1,394,448</u>	<u>\$ 1,488,420</u>

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

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES BY COST CATEGORY – CAL OES GRANTS
YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2017)
(SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORT)

Grant Identification Number	Federal	Federal Match	State	State Match	Local Match	Total Expenditures
Fiscal 2018						
FV 17041256:						
Personal Services	\$ 98,252	\$ 24,951	\$ 11,953	\$ 1,500	\$ -	\$ 136,656
Operating Expenses	11,748	2,549	3,047	-	-	17,344
Total FV 17041256	<u>\$ 110,000</u>	<u>\$ 27,500</u>	<u>\$ 15,000</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 154,000</u>
DV 16301256:						
Personal Services	\$ 58,647	\$ -	\$ 37,767	\$ -	\$ -	\$ 96,414
Operating Expenses	14,010	-	14,858	-	-	28,868
Total DV 16301256	<u>\$ 72,657</u>	<u>\$ -</u>	<u>\$ 52,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,282</u>
DV 17311256:						
Personal Services	\$ 147,068	\$ -	\$ 89,865	\$ -	\$ -	\$ 236,933
Operating Expenses	57,614	-	39,813	20,198	-	117,625
Total DV 17311256	<u>\$ 204,682</u>	<u>\$ -</u>	<u>\$ 129,678</u>	<u>\$ 20,198</u>	<u>\$ -</u>	<u>\$ 354,558</u>
AT 17031256:						
Personal Services	\$ 123,610	\$ -	\$ -	\$ -	\$ -	\$ 123,610
Operating Expenses	17,374	-	-	-	-	17,374
Total AT 17031256	<u>\$ 140,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,984</u>
AT 16021256:						
Personal Services	\$ 44,134	\$ 190	\$ -	\$ -	\$ -	\$ 44,324
Operating Expenses	6,401	-	-	-	-	6,401
Total AT 16021256	<u>\$ 50,535</u>	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,725</u>
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
Total FV 16031256	<u>\$ 162,781</u>	<u>\$ 42,500</u>	<u>\$ 15,000</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 221,781</u>
DV 16301256:						
Personal Services	\$ 244,610	\$ -	\$ 85,705	\$ -	\$ -	\$ 330,315
Operating Expenses	78,005	-	63,650	20,198	-	161,853
Total DV 16301256	<u>\$ 322,615</u>	<u>\$ -</u>	<u>\$ 149,355</u>	<u>\$ 20,198</u>	<u>\$ -</u>	<u>\$ 492,168</u>
AT 16021256:						
Personal Services	\$ 161,402	\$ 27,423	\$ -	\$ -	\$ -	\$ 188,825
Operating Expenses	8,963	-	-	-	-	8,963
Total AT 16021256	<u>\$ 170,365</u>	<u>\$ 27,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,788</u>
AT 15011256:						
Personal Services	\$ 32,549	\$ 10,081	\$ -	\$ -	\$ -	\$ 42,630
Operating Expenses	3,561	-	-	-	-	3,561
Total AT 15011256	<u>\$ 36,110</u>	<u>\$ 10,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,191</u>

See accompanying Notes to Supplementary Information.

HOUSE OF RUTH
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)
(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, 2018. 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, the financial statements of House of Ruth, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2018, 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 9, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Glendora, California
October 9, 2018

**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, 2018. 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.

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, 2018.

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.

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

Glendora, California
October 9, 2018

**HOUSE OF RUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

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? x yes _____ 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? _____ yes x 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)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

93.558

Name of Federal Program or Cluster

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

FINDING 2018-001 – Grant Revenue

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

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

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

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

Identification of repeat finding: Not a repeat finding.

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

Views of responsible officials and planned corrective actions: The agency has one fee for service grant which considers not only fee for service but actual expenses when determining grant revenue for the year. In 2017, the Agency mistakenly used expenditure reimbursement as the basis for calculating accounts receivable rather than fee for service. In 2018, the Agency correctly recognized grant income on a fee for service basis.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**HOUSE OF RUTH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (UNAUDITED)
YEAR ENDED JUNE 30, 2018**

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

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



Revenue 2018-001: Grant Revenue

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

Planned Corrected Action:

1. This finding refers to an overstatement of the Agency's accounts receivable for a fee-based grant. This grant is unusual in that revenue is based upon services billed, but the final payment is determined after a year-end audit by the funding agency to determine the eligibility and amount of expenses for which the services fees were charged. Due to the variability of the services provided each month, the Agency has charged a reasonable amount of expenses with the intention that fees billed would equal the expenses at the end of the grant. Typically, the services increase towards the end of the grant, and the variance between the fees for service and the expenses charged have not been significant.
2. Although the adjustment to the accounts receivable should have been made before the audit was finalized, the Journal Entry to correct this discrepancy was made the beginning of the new fiscal year.

This is the only one of 22 federal grants the Agency administers with this unusual combination of fees for service requiring back-up expenditures that are eligible based upon the federal regulations of the funding source. The Agency has been more conservative with the amount of expenditures being charged, and has lowered its expectation for fees to be billed. In the 2018 fiscal year, revenue was recognized on a fee for service basis.

3. The contact person responsible for this corrective action is: Sharon McGrath-Gold, CFO.
3. The corrective action was implemented in August, 2017.

Sincerely,

Sharon McGrath-Gold
CFO

**HOUSE OF RUTH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

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