

**HOUSE OF RUTH, INC.
SINGLE AUDIT REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2021

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
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AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
House of Ruth, Inc.
(A California Non-Profit Corporation)
Claremont, California

Report on the Financial Statements

We have audited the accompanying financial statements of House of Ruth, Inc. (A California Non-Profit Corporation) which comprise the statement of financial position as of June 30, 2021, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Ruth, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 9 to the financial statements, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022, on our consideration of House of Ruth, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 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 House of Ruth, Inc.'s internal control over financial reporting and compliance.

Voein, Hryn + Co.

Calabasas, California
May 2, 2022

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	<u>2021</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 693,343
Investments	619,101
Contracts receivables	553,737
Promises to give, current	125,000
Deposits and prepaid expenses	<u>3,436</u>
Total current assets	1,994,617
Noncurrent assets:	
Long-term investments	250,000
Promises to give, net of discount	227,841
Property and equipment, net	<u>2,418,258</u>
Total noncurrent assets	<u>2,896,099</u>
Total assets	<u>\$ 4,890,716</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 22,942
Accrued payroll and related liabilities	435,940
Contracts payable	32,413
Deferred revenue	3,125
Paycheck Protection Program loan	<u>452,832</u>
Total current liabilities	947,252
Noncurrent liabilities:	
Conditional grants	318,500
Security liens	<u>318,000</u>
Total noncurrent liabilities	<u>636,500</u>
Total liabilities	1,583,752
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Net assets without donor restrictions:	
Undesignated	443,753
Designated to property and equipment	<u>1,816,645</u>
Total net assets without donor restrictions	2,260,398
Net assets with donor restrictions:	
Robert W. Lowne donor restricted quasi-endowment	596,566
Other net assets with donor restriction	<u>450,000</u>
Total net assets with donor restrictions	<u>1,046,566</u>
Total net assets	<u>3,306,964</u>
Total liabilities and net assets	<u>\$ 4,890,716</u>

See accompanying auditors' reports and notes to financial statements

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND RESTRICTIONS RELEASED			
Federal grants	\$ 2,613,862	\$ -	\$ 2,613,862
Rental and training income	88,653	-	88,653
Interest and dividend income	31	-	31
Net realized and unrealized gain (loss) on investments	4	109,571	109,575
Private contributions and donations	827,988	-	827,988
In-kind contributions	239,834	-	239,834
Other revenue	31,500	-	31,500
Net assets released from restrictions	<u>520,443</u>	<u>(520,443)</u>	<u>-</u>
 Total revenue, support and restrictions released	 4,322,315	 (410,872)	 3,911,443
EXPENSES			
Program services	3,136,850	-	3,136,850
Support services	798,301	-	798,301
Fundraising	<u>564,330</u>	<u>-</u>	<u>564,330</u>
 Total expenses	 <u>4,499,481</u>	 <u>-</u>	 <u>4,499,481</u>
 CHANGE IN NET ASSETS	 (177,166)	 (410,872)	 (588,038)
 NET ASSETS - beginning of year	 <u>2,437,564</u>	 <u>1,457,438</u>	 <u>3,895,002</u>
 NET ASSETS - end of year	 <u>\$ 2,260,398</u>	 <u>\$ 1,046,566</u>	 <u>\$ 3,306,964</u>

See accompanying auditors' reports and notes to financial statements

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services									
	Residential Emergency and Transitional Shelter Programs	Community Services	Prevention Education	Counseling Services for Adults and Children	Housing Services	Volunteer	Total Program Services	Management and General	Fundraising	2021 Total Expenses
Salaries and related expenses										
Salaries and wages	\$ 575,634	\$ 443,337	\$ 119,178	\$ 354,888	\$ 268,278	\$ 58,809	\$ 1,820,124	\$ 504,475	\$ 219,438	\$ 2,544,037
Payroll taxes	48,376	37,643	9,651	30,222	21,713	3,686	151,291	38,093	16,613	205,997
Employee benefits	75,627	57,038	14,904	36,078	32,871	7,141	223,659	52,213	16,079	291,951
	699,637	538,018	143,733	421,188	322,862	69,636	2,195,074	594,781	252,130	3,041,985
Other expenses										
Advertising	618	2,609	386	738	636	51	5,038	2,323	20,394	27,755
Bank charges	1,156	818	241	709	621	96	3,641	1,370	2,779	7,790
Client services	31,809	9,537	5,499	9,907	302,539	648	359,939	11,840	2,983	374,762
Computer expenses	8,214	5,778	1,600	4,730	3,339	689	24,350	6,778	3,042	34,170
Conferences and meetings	-	-	-	-	-	139	139	60	-	199
Dues and subscriptions	7,841	5,298	1,644	4,467	3,471	752	23,473	14,130	7,634	45,237
Equipment rental and maintenance	5,326	6,290	180	502	359	72	12,729	682	323	13,734
Food costs	37,854	-	-	-	-	-	37,854	-	774	38,628
Insurance	16,829	11,921	3,506	9,817	7,012	1,403	50,488	13,323	6,311	70,122
In-kind, goods and services	3,994	-	-	-	-	-	3,994	-	235,840	239,834
Office expenses	3,644	5,445	598	1,893	3,605	242	15,427	6,856	2,761	25,044
Outside services	6,826	4,405	259	4,374	2,837	103	18,804	5,712	465	24,981
Postage	1,013	865	109	305	218	44	2,554	701	1,399	4,654
Printing	-	-	708	-	-	-	708	-	3,638	4,346
Professional fees	8,667	6,318	1,403	5,091	3,816	778	26,073	12,070	3,278	41,421
Rent expense	-	19,363	-	-	7,041	-	26,404	-	-	26,404
Repairs and maintenance	60,482	22,513	2,251	4,087	46,435	581	136,349	10,046	9,065	155,460
Supplies	18,905	1,879	2,034	3,292	466	2	26,578	127	900	27,605
Taxes and licenses	5,293	144	42	118	6,812	17	12,426	161	76	12,663
Telephone	12,930	9,676	2,515	7,879	7,060	1,235	41,295	10,471	6,754	58,520
Travel	282	784	42	127	3,607	4	4,846	448	551	5,845
Utilities	63,136	16,514	1,215	3,402	23,914	486	108,667	4,617	3,233	116,517
	994,456	668,175	167,965	482,626	746,650	76,978	3,136,850	696,496	564,330	4,397,676
Depreciation and amortization	-	-	-	-	-	-	-	101,805	-	101,805
Total Functional Expenses	\$ 994,456	\$ 668,175	\$ 167,965	\$ 482,626	\$ 746,650	\$ 76,978	\$ 3,136,850	\$ 798,301	\$ 564,330	\$ 4,499,481

See accompanying auditors' reports and notes to financial statements

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (588,038)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities	
Depreciation and amortization	101,805
Net realized and unrealized (gain) loss on investments	(109,575)
(Increase) decrease in:	
Contracts receivables	(37,833)
Promises to give, net of discount	261,796
Deposits and prepaid expenses	(593)
Increase (decrease) in:	
Accounts payable and accrued expenses	(36,463)
Accrued payroll and related liabilities	87,227
Deferred revenue	<u>3,125</u>
Total adjustments	<u>269,489</u>
Net Cash Provided (Used) by Operating Activities	(318,549)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(66,918)
Reinvested funds	109,089
Purchases of investments	<u>(131,620)</u>
Net Cash Provided (Used) by Investing Activities	<u>(89,449)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(407,998)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,101,341</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 693,343</u>
<u>Supplemental disclosure of non-cash activities:</u>	
In-kind contributions	<u>\$ 239,834</u>

See accompanying auditors' reports and notes to financial statements

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. ORGANIZATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

Classification of Current and Noncurrent Assets and Liabilities

The Organization considers assets to be current that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal Organization business operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets - Continued

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

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.

Investments

Marketable securities and investments consist of mutual funds, exchange-traded funds, and certificates of deposits which are carried at fair value. Donated investments are recorded at fair value at the date of donation and thereafter carried at fair value. Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Gains or losses (including investments bought, sold and held during the year), and interest and dividend income are reflected in the statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulations or by law.

Contracts Receivables

Receivables are primarily unsecured amounts due from grantors on cost reimbursement or performance grants. The Organization uses the allowance method of accounting for receivables determined to be potentially uncollectable. The Organization believes that all of its contracts and grants receivables are collectible and therefore has no allowance for uncollectible accounts as of June 30, 2021.

Promises to Give, Net of Discount

Promises to give were recognized at fair value of the promise. Management provides for probable uncollectible amounts through a provision for an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. No allowance for uncollectible accounts for promises to give was recorded as of June 30, 2021.

Deposits and Prepaid Expenses

Deposits and other costs are expensed ratably over their respective terms of agreement.

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment, Net

Property and equipment are recorded at cost except for donated equipment, which is stated at estimated fair value at date of receipt. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Maintenance and repairs are charged to operations when incurred. When property and equipment are sold or otherwise retired, the asset accounts and related accumulated depreciation and amortization accounts are removed, and any gain or loss is included in the statements of activities.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	39 years
Building improvements	5 to 39 years
Furniture and equipment	3 to 10 years
Vehicles	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Vacation Policy

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

Regular full-time employees accrue paid vacations in accordance with the following policy:

Exempt Employees	
Years Employed	Maximum Accrual
Years 0-3	13.34 hours/20 days per year
Years 4-10	14.68 hours/22 days per year
Year 11 or more	16.68 hours/25 days per year
Nonexempt Employees	
Years Employed	Maximum Accrual
Years 0-3	10.00 hours/15 days per year
Years 4-10	13.34 hours/20 days per year
Year 11 or more	16.68 hours/25 days per year

Unused vacation leave will be paid at the time of termination. Total accrued vacation at June 30, 2021, was \$148,514.

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of June, 30 2021. This is primarily composed of revenue for program funds accrued in advance. If a program is conducted over a fiscal year end, deferred revenue is recorded for all revenue related to programs predominately conducted in the next fiscal year.

Revenue Recognition

Revenues from government agencies, service fees, and other third-party payors for services provided under such contracts are recognized when earned by the Organization. All gifts, bequests, and other public support are included in net assets without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument. Revenue received where the restriction is met in the same fiscal year is reported under net assets without donor restrictions. Amounts received in excess of balances earned are recognized as liabilities.

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit required by the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Conditional Grants

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses (barriers) are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. As of June 30, 2021, the Organization has conditional grants of \$1,805,294.

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-Kind Donations of Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed supplies and property given to the Organization are recorded as support and expenses at fair value when determinable, otherwise at values indicated by the donor. The Organization recorded \$239,834 for donated goods for shelter use for the year ended June 30, 2021. 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.

Allocated Expenses

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

The Organization has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2021, the Organization had no material unrecognized tax benefits, tax penalties or interest.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30; 2020, 2019, 2018, are subject to examination by the IRS, generally for 3 years after they were filed.

The Organization's Forms 199, *California Exempt Organization Return*, for each of the tax years ended June 30, 2020, 2019, 2018, and 2017, are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Fair Value Measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The mutual funds, exchange traded funds, other investments, and certificates of deposit are valued at quoted market prices, which represent the net asset value of shares held by the Organization at year end. The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(CONTINUED)

3. INVESTMENTS

The Organization measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Organization to develop its own assumptions. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2021, are Level 1 and Level 2 inputs.

Investments consist of the following at June 30, 2021:

	Level 1	Level 2	Total
Quasi-endowment investments:			
Mutual funds and ETFs	\$ 510,012	\$ -	\$ 510,012
Other investments	109,089	-	109,089
Certificate of deposit	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Total investments	<u>\$ 619,101</u>	<u>\$ 250,000</u>	<u>\$ 869,101</u>

As of June 30, 2021, investments of \$250,000 have been classified as long-term as they are net assets with donor restrictions (see note 10). At June 30, 2021, the Organization did not have any investments measured using Level 3 inputs.

The composition of the investment return reported in the statement of activities at June 30, 2021 is as follows:

	Amount
Investment and dividend income	\$ 31
Net realized and unrealized gain (loss) on investments	<u>109,575</u>
Total investment return	<u>\$ 109,606</u>

Quasi-Endowment

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

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

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

3. INVESTMENTS - Continued

For the year ended June 30, 2021 endowment fund performance was as follows:

	<u>Amount</u>
Quasi-endowment net assets, beginning of year	\$ 486,995
Investment gain, net:	
Interest and dividends	10,748
Net appreciation:	
Unrealized gain	<u>98,823</u>
Quasi-endowment net assets, end of year	<u><u>\$ 596,566</u></u>

As of June 30, 2021 the Quasi-Endowment was comprised of the following.

	<u>Amount</u>
Cash and cash equivalents	\$ 86,554
Mutual funds and ETFs	<u>510,012</u>
Total investment return	<u><u>\$ 596,566</u></u>

4. PROMISES TO GIVE, NET OF DISCOUNT

Promises to give represent promises which have been made by donors but have not yet been received by the Organization. Promises to give which will not be received are discounted using an estimated rate of return of 3%, which could be earned if such contributions had been made in the current year. The Organization considers promises to give fully collectible; accordingly, no allowance for uncollectible promises to give has been established. At June 30, 2021, the Organization had promises to give to be received in the following periods:

	<u>Amount</u>
Receivables in less than one year	\$ 125,000
Receivable in one to five years	<u>250,000</u>
Total promises to give	375,000
Less: discount to net present value	<u>(22,159)</u>
Total promises to give, net of discount	<u><u>\$ 352,841</u></u>

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(CONTINUED)

5. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2021 consists of the following:

	<u>Amount</u>
Buildings and improvements	\$ 3,346,668
Furniture and equipment	427,061
Land	450,000
Vehicles	<u>28,449</u>
	4,252,178
Less accumulated depreciation	<u>(1,833,920)</u>
Total property and equipment, net	<u>\$ 2,418,258</u>

Total depreciation expense for the year ended June 30, 2021 was \$101,805.

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, 2021 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, 2021 was \$318,000.

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

6. LONG-TERM DEBT - Continued

Paycheck Protection Program Loan

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

These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in April 2021 principal and interest payments will be required through the maturity date in April 2022. Subsequent to year end, the Organization received forgiveness of its Paycheck Protection Program (PPP) loan for the full amount of \$452,832.

7. COMMITMENTS

Facilities

The Organization leases some of its facilities under non-cancelable, non-financing leases. Some of the leases are subject to annual increases based upon increases in the Consumer Price Index. Rent expense for year ended June, 30 2021 was \$26,404.

Equipment

The Organization leases office equipment under operating leases with varying expirations for total annual lease payments of \$13,734.

Minimum lease payments under these leases at June 30, are as follows:

<u>Year Ended June 30,</u>	<u>Facilities</u>	<u>Equipment</u>
2022	\$ 19,850	\$ 14,676
2023	20,443	14,676
2024	21,057	14,676
2025	21,688	14,676
2026	22,339	1,223
Total	<u>\$ 105,377</u>	<u>\$ 59,927</u>

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(CONTINUED)

8. RETIREMENT PLAN

The Organization offers a tax deferred annuity plan under Internal Revenue Code Section 403(b). This voluntary plan allows participants to contribute a percentage of salary to be placed in the individual's specific account. The Organization also offers a defined contribution plan under Internal Revenue Code Section 401(a). This plan provides for contributions by the Organization for eligible employees. The Organization makes no matching contributions to the plan.

9. COMMITMENTS AND CONTINGENCIES

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

Governmental Funding

The Organization has received federal and state funds for specific purposes that are subject to review and audit by the contracting agencies. Although such audits could generate expenditure disallowances under terms of the grants or contracts, it is management's opinion that any required reimbursements will not be material.

Guarantees and Indemnities

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

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(CONTINUED)

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Grant	Balance at 6/30/20	Income	Expenditures	Balance at 6/30/21
Eisner Foundation	\$ 125,000	\$ -	\$ (100,000)	\$ 25,000
Robert W. Lowrie donor restricted quasi-endowment fund	486,995	109,571	-	596,566
Robert W. Lowrie - Nonendowment	195,443	-	(195,443)	-
Rose Hills Foundation	75,000	-	(75,000)	-
Satterberg Foundation	500,000	-	(150,000)	350,000
Winnifred Stevens Foundation	75,000	-	-	75,000
Total	<u>\$ 1,457,438</u>	<u>\$ 109,571</u>	<u>\$ (520,443)</u>	<u>\$ 1,046,566</u>

11. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by the Organization at June 30, 2021 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	<u>June 30, 2021</u>
Financial assets:	
Cash and cash equivalents	\$ 693,343
Investments	619,101
Contracts receivables	553,737
Promises to give, net	<u>125,000</u>
Total financial assets	1,991,181
Contractual or donor-imposed restrictions:	
Restricted by donors with time or purpose restrictions	<u>(1,046,566)</u>
Net financial assets after donor-imposed restrictions	<u>944,615</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 944,615</u>

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

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(CONTINUED)

12. SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to June 30, 2021, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 2, 2022, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

In July of 2021 the Paycheck Protection Program Loan was forgiven by the Small Business Administration.

**INFORMATION REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND THE UNIFORM GUIDANCE**



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE



AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**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**

To the Board of Directors of
House of Ruth, Inc.
(A California Non-Profit Corporation)
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. (A California Non-Profit Corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered House of Ruth, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 House of Ruth, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether House of Ruth, Inc. financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 organization'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.

Vosin, Hryn + Co.

Calabasas, California
May 2, 2022



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

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

To the Board of Directors of
House of Ruth, Inc.
(A California Non-Profit Corporation)
Claremont, California

Report on Compliance for Each Major Federal Program

We have audited House of Ruth, Inc. (A California Non-Profit Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of House of Ruth, Inc.'s major federal programs for the year ended June 30, 2021. House of Ruth, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of House of Ruth, Inc.'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 Title 2 U.S. *Code of Federal Regulations* (CFR) 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 House of Ruth, Inc.'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 House of Ruth, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, House of Ruth, Inc. 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, 2021.

Report on Internal Control Over Compliance

Management of House of Ruth, Inc. 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 House of Ruth, Inc.'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 House of Ruth, Inc.'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.

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.

Vosin, Hryn + Co.

Calabasas, California
May 2, 2022

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
FEIN: 95-3276033

Program Title	CFDA Number	Pass-Through Award Number	Reporting Period	Disbursements/ Expenditures	Payments to Subrecipients
U.S. Department of Justice					
Passed Through the California Office of Emergency Services:					
Victims of Crime Program	16.575	AT19 05 1256	7/1/20 - 12/31/20	\$ 129,671	\$ -
Victims of Crime Program	16.575	AT20 01 1256	1/1/21 - 6/30/21	97,560	-
Domestic Violence Shelter and Supportive Services	16.575	DV19 33 1256	7/1/20 - 9/30/20	65,179	-
Domestic Violence Shelter and Supportive Services	16.575	DV20 34 1256	10/1/20 - 6/30/21	154,808	-
Victims of Crime Program	16.575	KU19 01 1256	7/1/20 - 6/30/21	32,897	-
Victims of Crime Program	16.575	XD20 03 1256	7/1/20 - 12/31/20	233,137	-
Victims of Crime Program	16.575	XD20 03 1256	1/1/21 - 6/30/21	147,700	-
Passed Through the County of Los Angeles District Attorney:					
Sexual Assault Section:					
Victims of Crime Program	16.575	XC16010190	7/1/20 - 12/31/20	49,299	-
Victims of Crime Program	16.575	XC19021256	1/1/21 - 6/30/21	53,928	-
Crime Victim Assistance	16.575			964,179	-
Total U.S. Department of Justice				\$ 964,179	\$ -
U.S. Department of Housing and Urban Development					
Community Development Block Grants:					
Passed Through the City of Chino	14.218	N/A	7/1/20 - 6/30/21	\$ 10,000	\$ -
Passed Through the City of Chino Hills	14.218	B-20-MC-06-0592	7/1/20 - 6/30/21	15,000	-
Passed Through the City of Pomona	14.218	N/A	7/1/20 - 6/30/21	4,755	-
Passed Through the City of Rancho Cucamonga	14.218	N/A	7/1/20 - 6/30/21	9,596	-
Community Development Block Grants/Entitlement Grants	14.218			39,351	-
Emergency Shelter Grants:					
Passed Through the City of Ontario					
Emergency Solutions Grant Program	14.231	E-19-MC-06-0537	7/1/20 - 6/30/21	12,598	-
Transitional Housing Project:					
Passed Through the Los Angeles Homeless Services Authority	14.267	CA0515L9D001912	7/1/20 - 3/31/21	174,475	-
Passed Through the Los Angeles Homeless Services Authority	14.267	CA0515L9D002013	4/1/21 - 6/30/21	63,812	-
Continuum of Care Program	14.267			238,287	-
Total U.S. Department of Housing and Urban Development				\$ 290,236	\$ -
U.S. Department of Health and Human Services					
Passed Through the Los Angeles County CalWORKs	93.558	N/A	7/1/20 - 6/30/21	\$ 193,459	\$ -
Passed Through the San Bernardino County CalWORKs	93.558	20-244	7/1/20 - 6/30/21	241,078	-
Temporary Assistance for Needy Families	93.558			434,537	-
Passed Through the California Office of Emergency Services:					
Administration for Children & Families					
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	DV20 34 1256	10/1/20 - 6/30/21	69,101	-
Total U.S. Department of Health and Human Services				\$ 503,638	\$ -
U.S. Department of Homeland Security					
Emergency Food and Shelter Program:					
Los Angeles County (CARES)	97.024	PH-004329	3/1/20 - 12/31/21	\$ 6,000	\$ -
San Bernardino County	97.024	N/A	7/1/20 - 6/30/21	15,256	-
San Bernardino County (CARES)	97.024	N/A	7/1/20 - 6/30/21	6,825	-
Emergency Food and Shelter National Board Program	97.024			28,081	-
Total U.S. Department of Homeland Security				\$ 28,081	\$ -
U.S. Department of Agriculture Food and Nutrition Service					
Passed Through the State of California Department of Education:					
Child and Adult Care Food Program	10.558			\$ 19,160	\$ -
Total U.S. Department of Agriculture Food and Nutrition Service				\$ 19,160	\$ -
TOTAL FEDERAL EXPENDITURES				\$ 1,805,294	\$ -

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(CONTINUED)

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of House of Ruth, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of House of Ruth, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of House of Ruth, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*., wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. DE MINIMIS INDIRECT COST RATE

House of Ruth, Inc. did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2021.

4. LOAN AND LOAN GUARANTEE

House of Ruth, Inc. did not have any balances of loan and loan guarantee programs outstanding at June, 30 2021 for loans described in 2 CFR section 200.50(b).

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

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

Unmodified.

Internal control over financial reporting:

• Material weakness(es) identified?

_____ Yes X No

• Significant deficiency(ies) identified?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?

_____ Yes X No

• Significant deficiency(ies) identified?

_____ Yes X None Reported

Type of auditors' report issued on compliance for major programs

Unmodified.

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

_____ Yes X No

Identification of major programs:

CFDA Number(s)

14.267

16.575

93.558

Name of Federal Program or Cluster

Continuum of Care Program

Crime Victim Assistance

Temporary Assistance for Needy Families

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

CURRENT YEAR

2021 Findings:

There were no 2021 findings noted.

2021 Questioned Costs:

There were no 2021 questioned costs noted.

PRIOR YEARS

FINDING 2020-001 – Crime Victim Assistance

Federal Agency: U.S. Department of Justice

Federal Program Title: Crime Victim Assistance

CFDA Number: 16.575

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

Pass-Through Number(s): 18230

Award Period: 10/1/2017 – 12/31/2019

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

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

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

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

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

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

Identification of Repeat Finding: No

HOUSE OF RUTH, INC.
(A California Non-Profit Corporation)
SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

FINDING 2020-001 – Crime Victim Assistance - Continued

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

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

2021 Management's Response:

We have trained contract signers to review backup documentation to compare actual expenses to invoiced amounts to ensure the amounts are the same. If a signer cannot tie an invoice to the general ledger detail, the invoice will not be approved and returned to the preparer for revision.

2021 Auditors' Comment:

Our 2021 tests did not reveal a reoccurrence of this condition.

FINDING 2019-001 – Crime Victim Assistance

Federal Agency: US Department of Justice

Federal Program Title: Crime Victim Assistance

CFDA Number: 16.575

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

Pass-Through Number(s): N/A

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

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

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

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

Status: Implemented.

2021 Management's Response:

Implemented.

2021 Auditors' Comment:

Our 2021 tests did not reveal a reoccurrence of this condition.