

# House of Ruth

**House of Ruth, Inc.**

Independent Auditors' Report

And Financial Statements

For The Year Ended

June 30, 2021

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## **Independent Auditors' Report**

Board of Directors  
House of Ruth, Inc.  
Louisville, Kentucky

### **Opinion**

We have audited the accompanying financial statements of House of Ruth, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of House of Ruth, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about House of Ruth, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 House of Ruth, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about House of Ruth, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Baldwin CPAs, PLLC*

Louisville, Kentucky  
January 24, 2022

**House of Ruth, Inc.**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 217,666	\$ 221,252
Grants receivable	315,433	312,361
Promises to give	30,172	74,096
Prepaid expenses	14,211	13,276
Investments	1,370,365	989,871
Restricted investments	50,512	103,714
Restricted cash	22,988	11,232
Land, building and equipment, net	1,181,387	1,277,505
<b>Total Assets</b>	<b>\$ 3,202,734</b>	<b>\$ 3,003,307</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 33,574	\$ 16,581
Accrued compensated absences	31,469	30,704
Accrued expenses	26,169	25,373
Refundable advances	26,760	114,975
<b>Total Liabilities</b>	<b>117,972</b>	<b>187,633</b>
<b>Net Assets</b>		
Without donor restrictions		
Unrestricted	1,329,875	923,223
Board designated, quasi-endowment	500,000	500,000
Investment in land, building and equipment, net	1,181,387	1,277,505
Total without donor restrictions	3,011,262	2,700,728
With donor restrictions	73,500	114,946
<b>Total Net Assets</b>	<b>3,084,762</b>	<b>2,815,674</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,202,734</b>	<b>\$ 3,003,307</b>

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

**House of Ruth, Inc.**  
**Statements of Activities**  
**For the Years Ended June 30, 2021 and 2020**

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>Revenue and Support</b>				
Grants and contributions	\$ 1,379,361	\$ 84,059	\$ 1,393,604	\$ 114,411
Rental income	100,172	-	83,503	-
In-kind revenue	143,972	-	165,317	-
Investment income	308,661	-	62,342	-
Miscellaneous income	6,075	-	3,695	-
		<b>Total</b>		<b>Total</b>
	\$ 1,938,241	\$ 2,022,300	\$ 1,708,461	\$ 1,822,872
	125,505	(125,505)	241,753	(241,753)
<b>Net Assets Released from Restrictions</b>				
	2,063,746	(41,446)	1,950,214	(127,342)
<b>Total Revenue and Support</b>		<b>2,022,300</b>		<b>1,822,872</b>
<b>Expenses</b>				
Program services	1,489,517	-	1,415,138	-
Management and general	160,696	-	164,737	-
Fund raising	102,999	-	119,724	-
	1,753,212	-	1,699,599	-
<b>Total Expenses</b>		<b>1,753,212</b>		<b>1,699,599</b>
<b>Change in Net Assets</b>				
Net Assets at Beginning of Year	310,534	(41,446)	250,615	(127,342)
	2,700,728	114,946	2,450,113	242,288
<b>Net Assets at End of Year</b>		<b>\$ 73,500</b>		<b>\$ 114,946</b>
	\$ 3,011,262	\$ 3,084,762	\$ 2,700,728	\$ 2,815,674

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

**House of Ruth, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2021 and 2020**

	2021				2020			
	Total	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising
Payroll	\$ 778,501	\$ 631,368	\$ 83,280	\$ 63,853	\$ 747,169	\$ 586,716	\$ 87,829	\$ 72,624
Employee benefits	79,822	64,736	8,539	6,547	72,189	56,687	8,486	7,016
Payroll tax/workers' compensation	65,955	53,490	7,056	5,409	62,478	49,061	7,344	6,073
Total employee compensation	924,278	749,594	98,875	75,809	881,836	692,464	103,659	85,713
Rental assistance	189,341	189,341	-	-	155,256	155,256	-	-
Supported housing	153,072	151,471	1,601	-	139,256	128,397	10,859	-
Other client assistance	253,481	253,481	-	-	282,445	282,445	-	-
Supplies	3,028	535	2,033	460	4,331	1,285	2,310	736
Postage	2,673	891	891	891	2,305	732	742	831
Printing	2,132	665	800	667	2,146	657	832	657
Telephone	6,244	5,347	493	404	7,113	6,005	609	499
Information technology	9,521	1,973	7,548	-	17,809	8,350	9,459	-
Travel and vehicle	4,074	4,004	70	-	5,566	5,087	262	217
Dues and subscriptions	1,792	300	1,492	-	1,050	300	750	-
Campus repairs and maintenance	14,090	-	9,427	4,663	8,434	-	6,610	1,824
Professional Fees	20,629	194	20,435	-	11,915	1,415	10,500	-
Insurance	33,118	29,124	1,997	1,997	30,062	28,120	971	971
Development and promotion	10,842	-	-	10,842	20,170	-	-	20,170
Bank fees and charges	4,816	-	4,197	619	8,025	250	6,067	1,708
Training and meeting	5,945	3,469	2,003	473	6,413	4,417	1,996	-
Campus utilities, phone, etc.	16,769	13,415	1,845	1,509	17,638	14,110	1,940	1,588
Total expenses before depreciation	1,655,845	1,403,804	153,707	98,334	1,601,770	1,329,290	157,566	114,914
Depreciation	97,367	85,713	6,989	4,665	97,829	85,848	7,171	4,810
Total expenses	<u>\$1,753,212</u>	<u>\$1,489,517</u>	<u>\$ 160,696</u>	<u>\$102,999</u>	<u>\$1,699,599</u>	<u>\$1,415,138</u>	<u>\$ 164,737</u>	<u>\$119,724</u>
Percent of total	<u>100.00%</u>	<u>84.96%</u>	<u>9.17%</u>	<u>5.87%</u>	<u>100.00%</u>	<u>83.26%</u>	<u>9.69%</u>	<u>7.05%</u>

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

**House of Ruth, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 269,088	\$ 123,273
Adjustments to reconcile change in net assets to net cash provided in operating activities:		
Depreciation	97,367	97,829
Realized/unrealized gain on investments	(289,047)	(41,442)
(Increase) decrease in operating assets:		
Grants receivable	(3,072)	(24,075)
Promises to give	43,924	(32,454)
Prepaid expenses	(935)	(1,180)
Increase (decrease) in operating liabilities:		
Accounts payable	16,993	(78,892)
Accrued compensated absences	765	6,013
Accrued expenses	796	(1,525)
Refundable advances	(88,215)	114,975
<b>Net Cash Provided by Operating Activities</b>	<b>47,664</b>	<b>162,522</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of land, building and equipment	(1,249)	(298,090)
Proceeds from the sale of investments	39,500	139,000
Purchase of investments	(77,745)	(59,900)
<b>Net Cash Used by Investing Activities</b>	<b>(39,494)</b>	<b>(218,990)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>8,170</b>	<b>(56,468)</b>
Cash at Beginning of Year	232,484	288,952
<b>Cash at End of Year</b>	<b>\$ 240,654</b>	<b>\$ 232,484</b>
<b>Supplemental Disclosures</b>		
Cash and cash equivalents	\$ 217,666	\$ 221,252
Restricted cash	22,988	11,232
<b>Total cash</b>	<b>\$ 240,654</b>	<b>\$ 232,484</b>

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



**House of Ruth, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies**

Organization

House of Ruth, Inc. (the Organization), a not-for-profit corporation, was incorporated under the laws of the Commonwealth of Kentucky in August, 1992. The Organization provides housing and support services for people with HIV/AIDS and their families who are homeless, at risk of losing their homes, or need financial help. This is done through a continuum of services: emergency shelter, short and long-term housing, mental health counseling, substance abuse treatment, advocacy for clients, and basic needs assistance to provide food, clothes, rent, utilities, public transportation, and back-to-school support.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. A description of the net assets categories follows:

Net assets without donor restrictions: expendable funds that are not subject to donor-imposed stipulations, are designated for specific purposes by the Board of Directors, or invested in land, building and equipment.

Net assets with donor restrictions: stipulated by donors for specific operating purposes or are restricted by time. These include donor restrictions requiring that the corpus to be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Cash Policy

Cash consists solely of cash on deposit. Cash held temporarily by a custodian for investment purposes is included in investments and not considered to be cash equivalents. Restricted cash is cash received for land, building and equipment purchases.

Promises to Give

Promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give becoming due in the next year are recorded at net realizable value. Promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grants Receivable

Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. No accounts are considered by management to be uncollectible at June 30, 2021 and 2020, therefore, no allowance is considered necessary.

**House of Ruth, Inc.**  
**Notes to Financial Statements - Continued**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies - Continued**

Investments

Investments, primarily consisting of cash, mutual funds, and exchange traded funds are stated at fair value. Unrealized and realized gains and losses are included in the statement of activities as investment income.

Fair Value Measurements

The ASC establishes a framework for measuring fair value and expands disclosures required for fair value measurements. The framework establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. These levels, in order of lowest to highest priority are described as follows:

Level 1 – Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in inactive markets, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Land, Building and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are reported at cost. Contributed property and equipment are recorded at the fair market value at date of donation. Such contributions are recorded as support without restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated over the estimated useful life of each class of depreciable assets using the straight-line method. The estimated useful lives adopted for the purposes of computing depreciation are:

Buildings	39.5 years
Furniture	7 years
Equipment	5 years
Vehicles	5 years

**House of Ruth, Inc.**  
**Notes to Financial Statements - Continued**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies - Continued**

Refundable Advances

Refundable advances are funds received from a third party for which services have yet to be provided, or for which donor conditions have yet to be met, and the grantor has a right of return.

Revenue and Support

Grants are recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursements under the grant agreements. Grant activities and outlays are subject to audit and acceptance by granting agency and, as a result of such audit, could be adjusted.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest, is received and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Program rental income is recognized over the term of each rental agreement.

In-kind donated materials and equipment are reflected in the accompanying financial statements at their estimated values at the date of receipt. The Organization pays for most services requiring specific expertise. Additionally, many individuals volunteer their time and perform a variety of tasks that assist the Organization with programs, solicitations and various committee assignments.

Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, costs have been allocated among the program and supporting services benefited. Directly identifiable expenses are charged to program and supporting services. All other expenses are allocated on the basis of estimates of time and effort.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of activities or accrued in the statements of financial position.

**House of Ruth, Inc.**  
**Notes to Financial Statements - Continued**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies - Continued**

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Reclassification

Certain reclassifications have been made to prior year amounts to conform with the current presentation.

**Note 2. Concentrations of Credit Risk**

Cash - The Organization maintains its cash balances in several financial institutions in Louisville, Kentucky. The cash balances are insured by the Federal Deposit Insurance Corporation. At various times during the year, the cash balances exceed amounts federally insured. Cash balances exceeded federally insured amounts by \$0 as of June 30, 2021 and 2020.

Investments - Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Organization.

Revenue concentration - The Organization received approximately 38% and 34% of its total revenue and support from grants issued by The Department of Housing and Urban Development for the fiscal years ended June 30, 2021 and 2020, respectively.

**Note 3. Promises to Give**

Unconditional promises to give are all current and consist of the following:

	2021	2020
Metro United Way Programs	\$ 6,636	\$ 14,342
	23,536	59,754
Total	\$ 30,172	\$ 74,096

During the year ended June 30, 2021, the Organization received a \$8,942 conditional promise from Metro United Way, which is contingent upon the amount received from third party processing payments.

**Note 4. Refundable Advances**

Certain grantor agreements stipulate that the grantors are entitled to a return of the grant for any funds not expended or committed for the purposes of the grant, or within the period covered by the grant. Accordingly, the Organization recognizes the unexpended payments from these grantors as refundable advances until qualifying expenditures have been made. As of June 30, 2021, \$11,635 of matching grant funds were included in the refundable advances balance.

**House of Ruth, Inc.**  
**Notes to Financial Statements - Continued**  
**June 30, 2021 and 2020**

**Note 5. Investments**

Investments consist of money market funds, mutual funds, stocks, and exchange traded funds.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used to determine fair value at June 30, 2021 and 2020.

*Money market funds:* Valued at cost, plus accrued interest

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the organization are deemed to be actively traded.

*Stocks:* Valued at the daily closing price as reported by the stock market.

*Exchange traded funds:* Valued at the daily closing price as reported by the fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash and money funds	\$ 46,101	\$ -	\$ -	\$ 46,101
Mutual funds - equities	1,056,891	-	-	1,056,891
Stocks and ADRs	19,054	-	-	19,054
Exchange traded funds	298,831	-	-	298,831
Total	\$ 1,420,877	\$ -	\$ -	\$ 1,420,877

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash and money funds	\$ 15,152	\$ -	\$ -	\$ 15,152
Mutual funds - equities	928,480	-	-	928,480
Stocks and ADRs	-	-	-	-
Exchange traded funds	149,953	-	-	149,953
Total	\$ 1,093,585	\$ -	\$ -	\$ 1,093,585

**House of Ruth, Inc.**  
**Notes to Financial Statements - Continued**  
**June 30, 2021 and 2020**

**Note 5. Investments - Continued**

Investments are reported on the statements of financial position as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Investments	\$ 1,370,365	\$ 989,871
Restricted investments	50,512	103,714
	<u>\$ 1,420,877</u>	<u>\$ 1,093,585</u>

**Note 6. Board Designated Net Assets**

In December 2017, the Organization's Board of Directors designated \$500,000 of its overall investment account as a quasi-endowment fund. Only 4% of the income generated by the \$500,000 principal can be withdrawn each year to be used for operation expenses. No withdrawals have been made from the investment account for the years ended June 30, 2021 and 2020.

**Note 7. Land, Building and Equipment**

Land, building and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 69,723	\$ 69,723
Buildings and improvements	2,295,366	2,294,117
Vehicles	30,342	30,342
Office furniture and equipment	78,401	78,401
	<u>2,473,832</u>	<u>2,472,583</u>
Less: accumulated depreciation	<u>(1,292,445)</u>	<u>(1,195,078)</u>
Land, building and equipment, net	<u>\$ 1,181,387</u>	<u>\$ 1,277,505</u>
Depreciation expense	<u>\$ 97,367</u>	<u>\$ 97,829</u>

**Note 8. Line of Credit**

The Organization has available a \$100,000 line of credit. The line carried an outstanding balance of \$0 at June 30, 2021 and 2020. Advances on the line of credit are payable on demand and carry an interest rate of prime plus 1.88% (5.13% as of June 30, 2021).

**House of Ruth, Inc.**  
**Notes to Financial Statements - Continued**  
**June 30, 2021 and 2020**

**Note 9. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following for the years ended June 30:

	2021	2020
Programs	\$ 50,512	\$ 103,714
Land, building and equipment	22,988	11,232
	\$ 73,500	\$ 114,946

**Note 10. Retirement Plan**

The Organization has a SIMPLE retirement plan that allows employees who have completed six months of service to participate in the Plan. The Organization contributes 2% of gross wages of all eligible employees to the Plan. The Organization contributed \$13,925 and \$10,201 to this Plan for the years ended June 30, 2021 and 2020, respectively.

**Note 11. In-Kind Donations**

The Organization records various types of in-kind support, including land, building and equipment, materials and other intangible assets. Contributed in-kind support is recognized in accordance with FASB ASC 958-605-25, which governs the presentation of financial statements of not-for-profit organizations. This pronouncement requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Most of the services received by the Organization do not meet these criteria. In 2021 and 2020, no donations of services were recognized, although volunteers provided countless hours of assistance.

Contributions of tangible assets are recognized at fair market value when received. The amounts are reflected in the accompanying financial statements as support and are offset by like amounts included in expenses or assets. In-kind donations for the years ended June 30, 2021 and 2020 were \$143,972 and \$165,317, respectively.

**Note 12. Commitment & Contingencies**

The Organization receives funding from federal and state government agencies, which funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purposes, the grantors may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to the U.S. Department of Housing and Urban Development. Such administrative directives, rules and regulations are subject to change by an act of Congress, or an administrative change mandated by various government bodies. Such changes may occur with little or

**House of Ruth, Inc.**  
**Notes to Financial Statements - Continued**  
**June 30, 2021 and 2020**

**Note 12. Commitment & Contingencies - Continued**

inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

The novel coronavirus (COVID-19) was first identified in people in late 2019. COVID-19 spread rapidly throughout the world and, in March 2020, the World Health Organization characterized COVID-19 as a pandemic. It has significantly disrupted supply chains and businesses around the world. The United States and global markets experienced significant volatility in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on House of Ruth, Inc.'s members and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on House of Ruth, Inc.'s donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact House of Ruth, Inc.'s future financial condition, results of operations and cash flows is uncertain.

**Note 13. Liquidity and Availability**

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year, perpetual endowments, or funds donors or the governing board has set aside for a specific purpose. Board designations could be drawn upon if the board approves that action.

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 217,666	\$ 221,252
Grants receivable	315,433	312,361
Promises to give, net	30,172	74,096
Restricted cash	22,988	11,232
Investments	<u>1,420,877</u>	<u>1,093,585</u>
	2,007,136	1,712,526
Less those unavailable for general expenditure within one year		
Board designated, quasi-endowment	(500,000)	(500,000)
Cash restricted for programs	(50,512)	(103,714)
Cash restricted for land, building and equipment	<u>(22,988)</u>	<u>(11,232)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,433,636</u>	<u>\$ 1,097,580</u>

In addition to financial assets available to meet general expenditures over the year, the Organization anticipates covering its general expenditures by collecting sufficient program and other revenues, utilizing resources from current and prior year's gifts, and appropriating the investment return on its board designated endowments, as needed. As described in Note 9, the Organization also has a \$100,000 line of credit, which it could draw upon in the event of an anticipated liquidity need.



**House of Ruth, Inc.**  
**Notes to Financial Statements - Continued**  
**June 30, 2021 and 2020**

**Note 14. Paycheck Protection Program (PPP)**

On May 1, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$158,800 (the "PPP Loan"). 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. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization.

House of Ruth, Inc applied for forgiveness of the loan and was approved for forgiveness on August 25, 2021. The proceeds from the forgiveness of the loan are recognized as part of the income in grants and contributions in the amounts of \$107,475 and \$51,325 for years ending June 30, 2021, and June 30, 2020, respectively, on the statement of activities.

**Note 15. Recently Issued Accounting Standards**

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07), requiring an entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. ASU 2020-07 includes additional disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The standard will be applied on a retrospective basis and will be effective for the year ending June 30, 2022. The Organization does not expect the new standard will impact its financial statements other than a reclassification on the statement of activities and additional disclosures.

**Note 16. Subsequent Events**

Management has evaluated subsequent events for recognition or disclosure in the financial statements through January 24, 2022, the date the financial statements were available to be issued.