

HOUSE OF RUTH
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2016 AND 2015

PHILLIPS & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

HOUSE OF RUTH

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
HOUSE OF RUTH
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of House of Ruth (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years 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.

Opinion

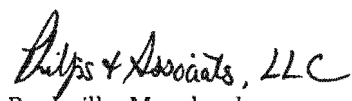
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Ruth as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also 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 15, 2017 on our consideration of House of Ruth'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's internal control over financial reporting and compliance.


Rockville, Maryland
May 15, 2017

HOUSE OF RUTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents		
Cash and cash equivalents	\$ 697,947	\$ 1,404,391
Resident deposits - cash held on behalf of others (NOTE 2)	68,587	61,010
Total cash and cash equivalents	766,534	1,465,401
Receivables:		
Grants and contracts - billed	887,164	1,126,081
Grants and contracts - unbilled	533,811	-
Contributions, net (NOTE 4)	319,118	217,232
Total receivables	1,740,093	1,343,313
Prepaid expenses	12,499	-
Total current assets	2,519,126	2,808,714
Security deposits	30,033	7,266
Property and equipment, net (NOTE 5)	5,146,362	5,389,505
TOTAL ASSETS	\$ 7,695,521	\$ 8,205,485

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 460,252	\$ 393,053
Accrued annual leave	230,156	211,004
Residential deposits	68,587	61,010
Line of credit (NOTE 6)	901,812	-
Total current liabilities	1,660,807	665,067
NET ASSETS		
Unrestricted	6,034,714	7,540,418
Total net assets	6,034,714	7,540,418
TOTAL LIABILITIES AND NET ASSETS	\$ 7,695,521	\$ 8,205,485

See auditor's report and accompanying notes to the financial statements.

HOUSE OF RUTH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>UNRESTRICTED</u>	
	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT		
Contributions	\$ 3,189,913	\$ 3,470,824
Federal grants	1,446,447	1,471,439
Contracts	2,814,053	3,217,199
Other revenue	<u>103,337</u>	<u>79,895</u>
TOTAL REVENUE AND SUPPORT	<u>7,553,750</u>	<u>8,239,357</u>
EXPENSES		
Program Services		
Housing and services for women	2,023,107	2,180,747
Housing and services for families	3,433,885	3,660,786
Community based services	<u>2,128,807</u>	<u>2,066,624</u>
Total program services	7,585,799	7,908,157
Supporting Services		
Management and general	850,307	573,094
Fundraising	<u>623,348</u>	<u>472,979</u>
Total supporting services	1,473,655	1,046,073
TOTAL EXPENSES	<u>9,059,454</u>	<u>8,954,230</u>
CHANGE IN NET ASSETS	(1,505,704)	(714,873)
NET ASSETS		
BEGINNING OF YEAR	<u>7,540,418</u>	<u>8,255,291</u>
END OF YEAR	<u><u>\$ 6,034,714</u></u>	<u><u>\$ 7,540,418</u></u>

See auditor's report and accompanying notes to the financial statements.

HOUSE OF RUTH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,505,704)	\$ (714,873)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation	261,464	273,487
(Increase) decrease in assets:		
Accounts receivable	(396,780)	(325,482)
Prepaid expenses	(12,499)	-
Security deposits	(22,767)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	69,011	118,842
Accrued annual leave	19,152	21,679
Resident deposits	7,577	(6,644)
Net Cash (Used for) Operating Activities	<u>(1,580,546)</u>	<u>(632,991)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from line of credit	<u>900,000</u>	-
Net Cash Provided By Financing Activities	<u>900,000</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(18,321)</u>	<u>(51,638)</u>
Net Cash (Used For) Investing Activities	<u>(18,321)</u>	<u>(51,638)</u>
NET (DECREASE) IN CASH	(698,867)	(684,629)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,465,401</u>	<u>2,150,030</u>
End of year	<u>\$ 766,534</u>	<u>\$ 1,465,401</u>

See auditor's report and accompanying notes to the financial statements.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. ORGANIZATION AND PURPOSE

The HOUSE OF RUTH (the Organization) is organized exclusively for charitable purposes and, more specifically, to provide emergency shelter, transitional and permanent housing, and child development and support services for women and their children who are homeless and/or abused.

House of Ruth works toward achieving its mission through the following program areas:

Housing and Services for Women

There are five housing programs that focus on helping the women build the capabilities and skills to cope in a healthy way, managing their mental illness and avoiding addiction. The Organization engages these women, helps them connect to other resources in the community and encourages them to participate in more extensive services.

Housing and Services for Families

House of Ruth serves families at six House of Ruth residences. The families receive many services organized to meet the needs of each family member. The mothers pursue an active schedule of recovery work, positive child-rearing and learning skills of living independently. The children attend school or day care and receive extensive counseling and mentoring.

Community-Based Services

House of Ruth has a Child and Family Development Center for the children living at House of Ruth residences and homeless children living in the community. The children receive the specialized help they need to overcome developmental delays and enter school ready to learn. The Domestic Violence Support Center provides outreach and counseling to survivors of domestic violence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers cash and cash equivalents to include cash in banks and liquid investments with an original maturity of three months or less.

Resident Deposits

The Organization maintains a separate cash account held on behalf of the residents in the amount of \$68,587 and \$61,010 at June 30, 2016 and 2015, respectively. These funds are exclusively for the residents and are not available to pay the Organization's expenses. Funds will be maintained by the Organization until the residents withdraw their deposits upon departure from the programs.

Grants and Contracts Receivable

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Write-off of accounts receivable occurs when all collection efforts have been exhausted or certain conditions or forgiveness have been reached. All receivables are deemed collectible by management at June 30, 2016 and 2015.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Acquisitions of property and equipment with a cost greater than \$2,000 are capitalized and depreciated on the straight-line basis over the estimated useful life of the related assets (three to forty years). Leasehold improvements are amortized on a straight-line basis over the shorter of remaining life of the lease or estimated useful life.

Net Assets

The Organization reports its net assets as unrestricted, temporarily restricted or permanently restricted based on the donor's intent. The purposes of each class of net assets are as follows:

Unrestricted - Represents net assets available for general operations.

Unrestricted – Board Designated - Represents net assets designated by the Board.

Temporarily Restricted - Includes amounts with specific donor imposed purposes and/or time restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Contributions

The Organization records revenue received as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purpose, and are then reported in the statements of activities as net assets released from restrictions. However, the Organization recognizes restricted revenue whose restrictions are satisfied in the same reporting period as unrestricted revenue.

Government Grants and Cooperative Agreements

Government grants and cooperative agreements are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or agreement, are made. Funds received but not earned are shown as deferred revenue. Expenditures under government grants and agreements are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants and agreements, the Organization will record such disallowance at the time the final assessment is made.

In-Kind Contributions

Donated facilities, goods and services are recorded at fair market value at the date of donation. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. During the years ended June 30, 2016 and 2015, the Organization received no in-kind contributions. The Organization received the services of volunteers, and the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses

The Organization's expenses have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is exempt from the payment of Federal income taxes on their exempt activities under 501(c)(3) of the Internal Revenue Code and has been designated by the Internal Revenue Service as "publicly supported" organization under Section 509(a) of the Code. The Organization adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes, which requires that a tax position be recognized on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of FASB ASC 740 had no impact on the Organization's audited financial statements. The Organization does not believe their financial statements include (or reflect) any uncertain tax positions. However, fiscal years 2012 and later remain subject to examination by the IRS and state authorities.

3. CONCENTRATION OF CREDIT RISK

Financial instruments, which subject the Organization to concentrations of credit risk, consist of demand deposit and savings accounts with a financial institution. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total is insured up to \$250,000 by FDIC. Uninsured balances were \$279,418 and \$290,293, at June 30, 2016 and 2015, respectively.

The Organization held various certificates of deposit, with maturity dates of 12 months or less, in the aggregate amount of \$406,161 and \$907,598 at June 30, 2016 and 2015, respectively. These certificates of deposit were fully guaranteed through the members of the CDARS network. Additionally, these CDAR accounts were used as collateral for the Organization's line of credit (NOTE 6).

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give and are stated at their net realizable value. The gross contributions receivable accounts as June 30, 2016 and 2015 was \$319,118 and \$217,232, respectively. The contributions receivable are expected to be collected within one year.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$7,239,867	\$7,239,867
Land	763,360	763,360
Leasehold improvements	152,522	152,522
Household and office equipment	319,541	301,216
Vehicles	<u>31,900</u>	<u>31,900</u>
Total	8,507,190	8,488,865
Accumulated depreciation and amortization	<u>(3,360,828)</u>	<u>(3,099,360)</u>
Total	<u>\$5,146,362</u>	<u>\$5,389,505</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$261,464 and \$273,487, respectively.

6. LINE OF CREDIT

On August 28, 2015, the Organization entered into a loan agreement with City First, Bank of D.C., N.A., in the amount of \$900,000. The line bears an interest rate equal to Prime Rate, as reflected in the Wall Street Journal, plus .125 percent. On June, 30, 2016, the Prime Rate was 3.50 percent. The principal amount plus all accrued interest are due on December 31, 2016. The Organization is required to make monthly interest payments on the line. The line is secured by two CDARS deposit accounts the Organization has with the bank. The line of credit agreement contains various terms and affirmative covenants that the Organization must comply with. As of June 30, 2016, the amount owed on the note was \$901,812, including accrued interest.

7. COMMITMENTS

The Organization leases offices and equipment in various locations around the District of Columbia under both non-cancelable operating leases with terms in excess of one year and cancelable operating leases. Rental expense related to these leases totaled \$276,894 and \$148,865, for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments for all operating leases are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 59,508
2018	<u>38,895</u>
	<u>\$ 98,403</u>

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

8. RETIREMENT PLAN

The Organization maintains a non-contributory Simplified Employee Pension plan. Individual retirement accounts have been established whereby eligible employees open individual retirement accounts and select the investment vehicles. Eligible employees are those at least 21 years of age who have completed at least three years of service. The Organization contributed six percent of each participant's compensation for fiscal years 2016 and 2015. Contributions to the Plan for the years ended June 30, 2016 and 2015 were \$186,580 and \$177,859, respectively.

9. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, the Organization evaluated subsequent events through May 15, 2017, the date these financial statements were available to be issued.

The Organization entered into a lease agreement with The New Macedonia Baptist Church on December 21, 2016. The lease will be effective January 1, 2017 and end on December 31, 2017. The lease is renewable on an annual or month-to-month basis. The minimum rental lease payments required during the twelve month period ending December 31, 2017 will total \$192,414.

On December 21, 2016, the Organization sold property located at 459 Massachusetts Avenue NW & 454 I Street NW Washington, DC 20001 to Jemal's Ruth LLC for a total sales price of \$2,475,000.

Additionally, on December 23, 2016, the Organization used a portion of the proceeds from the sale of the above referenced property to pay off the outstanding balance on the line of credit (NOTE 6).

There were no other material subsequent events that required recognition or additional disclosure in these financial statements.

HOUSE OF RUTH
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2016							2015	
	Program Services				Supporting Services			Total Expenses	Total Expenses
	Housing and Services for Women	Housing and Services for Families	Community Based Services	Total	Management and General	Fundraising	Total		
Salaries	\$ 1,448,782	\$ 2,134,941	\$1,249,364	\$ 4,833,087	\$ 318,416	\$ 210,282	\$ 528,698	\$ 5,361,785	\$ 5,487,882
Payroll Taxes and Fringe Benefits	370,739	547,164	319,374	1,237,277	62,797	54,024	116,821	1,354,098	1,247,751
Depreciation and Amortization	22,292	226,660	8,748	257,700	3,764	-	3,764	261,464	273,487
Clinical Specialists	21,918	67,952	153,932	243,802	-	-	-	243,802	255,135
Building Maintenance	31,696	135,793	50,907	218,396	-	-	-	218,396	251,997
Utilities	27,829	139,694	16,879	184,402	-	-	-	184,402	191,708
Facility Relocation	1,032	4,420	1,656	7,108	-	-	-	7,108	-
Contract Labor: Security and Cleaning	-	-	-	-	-	-	-	-	157,279
Rent	-	-	206,186	206,186	35,354	35,354	70,708	276,894	148,865
Outside Services	-	-	-	-	3,825	11,475	15,300	15,300	142,677
Food and Household Supplies	34,014	54,910	81,645	170,569	-	-	-	170,569	131,183
Equipment and Furnishings	6,571	17,858	4,799	29,228	6,240	263	6,503	35,731	74,727
Office and Other Supplies	11,164	28,170	11,907	51,241	14,469	6,785	21,254	72,495	73,850
Telephone	11,439	15,035	4,836	31,310	21,525	53	21,578	52,888	69,060
Other Client Costs	21,199	31,899	3,352	56,450	-	-	-	56,450	66,603
Postage and Delivery	86	3,557	50	3,693	12,178	60,736	72,914	76,607	62,755
Insurance	-	-	-	-	45,182	-	45,182	45,182	63,514
Staff Recruiting, Training, Awards, Meetings	1,932	6,512	1,916	10,360	5,604	3,101	8,705	19,065	52,238
Printing and Publishing	1	34	1,222	1,257	21,185	40,972	62,157	63,414	50,060
Professional Fees	975	7,150	4,576	12,701	151,937	181,020	332,957	345,658	39,250
Fund Raising	-	-	-	-	-	-	-	-	28,462
Equipment Rental and Maintenance	2,815	863	4,469	8,147	16,866	-	16,866	25,013	26,053
Interest and Bank Fees	-	-	-	-	52,429	662	53,091	53,091	20,127
Travel	3,528	9,070	1,664	14,262	3,926	508	4,434	18,696	16,185
Vehicle Expense	4,375	224	-	4,599	-	-	-	4,599	4,099
Information Technology and System Support	-	-	-	-	48,141	16,047	64,188	64,188	-
Software	-	-	-	-	10,577	191	10,768	10,768	12,025
Dues and Subscription	420	386	40	846	3,947	1,575	5,522	6,368	3,968
Taxes and Licenses	300	1,593	1,285	3,178	802	300	1,102	4,280	3,251
Miscellaneous	-	-	-	-	11,143	-	11,143	11,143	39
Total Expenses	\$ 2,023,107	\$ 3,433,885	\$2,128,807	\$ 7,585,799	\$ 850,307	\$ 623,348	\$ 1,473,655	\$ 9,059,454	\$ 8,954,230

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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

The Board of Directors
HOUSE OF RUTH
Washington, DC

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2017.

Internal Control over Financial Reporting

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

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 (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether House of Ruth's 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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.

Phillips & Associates, LLC

Rockville, Maryland

May 15, 2017

PHILLIPS & ASSOCIATES, LLC

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

The Board of Directors
HOUSE OF RUTH
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited House of Ruth's 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's major federal programs for the year ended June 30, 2016. House of Ruth's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of House of Ruth's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about House of Ruth'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's compliance.

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

Opinion on Each Major Federal Program

In our opinion, House of Ruth 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, 2016.

Report on Internal Control over Compliance

Management of House of Ruth 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'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's internal control over compliance.

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


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of House of Ruth as of and for the year ended June 30, 2016, and have issued our report thereon dated May 15, 2017, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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


Rockville, Maryland
May 15, 2017

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Program Title:</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
United States Department of Housing and Urban Development:			
Supportive Housing Program	14.235	DC0032L3G001306	\$ 11,335
Supportive Housing Program	14.235	DC0032L3G001407	133,833
Supportive Housing Program	14.235	DC0061L3G001407	121,334
Supportive Housing Program	14.235	DC0061L3G001306	68,115
Supportive Housing Program	14.235	DC0033L3G001407	50,160
Supportive Housing Program	14.235	DC0033L3G001407	<u>191,299</u>
			<u>576,076</u>
United States Department of Housing and Urban Development passed through The Community Partnership for the Prevention of Homelessness:			
Supportive Housing Program	14.235	DC0013L3G001407	77,312
Supportive Housing Program	14.235	DC0061L3G001306	53,185
Supportive Housing Program	14.235	DC0061L3G001306	<u>138,852</u>
			<u>269,349</u>
Total U.S. Department of Housing and Urban Development			<u>845,425</u>
United States Department of Health and Human Services Passed through D.C. Department of Human Services:			
Family Violence Prevention Services	93.671	JA-FSA-0732-2-16	138,819
Family Violence Prevention Services	93.671	JA-FSA-0732-2-16	<u>304,042</u>
			<u>442,861</u>
United States Department of Agriculture passed through DC Public Schools:			
Child and Adult Care Food Program	10.558	V-126	<u>33,936</u>
United States Department of Justice passed through:			
Women's Integrated Re-Entry Program	16.738	2015-DJ-BX-1075	97,178
Women's Integrated Re-Entry Program	16.738	2014-DJ-BX-1134	<u>12,047</u>
			<u>124,225</u>
Total Federal Expenditures			<u>\$ 1,446,447</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the activity of HOUSE OF RUTH presented on GAAP. The information in the schedule is presented in accordance with the requirements OMB Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. During the period of audit, there were no non-cash assistance recorded, no federal insurance noted during the year, and no loans of loan guarantees outstanding.

HOUSE OF RUTH
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified	___yes	__X__no
Significant deficiencies identified that are not considered to be material weaknesses	___yes	__X__none reported
Noncompliance material to financial statements noted	___yes	__X__no

Federal Awards

Internal control over major programs:		
Material weaknesses identified	___yes	__X__no
Significant deficiencies identified that are not considered to be material weaknesses	___yes	__X__none reported

Type of auditors' report issued on compliance for major programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	___yes	__X__no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.235	U.S. Department of Housing and Urban Development Supportive Housing Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	__X__yes	___no
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FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS – NONE NOTED.

FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS – NONE NOTED.

SUMMARY SCHEDULE OF PRIOR FINDINGS – NONE NOTED.