

HOUSE OF RUTH
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 December 12, 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.

Phillips + Associates, LLC

Rockville, Maryland

February 9, 2018

HOUSE OF RUTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS		2017	2016
CURRENT ASSETS			
Cash and cash equivalents			
Cash and cash equivalents		\$ 2,279,175	\$ 697,947
Resident deposits - cash held on behalf of others (NOTE 2)		53,627	68,587
Total cash and cash equivalents		2,332,802	766,534
Receivables:			
Grants and contracts - billed		1,122,449	887,164
Grants and contracts - unbilled		-	533,811
Contributions, net (NOTE 4)		230,548	319,118
Total receivables		1,352,997	1,740,093
Prepaid expenses			
		6,289	12,499
Total current assets		3,692,088	2,519,126
Security deposits			
		-	30,033
Property and equipment, net (NOTE 5)			
		4,844,750	5,146,362
TOTAL ASSETS		\$ 8,536,838	\$ 7,695,521
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses			
		\$ 298,667	\$ 460,252
Accrued annual leave			
		205,506	230,156
Residential deposits			
		53,627	68,587
Line of credit (NOTE 6)			
		-	901,812
Total current liabilities		557,800	1,660,807
NET ASSETS			
Unrestricted			
		7,979,038	6,034,714
Total net assets		7,979,038	6,034,714
TOTAL LIABILITIES AND NET ASSETS		\$ 8,536,838	\$ 7,695,521

See auditors' report and accompanying notes to the financial statements.

HOUSE OF RUTH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	UNRESTRICTED	
	2017	2016
REVENUE AND SUPPORT		
Contributions	\$ 3,495,175	\$ 3,189,913
Federal grants	1,637,430	1,446,447
Contracts	2,739,003	2,814,053
Other revenue	96,580	103,337
TOTAL REVENUE AND SUPPORT	7,968,188	7,553,750
EXPENSES		
Program Services		
Housing and services for women	1,876,310	2,023,107
Housing and services for families	3,068,265	3,433,885
Community based services	2,145,275	2,128,807
Total program services	7,089,850	7,585,799
Supporting Services		
Management and general	639,799	850,307
Fundraising	580,271	623,348
Total supporting services	1,220,070	1,473,655
TOTAL EXPENSES	8,309,920	9,059,454
NET OPERATING DEFICIT	(341,732)	(1,505,704)
OTHER ITEM CONSIDERED TO BE NON-OPERATING		
Gain on sale of asset	2,286,056	-
CHANGE IN NET ASSETS	1,944,324	(1,505,704)
NET ASSETS		
BEGINNING OF YEAR	6,034,714	7,540,418
END OF YEAR	\$ 7,979,038	\$ 6,034,714

See auditors' report and accompanying notes to the financial statements.

HOUSE OF RUTH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (341,732)	\$ (1,505,704)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	238,257	261,464
(Increase) decrease in assets:		
Accounts receivable	387,096	(396,780)
Prepaid expenses	6,210	(12,499)
Security deposits	30,033	(22,767)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(161,585)	69,011
Accrued annual leave	(24,650)	19,152
Resident deposits	(14,960)	7,577
Net Cash Provided By (Used For) Operating Activities	<u>118,669</u>	<u>(1,580,546)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments on) Advances from line of credit	<u>(901,812)</u>	<u>900,000</u>
Net Cash (Used for) Provided By Financing Activities	<u>(901,812)</u>	<u>900,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(18,321)
Net cash received from sale of asset	<u>2,349,411</u>	<u>-</u>
Net Cash Provided By (Used For) Investing Activities	<u>2,349,411</u>	<u>(18,321)</u>
NET INCREASE (DECREASE) IN CASH	1,566,268	(698,867)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>766,534</u>	<u>1,465,401</u>
End of year	<u>\$ 2,332,802</u>	<u>\$ 766,534</u>

See auditors' report and accompanying notes to the financial statements.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 \$53,627 and \$68,587 at June 30, 2017 and 2016, 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, 2017 and 2016.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 AND 2016

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 2013 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 \$1,343,891 and \$279,418, at June 30, 2017 and 2016, respectively.

The Organization held various certificates of deposit, with maturity dates of 12 months or less, in the aggregate amount of \$900,735 and \$406,161, at June 30, 2017 and 2016, 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, 2017 and 2016 was \$253,767 and \$319,118, respectively. The allowance for doubtful accounts as of June 30, 2017 and 2016, was 23,219 and \$0, respectively. The contributions receivable are expected to be collected within one year.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$7,165,047	\$7,168,299
Construction in progress	71,568	71,568
Land	703,360	763,360
Leasehold improvements	152,522	152,522
Household and office equipment	319,438	319,541
Vehicles	<u>31,900</u>	<u>31,900</u>
Total	8,443,835	8,507,190
Accumulated depreciation and amortization	<u>(3,599,085)</u>	<u>(3,360,828)</u>
Total	<u>\$4,844,750</u>	<u>\$5,146,362</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$238,257 and \$261,464, 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 were due on December 31, 2016. The Organization was required to make monthly interest payments on the line. The line was secured by two CDARS deposit accounts the Organization has with the bank. The line of credit agreement contained various terms and affirmative covenants that the Organization had to comply with. At June 30, 2016, the amount owed on the note was \$901,812, including accrued interest.

The outstanding line of credit was paid in full during the year ended June 30, 2017.

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 \$339,524 and \$276,894, for the years ended June 30, 2017 and 2016, respectively. Future minimum lease payments for all operating leases are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 135,094

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

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 2017 and 2016. Contributions to the Plan for the years ended June 30, 2017 and 2016 were \$162,433 and \$186,580, respectively.

9. NON-OPERATING ITEM

Non-operating item consists of gain on sale of real estate in the amount of \$2,286,056, during the year ended June 30, 2017.

10. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, the Organization evaluated subsequent events through February 9, 2018, the date these financial statements were available to be issued.

On September 13, 2017, the Organization sold property located at 700 6th Street, NE, Washington, DC 20002, to MD 700 6th Street, LLC, a District of Columbia limited liability company for a total sales price of \$1,000,000.

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, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017							2016	
	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	\$ 1,206,161	\$ 1,674,876	\$ 1,237,468	\$ 4,118,505	\$ 147,954	\$ 120,295	\$ 268,249	\$ 4,386,754	\$ 5,361,785
Payroll Taxes and Fringe Benefits	320,731	443,772	328,641	1,093,144	163,707	30,975	194,682	1,287,826	1,354,098
Professional Fees	119,083	157,236	114,375	390,694	16,964	10,890	27,854	418,548	345,658
Rent	240	-	247,681	247,921	27,940	27,940	55,880	303,801	276,894
Building Maintenance	57,126	165,019	10,069	232,214	24,662	-	24,662	256,876	218,396
Fund Raising	-	-	-	-	-	244,582	244,582	244,582	-
Depreciation and Amortization	21,202	206,111	8,748	236,061	2,196	-	2,196	238,257	261,464
Utilities	54,449	158,872	5,786	219,107	14,293	-	14,293	233,400	184,402
Other Client Costs	28,684	161,158	3,031	192,873	-	-	-	192,873	56,450
Postage and Delivery	26	91	10	127	2,733	98,441	101,174	101,301	76,607
Food and Household Supplies	11,931	19,081	46,190	77,202	5,794	-	5,794	82,996	170,569
Clinical Specialists	5,575	18,959	58,308	82,842	-	-	-	82,842	243,802
Office and Other Supplies	16,302	19,475	20,472	56,249	13,276	6,647	19,923	76,172	72,495
Contract Labor: Security and Cleaning	6,586	7,140	48,486	62,212	-	-	-	62,212	-
Telephone	11,923	19,590	6,382	37,895	7,143	695	7,838	45,733	52,888
Insurance	-	-	-	-	45,142	-	45,142	45,142	45,182
Bad Debt Expense	-	-	-	-	44,800	-	44,800	44,800	-
Printing and Publishing	-	-	2,636	2,636	8,660	31,965	40,625	43,261	63,414
Legal Settlement Cost, Penalties and Fines	-	-	-	-	42,420	-	42,420	42,420	-
Equipment and Furnishings	7,191	7,809	629	15,629	10,791	1,565	12,356	27,985	35,731
Interest and Bank Fees	-	-	-	-	23,999	-	23,999	23,999	53,091
Staff Recruiting, Training, Awards, Meetings	1,115	2,172	1,494	4,781	9,847	631	10,478	15,259	19,065
Travel	4,251	5,534	2,183	11,968	1,093	604	1,697	13,665	18,696
Dues and Subscription	639	459	1,048	2,146	4,252	4,931	9,183	11,329	6,368
Equipment Rental and Maintenance	-	284	1,638	1,922	8,550	-	8,550	10,472	25,013
Software	-	-	-	-	8,983	110	9,093	9,093	10,768
Miscellaneous	40	627	-	667	4,600	-	4,600	5,267	11,143
Vehicle Expense	2,755	-	-	2,755	-	-	-	2,755	4,599
Taxes and Licenses	300	-	-	300	-	-	-	300	4,280
Information Technology and System Support	-	-	-	-	-	-	-	-	64,188
Outside Services	-	-	-	-	-	-	-	-	15,300
Facility Relocation	-	-	-	-	-	-	-	-	7,108
Total Expenses	\$ 1,876,310	\$ 3,068,265	\$ 2,145,275	\$ 7,089,850	\$ 639,799	\$ 580,271	\$ 1,220,070	\$ 8,309,920	\$ 9,059,454

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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, 2017, 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 December 12, 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.

Philips & Associates, LLC

Rockville, Maryland

February 9, 2018

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, 2017. 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, 2017.

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, 2017, and have issued our report thereon dated December 12, 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

Phillips & Associates, LLC

Rockville, Maryland
February 9, 2018

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<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	DC0061L3G001306	\$ 25,941
Supportive Housing Program	14.235	DC0083L3G001601	86,526
Supportive Housing Program	14.235	DC0013L3G001508	100,496
Supportive Housing Program	14.235	DC0093L3G001600	<u>191,296</u>
			<u>404,259</u>
United States Department of Housing and Urban Development passed through The Community Partnership for the Prevention of Homelessness:			
Supportive Housing Program	14.235	DC0020L3G001407	107,804
Supportive Housing Program	14.235	DC0020L3G001508	56,777
Supportive Housing Program	14.235	DC0024L3G001508	111,130
Supportive Housing Program	14.235	DC0024L3G001609	<u>92,667</u>
			<u>368,378</u>
Total U.S. Department of Housing and Urban Development			<u>772,637</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-0733-2-16	77,813
Family Violence Prevention Services	93.671	JA-FSA-0733-2-17	466,226
Family Violence Prevention Services	93.671	JA-FSA-0733-4-17	130,313
Family Violence Prevention Services	93.671	JA-FSA-0732-2-16	25,000
Family Violence Prevention Services	93.671	JA-FSA-0732-2-17	<u>22,019</u>
			<u>721,371</u>
United States Department of Agriculture passed through DC Public Schools:			
Child and Adult Care Food Program	10.558	V-126	<u>34,327</u>
United States Department of Justice passed through:			
Women's Integrated Re-Entry Program	16.738	2015-DJ-BX-1075	24,023
Women's Integrated Re-Entry Program	16.738	2017-JGL-3003	<u>85,072</u>
			<u>109,095</u>
Total Federal Expenditures			<u>\$ 1,637,430</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 of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. There were no non-cash assistance recorded, no federal insurance noted, and no loans or loan guarantees outstanding during the audit year.

HOUSE OF RUTH
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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 2 CFR 200.516(a)?	___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.