

HOUSE OF RUTH  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS  
JUNE 30, 2018 AND 2017

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**PHILLIPS & ASSOCIATES, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

HOUSE OF RUTH

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# PHILLIPS & ASSOCIATES, LLC

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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, 2018 and 2017, 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, 2018 and 2017, 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 March 25, 2019 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.

A handwritten signature in blue ink that reads "Philip + Associates, LLC". The signature is written in a cursive, flowing style.

Rockville, Maryland  
March 25, 2019

HOUSE OF RUTH  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Cash and cash equivalents	\$ 5,552,720	\$ 2,279,175
Resident deposits - cash held on behalf of others (NOTE 2)	<u>34,851</u>	<u>53,627</u>
Total cash and cash equivalents	<u>5,587,571</u>	<u>2,332,802</u>
Receivables:		
Grants and contracts	567,631	1,122,449
Contributions, net (NOTE 4)	<u>30,501</u>	<u>230,548</u>
Total receivables	<u>598,132</u>	<u>1,352,997</u>
Prepaid expenses	<u>3,112</u>	<u>6,289</u>
Total current assets	<u>6,188,815</u>	<u>3,692,088</u>
Property and equipment, net (NOTES 5 and 9)	<u>5,207,852</u>	<u>4,844,750</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,396,667</u></u>	<u><u>\$ 8,536,838</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 322,346	\$ 298,667
Accrued annual leave	187,073	205,506
Residential deposits	34,851	53,627
Deferred revenue	<u>84,219</u>	<u>-</u>
Total current liabilities	<u>628,489</u>	<u>557,800</u>
<b>NET ASSETS</b>		
Temporarily Restricted	250,040	-
Unrestricted	<u>10,518,138</u>	<u>7,979,038</u>
Total net assets	<u>10,768,178</u>	<u>7,979,038</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 11,396,667</u></u>	<u><u>\$ 8,536,838</u></u>

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

HOUSE OF RUTH  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			TOTAL	2017
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED		
REVENUE AND SUPPORT					
Contributions	\$ 3,587,828	\$ -	\$ -	\$ 3,587,828	\$ 3,495,175
Federal grants	1,840,422	-	-	1,840,422	1,637,430
Contracts	2,397,364	-	-	2,397,364	2,739,003
Kidspace campaign (NOTE 9)	701,151	250,040	-	951,191	-
Other revenue	105,653	-	-	105,653	96,580
<b>TOTAL REVENUE AND SUPPORT</b>	<b>8,632,418</b>	<b>250,040</b>	<b>-</b>	<b>8,882,458</b>	<b>7,968,188</b>
EXPENSES					
Program Services					
Housing and services for women	1,946,548	-	-	1,946,548	1,876,310
Housing and services for families	2,575,687	-	-	2,575,687	3,068,265
Community based services	2,249,290	-	-	2,249,290	2,145,275
Total program services	6,771,525	-	-	6,771,525	7,089,850
Supporting Services					
Management and general	346,309	-	-	346,309	639,799
Fundraising	475,744	-	-	475,744	580,271
Total supporting services	822,053	-	-	822,053	1,220,070
<b>TOTAL EXPENSES</b>	<b>7,593,578</b>	<b>-</b>	<b>-</b>	<b>7,593,578</b>	<b>8,309,920</b>
<b>NET OPERATING SURPLUS (DEFICIT)</b>	<b>1,038,840</b>	<b>250,040</b>	<b>-</b>	<b>1,288,880</b>	<b>(341,732)</b>
OTHER ITEM CONSIDERED TO BE NON-OPERATING					
Gain on sale of asset	1,500,260	-	-	1,500,260	2,286,056
<b>CHANGE IN NET ASSETS</b>	<b>2,539,100</b>	<b>250,040</b>	<b>-</b>	<b>2,789,140</b>	<b>1,944,324</b>
NET ASSETS					
BEGINNING OF YEAR	7,979,038	-	-	7,979,038	6,034,714
<b>END OF YEAR</b>	<b>\$ 10,518,138</b>	<b>\$ 250,040</b>	<b>\$ -</b>	<b>\$ 10,768,178</b>	<b>\$ 7,979,038</b>

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

HOUSE OF RUTH  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in operating net assets	\$ 1,288,880	\$ (341,732)
Adjustments to reconcile change in operating net assets to net cash provided by operating activities:		
Depreciation	233,326	238,257
(Increase) decrease in assets:		
Grants and contracts receivable	554,818	387,096
Contributions receivable	200,047	-
Prepaid expenses	3,177	6,210
Security deposits	-	30,033
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	23,679	(161,585)
Accrued annual leave	(18,433)	(24,650)
Resident deposits	(18,776)	(14,960)
Deferred revenue	84,219	-
	<u>2,350,937</u>	<u>118,669</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments on) line of credit	<u>-</u>	<u>(901,812)</u>
	<u>-</u>	<u>(901,812)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(661,343)	-
Net cash received from sale of asset	<u>1,565,175</u>	<u>2,349,411</u>
	<u>903,832</u>	<u>2,349,411</u>
 NET INCREASE IN CASH	3,254,769	1,566,268
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,332,802</u>	<u>766,534</u>
 End of year	<u>\$ 5,587,571</u>	<u>\$ 2,332,802</u>

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

HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

**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 \$34,851 and \$53,627 at June 30, 2018 and 2017, 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, 2018 and 2017.



HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017

**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.

***Deferred Revenue***

Amounts received from donors/grant agencies that have not been earned as of year-end are recorded as deferred revenue and are recognized as income in the period in which they are earned. Deferred revenue was \$84,219 and \$- at June 30, 2018 and 2017, respectively.

***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.

HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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, 2018 and 2017, 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.

***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 2015 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 \$4,360,315 and \$1,343,891, at June 30, 2018 and 2017, respectively.

The Organization held various certificates of deposit, with maturity dates of 12 months or less, in the aggregate amount of \$1,000,000 and \$900,587, at June 30, 2018 and 2017, 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, 2018 and 2017 was \$30,501 and \$230,548, respectively. The allowance for doubtful accounts as of June 30, 2018 and 2017 was \$0 for both years. The contributions receivable are expected to be collected within one year.

HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017

**5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 7,120,132	\$ 7,165,047
Construction in progress (NOTE 9)	701,151	71,568
Land	683,360	703,360
Leasehold improvements	152,522	152,522
Household and office equipment	351,198	319,438
Vehicles	<u>31,900</u>	<u>31,900</u>
Total property and equipment	9,040,263	8,443,835
Accumulated depreciation and amortization	<u>(3,832,411)</u>	<u>(3,599,085)</u>
Total property and equipment, net	<u>\$ 5,207,852</u>	<u>\$ 4,844,750</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$233,326 and \$238,257, respectively.

**6. 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 \$408,489 and \$339,524, for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments for all operating leases are as follows:

<u>Year Ending June 30,</u>		
2019	\$	99,598
2020		60,049
2021		<u>29,856</u>
Total	\$	<u>189,503</u>

**7. 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 2018 and 2017. Contributions to the Plan for the years ended June 30, 2018 and 2017 were \$204,221 and \$162,433, respectively.

HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018 AND 2017

**8. NON-OPERATING ITEM**

Non-operating item consists of a gain on the sale of real estate in the amount of \$1,500,260 and \$2,286,056, during the year ended June 30, 2018 and 2017, respectively.

**9. CAPITAL CONSTRUCTION CAMPAIGN**

During February 2018, the Organization began a \$6,800,000 capital campaign to demolish two existing buildings and construct one new building during the winter of 2019. As of June 30, 2018, the Organization has received approximately \$951,000 from outside donors and has spent approximately \$701,000 in preconstruction soft costs.

**10. SUBSEQUENT EVENTS**

On December 4, 2018 House of Ruth formed Kidspace Inc., (Kidspace) a District of Columbia nonprofit corporation, to operate as a supporting organization for House of Ruth under Section 501(c)(3) of the Internal Revenue Code.

On December 21, 2018, a loan receivable agreement was entered into between House of Ruth (Lender) and Twain Investment Fund 334, LLC (Borrower), in the amount of \$4,804,610 with an interest rate of 1.0% per annum and a maturity date of June 30, 2043.

On December 21, 2018, a loan payable agreement (QLICI LOAN A) was entered into between Kidspace Inc. (Borrower) and City First Capital 55, LLC. (Lender), in the amount of \$4,804,610 with an interest rate of 1.186% per annum and a maturity date of December 31, 2048.

On December 21, 2018, a second loan payable agreement (QLICI LOAN B) was entered into between Kidspace Inc. (Borrower) and City First Capital 55, LLC. (Lender), in the amount of \$1,761,390 with an interest rate of 1.186% per annum and a maturity date of December 31, 2048.

In accordance with FASB ASC 855, the Organization evaluated subsequent events through March 25, 2019, the date these financial statements were available to be issued. Except as disclosed in this footnote and the Capital Construction Campaign, as disclosed in NOTE 9 above, 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, 2018  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018							2017	
	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	\$ 1,222,448	\$ 1,488,080	\$ 1,309,114	\$ 4,019,642	\$ 101,505	\$ 78,668	\$ 180,173	\$ 4,199,815	\$ 4,386,754
Payroll Taxes and Fringe Benefits	339,187	438,285	358,882	1,136,354	37,924	27,092	65,016	1,201,370	1,287,826
Rent	-	-	264,038	264,038	31,570	31,570	63,140	327,178	303,801
Fund Raising	-	-	-	-	-	315,630	315,630	315,630	244,582
Other Client Costs	108,481	139,893	26,346	274,720	-	-	-	274,720	192,873
Professional Fees	57,277	70,830	90,918	219,025	25,958	5,051	31,009	250,034	418,548
Depreciation and Amortization	21,285	149,984	2,696	173,965	59,361	-	59,361	233,326	238,257
Utilities	58,049	128,619	4,001	190,669	-	-	-	190,669	233,400
Building Maintenance	37,577	96,741	6,330	140,648	26,138	-	26,138	166,786	256,876
Food and Household Supplies	12,867	10,747	48,909	72,523	7,211	202	7,413	79,936	82,996
Contract Labor: Security and Cleaning	26,563	5,369	32,550	64,482	2,988	-	2,988	67,470	62,212
Clinical Specialists	5,325	-	58,184	63,509	-	-	-	63,509	82,842
Telephone	18,603	20,840	8,153	47,596	9,049	1,028	10,077	57,673	45,733
Insurance	16,839	17,275	19,541	53,655	2,150	1,075	3,225	56,880	45,142
Office and Other Supplies	10,591	3,995	5,378	19,964	5,444	3,912	9,356	29,320	76,172
Printing and Publishing	-	-	5,491	5,491	7,688	2,790	10,478	15,969	43,261
Staff Recruiting, Training, Awards, Meetings	1,881	2,300	4,801	8,982	4,756	901	5,657	14,639	15,259
Equipment Rental and Maintenance	422	-	860	1,282	12,762	-	12,762	14,044	10,472
Equipment and Furnishings	4,876	151	-	5,027	2,955	-	2,955	7,982	27,985
Postage and Delivery	72	76	50	198	1,300	6,353	7,653	7,851	101,301
Dues and Subscriptions	-	-	1,450	1,450	4,749	845	5,594	7,044	11,329
Travel	3,065	813	283	4,161	936	151	1,087	5,248	13,665
Software	1,140	1,491	1,315	3,946	263	176	439	4,385	9,093
Interest and Bank Fees	-	-	-	-	988	-	988	988	23,999
Taxes and Licenses	-	48	-	48	150	300	450	498	300
Miscellaneous	-	-	-	-	464	-	464	464	5,267
Legal Settlement Cost, Penalties and Fines	-	150	-	150	-	-	-	150	42,420
Bad Debt Expense	-	-	-	-	-	-	-	-	44,800
Vehicle Expense	-	-	-	-	-	-	-	-	2,755
<b>Total Expenses</b>	<b>\$ 1,946,548</b>	<b>\$ 2,575,687</b>	<b>\$ 2,249,290</b>	<b>\$ 6,771,525</b>	<b>\$ 346,309</b>	<b>\$ 475,744</b>	<b>\$ 822,053</b>	<b>\$ 7,593,578</b>	<b>\$ 8,309,920</b>

# PHILLIPS & ASSOCIATES, LLC

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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, 2018, 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 March 25, 2019.

### ***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.

A handwritten signature in blue ink that reads "Philip's + Associates, LLC". The signature is written in a cursive, flowing style.

Rockville, Maryland  
March 25, 2019

# PHILLIPS & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018. 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, 2018.

***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, 2018, and have issued our report thereon dated March 25, 2019, 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  
March 25, 2019

HOUSE OF RUTH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

<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	DC0061L3G001500	\$ 32,447
Supportive Housing Program	14.235	DC0083L3G001601	97,342
Supportive Housing Program	14.235	DC0013L3G001600	172,784
Supportive Housing Program	14.235	DC0093L3G001600	<u>136,640</u>
			<u>439,213</u>
United States Department of Housing and Urban Development passed through The Community Partnership for the Prevention of Homelessness:			
Supportive Housing Program	14.235	DC0020L3G001508	40,435
Supportive Housing Program	14.235	DC0020L3G001609	58,336
Supportive Housing Program	14.235	DC0024L3G001609	119,785
Supportive Housing Program	14.235	DC0024L3G001710	90,632
Supportive Housing Program	14.235	DC0024L3G001608	23,732
Supportive Housing Program	14.235	DC0024L3G001700	<u>1,056</u>
			<u>333,976</u>
Total U.S. Department of Housing and Urban Development			<u>773,189</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-0733-2-17	18,127
Family Violence Prevention Services	93.671	JA-FSA-0733-2-18	479,500
Family Violence Prevention Services	93.671	JA-FSA-0732-2-17	13,605
Family Violence Prevention Services	93.671	JA-FSA-0732-2-18	27,026
Family Violence Prevention Services	93.671	JA-FSA-0733-4-17	181,469
Family Violence Prevention Services	93.671	JA-FSA-0733-4-18	<u>184,658</u>
			<u>904,385</u>
United States Department of Agriculture passed through DC Public Schools:			
Child and Adult Care Food Program	10.558	V-126	<u>44,673</u>
United States Department of Justice passed through:			
Women's Integrated Re-Entry Program	16.738	2017-JGL-3003	17,928
Women's Integrated Re-Entry Program	16.738	2018-JGL-3003	<u>100,247</u>
			<u>118,175</u>
Total Federal Expenditures			<u>\$ 1,840,422</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, 2018

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>
93.671	U.S. Department of Health and Human Services Family Violence Prevention Services

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.