

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS  
JUNE 30, 2019 AND 2018

**PHILLIPS & ASSOCIATES, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

## HOUSE OF RUTH AND SUBSIDIARY

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# PHILLIPS & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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 consolidated financial statements of House of Ruth (a nonprofit organization), which comprise the statements of consolidated financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of House of Ruth as of June 30, 2019 and 2018, 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.

## **Emphasis of Matter**

As discussed in NOTE 2 to the financial statements, House of Ruth, adopted Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities* during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited House of Ruth's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 18, 2020 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 solely 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 the effectiveness of the House of Ruth's 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 18, 2020

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Cash and cash equivalents	\$ 1,343,273	\$ 5,552,720
Cash - restricted (NOTE 2)	7,389,578	-
Resident deposits - cash held on behalf of others (NOTE 2)	40,692	34,851
Total cash and cash equivalents	8,773,543	5,587,571
Receivables:		
Grants and contracts	677,495	567,631
Contributions, net (NOTE 5)	-	30,501
Note receivable - Twain IF 334, LLC, net (NOTE 11)	48,046	-
Total receivables	725,541	598,132
Other assets:		
Prepaid expenses	1,805	3,112
Security deposits	17,813	-
Total other assets	19,618	3,112
Total current assets	9,518,702	6,188,815
<b>NON-CURRENT ASSETS</b>		
Note receivable - Twain IF 334, LLC, net (NOTE 11)	4,756,564	-
Property and equipment, net (NOTES 6 and 10)	5,973,946	5,207,852
Total non-current assets	10,730,510	5,207,852
<b>TOTAL ASSETS</b>	<b>\$ 20,249,212</b>	<b>\$ 11,396,667</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 325,419	\$ 322,346
Accrued annual leave	158,452	187,073
Residential deposits	40,692	34,851
Unearned revenue	122,183	84,219
Total current liabilities	646,746	628,489
<b>NON-CURRENT LIABILITIES</b>		
Notes payable - QLICI note A (NOTE 11)	4,804,610	-
Notes payable - QLICI note B (NOTE 11)	1,761,390	-
Notes payable - Reinvestment Fund, Inc. (NOTE 12)	500,000	-
Total non-current liabilities	7,066,000	-
<b>TOTAL LIABILITIES</b>	7,712,746	628,489
<b>NET ASSETS</b>		
Without donor restrictions	11,143,076	10,518,138
With donor restrictions	1,393,390	250,040
Total net assets	12,536,466	10,768,178
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 20,249,212</b>	<b>\$ 11,396,667</b>

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

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		TOTAL	2018
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS		
REVENUE AND SUPPORT				
Contributions	\$ 3,298,758	\$ -	\$ 3,298,758	\$ 3,587,828
Federal grants	1,819,383	-	1,819,383	1,840,422
Contracts	2,661,963	-	2,661,963	2,397,364
Kidspace campaign	-	1,393,390	1,393,390	951,191
Other revenue	157,500	-	157,500	105,653
TOTAL REVENUE AND SUPPORT	7,937,604	1,393,390	9,330,994	8,882,458
NET ASSETS RELEASED FROM RESTRICTIONS	250,040	(250,040)	-	-
TOTAL REVENUE AND RECLASSIFICATIONS	8,187,644	1,143,350	9,330,994	8,882,458
EXPENSES				
Program Services				
Housing and services for women	2,073,777	-	2,073,777	1,946,548
Housing and services for families	2,604,896	-	2,604,896	2,575,687
Community based services	2,028,217	-	2,028,217	2,249,290
Total program services	6,706,890	-	6,706,890	6,771,525
Supporting Services				
Management and general	396,112	-	396,112	346,309
Fundraising	459,704	-	459,704	475,744
Total supporting services	855,816	-	855,816	822,053
TOTAL EXPENSES	7,562,706	-	7,562,706	7,593,578
NET OPERATING SURPLUS	624,938	1,143,350	1,768,288	1,288,880
OTHER ITEM CONSIDERED TO BE NON-OPERATING				
Gain on sale of asset	-	-	-	1,500,260
CHANGE IN NET ASSETS	624,938	1,143,350	1,768,288	2,789,140
NET ASSETS				
BEGINNING OF YEAR	10,518,138	250,040	10,768,178	7,979,038
END OF YEAR	\$ 11,143,076	\$ 1,393,390	\$ 12,536,466	\$ 10,768,178

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

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	2019							
	Program Services				Supporting Services			
	Housing and Services for Women	Housing and Services for Families	Community Based Services	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	\$ 1,188,496	\$ 1,503,760	\$ 1,177,805	\$ 3,870,061	\$ 186,692	\$ 114,091	\$ 300,783	\$ 4,170,844
Payroll Taxes and Fringe Benefits	285,040	372,432	297,558	955,030	75,486	53,512	128,998	1,084,028
Other Client Costs	193,088	149,025	7,491	349,604	557	359	916	350,520
Fundraising	-	-	-	-	50	270,280	270,330	270,330
Depreciation and Amortization	69,201	150,332	16,263	235,796	7,018	-	7,018	242,814
Rent	-	-	161,418	161,418	49,966	-	49,966	211,384
Utilities	53,326	118,677	32,637	204,640	1,850	-	1,850	206,490
Professional Fees	56,474	78,411	53,669	188,554	10,487	6,292	16,779	205,333
Building Maintenance	49,480	114,652	14,355	178,487	4,311	-	4,311	182,798
Contract Labor: Security and Cleaning	30,666	35,529	51,967	118,162	4,277	1,420	5,697	123,859
Food and Household Supplies	39,665	14,104	46,312	100,081	12,186	1,527	13,713	113,794
Clinical Specialists	7,425	-	99,327	106,752	-	-	-	106,752
Office and Other Supplies	22,942	14,099	29,303	66,344	8,078	543	8,621	74,965
Insurance	15,558	22,999	17,250	55,807	3,382	2,029	5,411	61,218
Telephone	15,866	15,948	10,303	42,117	6,082	-	6,082	48,199
Staff Recruiting, Training, Awards, Meetings	16,703	3,741	7,860	28,304	2,981	2,229	5,210	33,514
Equipment and Furnishings	18,459	6,508	751	25,718	3,330	652	3,982	29,700
Travel	8,524	4,195	737	13,456	1,719	1,359	3,078	16,534
Equipment Rental and Maintenance	1,707	-	1,449	3,156	12,471	129	12,600	15,756
Postage and Delivery	76	157	198	431	4,312	-	4,312	4,743
Software	-	-	-	-	52	4,657	4,709	4,709
Taxes and Licenses	-	-	975	975	-	300	300	1,275
Vehicle Expense	1,081	-	-	1,081	16	-	16	1,097
Interest and Bank Fees	-	-	-	-	809	-	809	809
Printing and Publishing	-	-	589	589	-	-	-	589
Dues and Subscription	-	27	-	27	-	325	325	352
Legal Settlement Cost, Penalties and Fines	-	300	-	300	-	-	-	300
<b>Total Expenses</b>	<b>\$ 2,073,777</b>	<b>\$ 2,604,896</b>	<b>\$ 2,028,217</b>	<b>\$ 6,706,890</b>	<b>\$ 396,112</b>	<b>\$ 459,704</b>	<b>\$ 855,816</b>	<b>\$ 7,562,706</b>

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

HOUSE OF RUTH AND SUBSIDIARY  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	2018				Supporting Services			Total Expenses
	Program Services		Community Based Services		Management and General	Fundraising	Total	
	Housing and Services for Women	Housing and Services for Families	Community Based Services	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	\$ 1,222,448	\$ 1,488,080	\$ 1,309,114	\$ 4,019,642	\$ 101,505	\$ 78,668	\$ 180,173	\$ 4,199,815
Payroll Taxes and Fringe Benefits	339,187	438,285	358,882	1,136,354	37,924	27,092	65,016	1,201,370
Rent	-	-	264,038	264,038	31,570	31,570	63,140	327,178
Fund Raising	-	-	-	-	-	315,630	315,630	315,630
Other Client Costs	108,481	139,893	26,346	274,720	-	-	-	274,720
Professional Fees	57,277	70,830	90,918	219,025	25,958	5,051	31,009	250,034
Depreciation and Amortization	21,285	149,984	2,696	173,965	59,361	-	59,361	233,326
Utilities	58,049	128,619	4,001	190,669	-	-	-	190,669
Building Maintenance	37,577	96,741	6,330	140,648	26,138	-	26,138	166,786
Food and Household Supplies	12,867	10,747	48,909	72,523	7,211	202	7,413	79,936
Contract Labor: Security and Cleaning	26,563	5,369	32,550	64,482	2,988	-	2,988	67,470
Clinical Specialists	5,325	-	58,184	63,509	-	-	-	63,509
Telephone	18,603	20,840	8,153	47,596	9,049	1,028	10,077	57,673
Insurance	16,839	17,275	19,541	53,655	2,150	1,075	3,225	56,880
Office and Other Supplies	10,591	3,995	5,378	19,964	5,444	3,912	9,356	29,320
Printing and Publishing	-	-	5,491	5,491	7,688	2,790	10,478	15,969
Staff Recruiting, Training, Awards, Meetings	1,881	2,300	4,801	8,982	4,756	901	5,657	14,639
Equipment Rental and Maintenance	422	-	860	1,282	12,762	-	12,762	14,044
Equipment and Furnishings	4,876	151	-	5,027	2,955	-	2,955	7,982
Postage and Delivery	72	76	50	198	1,300	6,353	7,653	7,851
Dues and Subscriptions	-	-	1,450	1,450	4,749	845	5,594	7,044
Travel	3,065	813	283	4,161	936	151	1,087	5,248
Software	1,140	1,491	1,315	3,946	263	176	439	4,385
Interest and Bank Fees	-	-	-	-	988	-	988	988
Taxes and Licenses	-	48	-	48	150	300	450	498
Miscellaneous	-	-	-	-	464	-	464	464
Legal Settlement Cost, Penalties and Fines	-	150	-	150	-	-	-	150
<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>

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



HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in operating net assets	\$ 1,768,288	\$ 1,288,880
Adjustments to reconcile change in operating net assets to net cash provided by operating activities:		
Depreciation	242,814	233,326
(Increase) decrease in assets:		
Grants and contracts receivable	(109,864)	554,818
Contributions receivable	30,501	200,047
Prepaid expenses	1,307	3,177
Security deposits	(17,813)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	3,073	107,898
Accrued annual leave	(28,621)	(18,433)
Resident deposits	5,841	(18,776)
Unearned revenue	37,964	-
	1,933,490	2,350,937
Net Cash Provided By Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Borrowings from note receivable - Twain IF 334, LLC	(4,804,610)	-
Acquisition of property and equipment	(1,008,908)	(661,343)
Net cash received from sale of asset	-	1,565,175
	(5,813,518)	903,832
Net Cash (Used For) Provided By Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable - QLICI note A	4,804,610	-
Proceeds from notes payable - QLICI note B	1,761,390	-
Proceeds from notes payable - Reinvestment Fund, Inc.	500,000	-
	7,066,000	-
Net Cash Provided By Financing Activities		
NET INCREASE IN CASH	3,185,972	3,254,769
CASH AND CASH EQUIVALENTS		
Beginning of year	5,587,571	2,332,802
End of year	\$ 8,773,543	\$ 5,587,571

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

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

**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 consolidated 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 consolidated 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.

***Restricted Cash***

HOR has restricted cash that is available for immediate use. Restricted cash includes amounts in a cash account restricted to be spent on a capital construction campaign. As of June 30, 2019 and 2018, the balance of restricted cash was \$7,389,578 and \$0, respectively.

***Resident Deposits***

The Organization maintains a separate cash account held on behalf of the residents in the amount of \$40,692 and \$34,851 at June 30, 2019 and 2018, 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.

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

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

***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, 2019 and 2018.

***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***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions that expire through the passage of time or can be removed by actions pursuant to those restrictions. Other donor-imposed restrictions may be perpetual in nature.

***Estimates***

The preparation of consolidated 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 consolidated 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 restricted depending on the existence and/or nature of any donor restrictions. 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 AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

**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 consolidated 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, 2019 and 2018, 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 consolidated financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

***Functional 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 consolidated financial statements. The Organization does not believe their consolidated financial statements include (or reflect) any uncertain tax positions. However, fiscal years 2016 and later remain subject to examination by the IRS and state authorities.

***Recently Issued Accounting Standards***

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-19—Revenue from Contracts with Customers, as amended (Topic 606). The House of Ruth will adopted the provisions of this new standard for the year ended June 30, 2020. The ASU applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. There is not an anticipated material impact to the financial statements as a result of the adoption. The ASU will be applied retrospectively to all periods presented, with no anticipated material effect on net assets or previously issued financial statements.

For the year ended June 30, 2019, The House of Ruth adopted ASU No. 2016-14—Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The standard is intended to improve net asset classification requirements and the information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows. The standard requires the Organization to reclassify its net assets from three categories (i.e. unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of underwater endowment funds as a reduction of net assets with donor restrictions. In addition, the guidance requires enhanced disclosures about governing board designations; composition of net assets with donor restrictions; the Organization's liquidity and expenses by both their natural and functional classification.

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

**3. LIQUIDITY AND AVAILABILITY**

As of June 30, 2019, the House of Ruth's liquidity and financial resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year-end:

Cash and cash equivalents	\$ 8,773,543
Receivables	<u>725,541</u>
Total financial assets	\$ 9,499,084
Less: net assets with restrictions not available (withing one year)	<u>(1,393,390)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 8,105,694</u>

**4. 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. At June 30, 2019, uninsured balances were \$6,621,768 and \$4,360,315, respectively.

The Organization held various certificates of deposit, with maturity dates of 12 months or less, in the aggregate amount of \$2,001,555 and \$1,000,000, at June 30, 2019 and 2018, 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.

**5. CONTRIBUTION RECEIVABLES**

Contributions receivable represent unconditional promises to give and are stated at their net realizable value. The gross contributions receivable accounts as June 30, 2019 and 2018 was \$0 and \$30,501, respectively. The allowance for doubtful accounts as of June 30, 2019 and 2018 was \$0 for both years. The contributions receivable are expected to be collected within one year.

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

**6. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 7,184,162	\$ 7,120,132
Construction in progress (NOTE 10)	1,619,345	701,151
Land	683,360	683,360
Leasehold improvements	163,022	152,522
Household and office equipment	367,382	351,198
Vehicles	<u>31,900</u>	<u>31,900</u>
 Total property and equipment	 10,049,171	 9,040,263
Accumulated depreciation and amortization	<u>(4,075,225)</u>	<u>(3,832,411)</u>
 Total property and equipment, net	 <u>\$ 5,973,946</u>	 <u>\$ 5,207,852</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$242,814 and \$233,326, respectively.

**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 \$354,247 and \$408,489, for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments for all operating leases are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 154,101
2021	31,859
2022	2,003
2023	2,003
2024	<u>334</u>
 Total	 <u>\$ 190,300</u>

**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 2019 and 2018. Contributions to the Plan for the years ended June 30, 2019 and 2018 were \$165,652 and \$204,221, respectively.

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

**9. NON-OPERATING ITEM**

Non-operating item consists of a gain on the sale of real estate in the amount of \$0 and \$1,500,260, during the year ended June 30, 2019 and 2018, respectively.

**10. 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, 2019, the Organization has received approximately \$5,700,000 from outside donors and has spent approximately \$1,619,345 in preconstruction soft costs. Invitations to pledge outstanding as of June 30, 2019 is \$435,521.

**11. NEW MARKETS TAX CREDIT FINANCING**

In December 2018, the Organization entered into a debt transaction to access additional funds through the New Markets Tax Credit (NMTC) Program. These funds were used towards the construction of a childcare facility. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments (QEI) in a designated Community Development Entity (CDE). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICs) to Qualified Active Low-Income Community Businesses (QALICB), as defined by Section 45D of the Internal Revenue Code. The tax credits are claimed over a seven year period and equate to 39% of the QEI.

To facilitate the NMTC transaction, the Organization created a special purpose entity called Kidspace Inc. (Kidspace), a designated QALICB, as the entity to receive NMTC incentivized financing. The Organization made an initial equity investment in Kidspace in the amount of \$884,720.

The Organization made a \$4,804,610 leverage loan to Twain Investment Fund 334, LLC (TIF 334, LLC). TIF 334, LLC used these proceeds, along with an additional \$1,761,390 of raised capital, to make a \$6,566,000 QEI in City First Capital 55, LLC, a CDE. City First Capital 55, LLC then loaned these funds to Kidspace in the form of two notes.

The first note payable (QLICI Loan A) has a balance of \$4,804,610 as of June 30, 2019 and bears interest at 1.186% per annum. The note matures on December 31, 2048. The note requires quarterly interest only payments through December 21, 2025 at which time the note requires quarterly payments of principal and interest through the term of the note.

The second note payable (QLICI Loan B) has a balance of \$1,761,390 as of June 30, 2019 and bears interest at 1.186% per annum. The note matures on December 31, 2048. The note requires quarterly interest only payments through December 21, 2025 at which time the note requires quarterly payments of principal and interest through the term of the note.

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

**11. NEW MARKETS TAX CREDIT FINANCING (CONTINUED)**

Other assets and long-term liabilities related to the NMTC financing reflected on the consolidated statements of financial position as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Other Assets:		
Note Receivable – Twain IF 334, LLC	\$ <u>4,804,610</u>	\$ <u>-</u>
Total Other Assets	\$ <u>4,804,610</u>	\$ <u>-</u>
Long-term liabilities:		
Note Payable – QLICI Note A	\$ 4,804,610	\$ -
Note Payable – QLICI Note B	<u>1,761,390</u>	<u>-</u>
Total Long-Term Liabilities	\$ <u>6,566,000</u>	\$ <u>-</u>

Interest income earned from the loan receivable with TIF 334, LLC related to the NMTC financing for the years ended June 30, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Interest Income	\$ <u>25,358</u>	\$ <u>-</u>

**12. NOTES PAYABLE**

On December 19, 2018, the Organization received an interest-free loan from the Reinvestment Fund, Inc. in the amount of \$500,000. The loan is to fund the development of the new childcare facility in Washington, DC (Ward 7). The Organization must repay the Foundation any portion of the loan amount that is used other than the designated purpose. The entire loan amount shall be forgiven on or before December 31, 2023 through written notice from the Foundation if certain conditions are met. If the conditions are not met by December 31, 2023, then the Organization must repay the full loan amount to the Foundation by that date.

	<u>2019</u>	<u>2018</u>
Long-term liabilities:		
Note Payable – Reinvestment Fund, Inc.	\$ <u>500,000</u>	\$ <u>-</u>

Interest expense related to this note for the years ended June 30, 2019 and 2018 was \$0.



HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2019 AND 2018

**13. SUBSEQUENT EVENTS**

In accordance with FASB ASC 855, the Organization evaluated subsequent events through May 18, 2020, the date these consolidated financial statements were available to be issued.

On March 11, 2020, the World Health Organization pronounced the coronavirus (COVID-19) outbreak a pandemic. Citizens and the economies of the United States and other countries have been significantly impacted by the pandemic. The duration and impact are unknown, but so far have been expansive. The House of Ruth may face revenue declines; other revenue recognition issues; cash flow disruptions; credit difficulties; and other financial implications including an increased likelihood of substantial doubt about The House of Ruth's ability to continue as a going concern. While it is premature to accurately predict how the coronavirus will ultimately affect The House of Ruth's operations because the disease's severity and duration are uncertain, we expect 2020 financial results too will be impacted and the implications beyond 2020, while unclear, could also be adversely impacted.

Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

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

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

	ASSETS				2018
	HOUSE OF RUTH	KIDSPACE INC.	ELIMINATIONS	TOTAL	
CURRENT ASSETS					
Cash and cash equivalents					
Cash and cash equivalents	\$ 1,343,273	\$ -	\$ -	\$ 1,343,273	\$ 5,552,720
Cash - restricted (NOTE 2)	2,001,555	5,388,023	-	7,389,578	
Resident deposits - cash held on behalf of others (NOTE 2)	40,692	-	-	40,692	34,851
Total cash and cash equivalents	<u>3,385,520</u>	<u>5,388,023</u>	<u>-</u>	<u>8,773,543</u>	<u>5,587,571</u>
Receivables:					
Grants and contracts	677,495	-	-	677,495	567,631
Contributions, net (NOTE 5)	-	-	-	-	30,501
Note receivable - Twain IF 334, net (NOTE 11)	48,046	-	-	48,046	-
Total receivables	<u>725,541</u>	<u>-</u>	<u>-</u>	<u>725,541</u>	<u>598,132</u>
Other assets:					
Prepaid expenses	1,805	-	-	1,805	3,112
Security deposits	17,813	-	-	17,813	-
Total other assets	<u>19,618</u>	<u>-</u>	<u>-</u>	<u>19,618</u>	<u>3,112</u>
Total current assets	<u>4,130,679</u>	<u>5,388,023</u>	<u>-</u>	<u>9,518,702</u>	<u>6,188,815</u>
NON-CURRENT ASSETS					
Note receivable - Twain IF 334, net (NOTE 11)	4,756,564	-	-	4,756,564	-
Property and equipment, net (NOTES 6 and 10)	4,354,602	1,619,344	-	5,973,946	5,207,852
Investment in kidspace (NOTES 11)	884,720	-	(884,720)	-	-
Total non-current assets	<u>9,995,886</u>	<u>1,619,344</u>	<u>(884,720)</u>	<u>10,730,510</u>	<u>5,207,852</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,126,565</u>	<u>\$ 7,007,367</u>	<u>\$ (884,720)</u>	<u>\$ 20,249,212</u>	<u>\$ 11,396,667</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 325,419	\$ -	\$ -	\$ 325,419	\$ 322,346
Accrued annual leave	158,452	-	-	158,452	187,073
Residential deposits	40,692	-	-	40,692	34,851
Unearned revenues	122,183	-	-	122,183	84,219
Total current liabilities	<u>646,746</u>	<u>-</u>	<u>-</u>	<u>646,746</u>	<u>628,489</u>
NON-CURRENT LIABILITIES					
Notes payable - QLICI note A (NOTE 11)	-	4,804,610	-	4,804,610	-
Notes payable - QLICI note B (NOTE 11)	-	1,761,390	-	1,761,390	-
Notes payable - Reinvestment Fund, Inc. (NOTE 12)	-	500,000	-	500,000	-
Total non-current liabilities	<u>-</u>	<u>7,066,000</u>	<u>-</u>	<u>7,066,000</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>646,746</u>	<u>7,066,000</u>	<u>-</u>	<u>7,712,746</u>	<u>628,489</u>
NET ASSETS					
Without donor restrictions	12,086,429	(58,633)	(884,720)	11,143,076	10,518,138
With donor restrictions	1,393,390	-	-	1,393,390	250,040
Total net assets	<u>13,479,819</u>	<u>(58,633)</u>	<u>(884,720)</u>	<u>12,536,466</u>	<u>10,768,178</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 14,126,565</u>	<u>\$ 7,007,367</u>	<u>\$ (884,720)</u>	<u>\$ 20,249,212</u>	<u>\$ 11,396,667</u>

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	HOUSE OF RUTH			2019 KIDSPACE INC.			ELIMINATIONS	TOTAL			2018
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	
	REVENUE AND SUPPORT										
Contributions	\$ 3,298,758	\$ -	\$ 3,298,758	\$ -	\$ -	\$ -	\$ -	\$ 3,298,758	\$ -	\$ 3,298,758	\$ 3,587,828
Federal grants	1,819,383	-	1,819,383	-	-	-	-	1,819,383	-	1,819,383	773,189
Contracts	2,661,963	-	2,661,963	-	-	-	-	2,661,963	-	2,661,963	3,464,597
Kidspace campaign (NOTE 10)	-	-	-	-	1,393,390	1,393,390	-	-	1,393,390	1,393,390	951,191
Other revenue	157,500	-	157,500	-	-	-	-	157,500	-	157,500	105,653
<b>TOTAL REVENUE AND SUPPORT</b>	<b>7,937,604</b>	<b>-</b>	<b>7,937,604</b>	<b>-</b>	<b>1,393,390</b>	<b>1,393,390</b>	<b>-</b>	<b>7,937,604</b>	<b>1,393,390</b>	<b>9,330,994</b>	<b>8,882,458</b>
NET ASSETS RELEASED FROM RESTRICTIONS	250,040	(250,040)	-	-	-	-	-	250,040	(250,040)	-	-
<b>TOTAL REVENUE AND RECLASSIFICATIONS</b>	<b>8,187,644</b>	<b>(250,040)</b>	<b>7,937,604</b>	<b>-</b>	<b>1,393,390</b>	<b>1,393,390</b>	<b>-</b>	<b>8,187,644</b>	<b>1,143,350</b>	<b>9,330,994</b>	<b>8,882,458</b>
EXPENSES											
Program Services											
Housing and services for women	2,073,777	-	2,073,777	-	-	-	-	2,073,777	-	2,073,777	1,946,548
Housing and services for families	2,604,896	-	2,604,896	-	-	-	-	2,604,896	-	2,604,896	2,575,687
Community based services	2,028,217	-	2,028,217	-	-	-	-	2,028,217	-	2,028,217	2,249,290
Total program services	6,706,890	-	6,706,890	-	-	-	-	6,706,890	-	6,706,890	6,771,525
Supporting Services											
Management and general	396,112	-	396,112	-	-	-	-	396,112	-	396,112	346,309
Fundraising	459,704	-	459,704	-	-	-	-	459,704	-	459,704	475,744
Total supporting services	855,816	-	855,816	-	-	-	-	855,816	-	855,816	822,053
<b>TOTAL EXPENSES</b>	<b>7,562,706</b>	<b>-</b>	<b>7,562,706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,562,706</b>	<b>-</b>	<b>7,562,706</b>	<b>7,593,578</b>
<b>NET OPERATING SURPLUS</b>	<b>624,938</b>	<b>(250,040)</b>	<b>374,898</b>	<b>-</b>	<b>1,393,390</b>	<b>1,393,390</b>	<b>-</b>	<b>624,938</b>	<b>1,143,350</b>	<b>1,768,288</b>	<b>1,288,880</b>
OTHER ITEM CONSIDERED TO BE NON-OPERATING											
Gain on sale of asset	-	-	-	-	-	-	-	-	-	-	1,500,260
<b>CHANGE IN NET ASSETS</b>	<b>624,938</b>	<b>(250,040)</b>	<b>374,898</b>	<b>-</b>	<b>1,393,390</b>	<b>1,393,390</b>	<b>-</b>	<b>624,938</b>	<b>1,143,350</b>	<b>1,768,288</b>	<b>2,789,140</b>
NET ASSETS											
BEGINNING OF YEAR	10,518,138	250,040	10,768,178	-	-	-	-	10,518,138	250,040	10,768,178	7,979,038
<b>END OF YEAR</b>	<b>\$ 11,143,076</b>	<b>\$ -</b>	<b>\$ 11,143,076</b>	<b>\$ -</b>	<b>\$ 1,393,390</b>	<b>\$ 1,393,390</b>	<b>\$ -</b>	<b>\$ 11,143,076</b>	<b>\$ 1,393,390</b>	<b>\$ 12,536,466</b>	<b>\$ 10,768,178</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 consolidated financial statements of House of Ruth (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 18, 2020.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.



Rockville, Maryland  
May 18, 2020

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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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of House of Ruth'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, 2019.

***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, 2019, and have issued our report thereon dated May 18, 2020, 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 18, 2020



HOUSE OF RUTH AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<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	DC0083L3G001601	\$ 33,254
Supportive Housing Program	14.235	DC0083L3G001702	104,605
Supportive Housing Program	14.235	DC0093L3G001600	83,031
Supportive Housing Program	14.235	DC0093L3G001701	<u>255,378</u>
			<u>476,268</u>
United States Department of Housing and Urban Development passed through The Community Partnership for the Prevention of Homelessness:			
Supportive Housing Program	14.235	DC0020L3G001609	48,973
Supportive Housing Program	14.235	DC0024L3G001609	156,696
Supportive Housing Program	14.235	DC0024L3G001710	112,665
Supportive Housing Program	14.235	DC0097L3G001700	<u>158,947</u>
			<u>477,281</u>
Total U.S. Department of Housing and Urban Development			<u>953,549</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-0733-2-18	15,500
Family Violence Prevention Services	93.671	JA-FSA-0733-2-19	484,046
Family Violence Prevention Services	93.671	JA-FSA-0732-2-18	8,213
Family Violence Prevention Services	93.671	JA-FSA-0732-2-19	30,438
Family Violence Prevention Services	93.671	JA-FSA-0733-4-18	31,062
Family Violence Prevention Services	93.671	JA-FSA-0733-4-19	<u>119,460</u>
			<u>688,719</u>
United States Department of Agriculture passed through DC Public Schools:			
Child and Adult Care Food Program	10.558	V-126	<u>47,374</u>
United States Department of Justice passed through:			
Women's Integrated Re-Entry Program	16.738	2018-JGL-3003	24,049
Women's Integrated Re-Entry Program	16.738	2019-JGHL-3003	<u>105,692</u>
			<u>129,741</u>
Total Federal Expenditures			<u>\$ 1,819,383</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 consolidated 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 AND SUBSIDIARY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2019

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.