

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS  
JUNE 30, 2021 AND 2020

**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, 2021 and 2020, and the related consolidated statements of activities 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited House of Ruth's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 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 11, 2022 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 11, 2022

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents		
Cash and cash equivalents	\$ 5,505,511	\$ 1,060,601
Cash - restricted (NOTE 2)	2,908,330	5,467,596
Resident deposits - cash held on behalf of others (NOTE 2)	53,905	26,281
Total cash and cash equivalents	8,467,746	6,554,478
Receivables:		
Grants and contracts	811,781	740,097
Note receivable - Twain IF 334, LLC, net (NOTE 9)	4,804,610	4,804,610
Total receivables	5,616,391	5,544,707
Other assets:		
Prepaid expenses	98,244	50,134
Security deposits	55,044	44,620
Total other assets	153,288	94,754
Total current assets	14,237,425	12,193,939
NON-CURRENT ASSETS		
Property and equipment, net (NOTES 5 and 8)	12,716,782	11,096,718
Total non-current assets	12,716,782	11,096,718
TOTAL ASSETS	\$ 26,954,207	\$ 23,290,657

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 395,895	\$ 480,539
Accrued annual leave	156,424	205,593
Residential deposits	53,905	26,281
Credit card payable	-	31,595
Total current liabilities	606,224	744,008
NON-CURRENT LIABILITIES		
Notes payable - QLIC note A (NOTE 9)	4,804,610	4,804,610
Notes payable - QLIC note B (NOTE 9)	1,761,390	1,761,390
Notes payable - Reinvestment Fund, Inc. (NOTE 10)	500,000	500,000
Loan payable - Paycheck Protection Program (NOTE 11)	874,415	874,415
Total non-current liabilities	7,940,415	7,940,415
TOTAL LIABILITIES	8,546,639	8,684,423
NET ASSETS		
Without donor restrictions	15,499,238	13,751,795
With donor restrictions	2,908,330	854,439
Total net assets	18,407,568	14,606,234
TOTAL LIABILITIES AND NET ASSETS	\$ 26,954,207	\$ 23,290,657

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, 2021 AND 2020

	2021		TOTAL	2020
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS		
REVENUE AND SUPPORT				
Contributions	\$ 5,454,882	\$ -	\$ 5,454,882	\$ 4,855,591
Federal grants	2,379,737	-	2,379,737	2,126,573
Contracts	3,221,905	-	3,221,905	3,347,759
Affordable housing campaign	-	2,500,000	2,500,000	-
Kidspace campaign	-	126,040	126,040	1,080,394
Other revenue	456,376	-	456,376	194,993
<b>TOTAL REVENUE AND SUPPORT</b>	<b>11,512,900</b>	<b>2,626,040</b>	<b>14,138,940</b>	<b>11,605,310</b>
NET ASSETS RELEASED FROM RESTRICTIONS	572,149	(572,149)	-	-
<b>TOTAL REVENUE AND RECLASSIFICATIONS</b>	<b>12,085,049</b>	<b>2,053,891</b>	<b>14,138,940</b>	<b>11,605,310</b>
EXPENSES				
Program Services				
Housing and services for women	2,851,905	-	2,851,905	2,712,270
Housing and services for families	3,616,743	-	3,616,743	3,441,636
Community based services	2,545,093	-	2,545,093	2,326,055
<b>Total program services</b>	<b>9,013,741</b>	<b>-</b>	<b>9,013,741</b>	<b>8,479,961</b>
Supporting Services				
Management and general	616,981	-	616,981	487,585
Fundraising	706,884	-	706,884	567,996
<b>Total supporting services</b>	<b>1,323,865</b>	<b>-</b>	<b>1,323,865</b>	<b>1,055,581</b>
<b>TOTAL EXPENSES</b>	<b>10,337,606</b>	<b>-</b>	<b>10,337,606</b>	<b>9,535,542</b>
<b>NET OPERATING SURPLUS</b>	<b>1,747,443</b>	<b>2,053,891</b>	<b>3,801,334</b>	<b>2,069,768</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,747,443</b>	<b>2,053,891</b>	<b>3,801,334</b>	<b>2,069,768</b>
NET ASSETS				
BEGINNING OF YEAR	13,751,795	854,439	14,606,234	12,536,466
END OF YEAR	<u>\$ 15,499,238</u>	<u>\$ 2,908,330</u>	<u>\$ 18,407,568</u>	<u>\$ 14,606,234</u>

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, 2021

	2021							Total Expenses
	Program Services				Supporting Services			
	Housing and Services for Women	Housing and Services for Families	Community Based Services	Total	Management and General	Fundraising	Total	
Salaries	\$ 1,487,807	\$ 1,741,497	\$ 1,416,747	\$ 4,646,051	\$ 367,184	\$ 198,154	\$ 565,338	\$ 5,211,389
Payroll Taxes and Fringe Benefits	309,260	426,955	329,453	1,065,668	134,589	67,404	201,993	1,267,661
Other Client Costs	471,074	391,267	15,725	878,066	-	-	-	878,066
Rent	-	-	152,580	152,580	31,680	31,680	63,360	215,940
Contract Labor, Security and Cleaning	107,494	287,806	56,495	451,795	10,123	-	10,123	461,918
Fund Raising	-	-	-	-	-	385,621	385,621	385,621
Building Maintenance	78,048	228,040	41,339	347,427	17,090	-	17,090	364,517
Depreciation and Amortization	39,241	162,514	146,327	348,082	16,032	-	16,032	364,114
Utilities	52,986	154,052	50,051	257,089	4,133	-	4,133	261,222
Professional Fees	60,500	70,700	50,796	181,996	6,686	-	6,686	188,682
Clinical Specialists and Substitute Teachers	39,930	32,543	62,616	135,089	-	-	-	135,089
Food and Household Supplies	80,105	10,706	31,128	121,939	1,971	1,930	3,901	125,840
Staff Recruiting, Training, Awards, Meetings	27,609	21,057	25,679	74,345	7,150	7,150	14,300	88,645
Insurance	21,500	27,500	28,980	77,980	4,950	4,950	9,900	87,880
Interest and Bank Fees	-	-	77,126	77,126	1,473	-	1,473	78,599
Telephone	17,936	24,026	14,168	56,130	9,321	-	9,321	65,451
Equipment and Furnishings	23,590	23,812	8,016	55,418	2,003	827	2,830	58,248
Office and Other Supplies	13,430	6,215	35,404	55,049	1,700	1,403	3,103	58,152
Equipment Rental and Maintenance	11,770	1,517	475	13,762	212	6,149	6,361	20,123
Travel	7,898	3,969	128	11,995	347	-	347	12,342
Software	1,500	2,500	877	4,877	337	450	787	5,664
Postage & Delivery	227	67	8	302	-	841	841	1,143
Taxes & Licenses	-	-	975	975	-	-	-	975
Dues and Subscriptions	-	-	-	-	-	325	325	325
<b>Total Expenses</b>	<b>\$ 2,851,905</b>	<b>\$ 3,616,743</b>	<b>\$ 2,545,093</b>	<b>\$ 9,013,741</b>	<b>\$ 616,981</b>	<b>\$ 706,884</b>	<b>\$ 1,323,865</b>	<b>\$ 10,337,606</b>

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, 2020

	2020							Total Expenses
	Program Services				Supporting Services			
	Housing and Services for Women	Housing and Services for Families	Community Based Services	Total	Management and General	Fundraising	Total	
Salaries	\$ 1,454,684	\$ 1,925,410	\$ 1,314,094	\$ 4,694,188	\$ 262,798	\$ 120,059	\$ 382,857	\$ 5,077,045
Payroll Taxes and Fringe Benefits	313,233	440,478	290,052	1,043,763	127,959	62,314	190,273	1,234,036
Other Client Costs	476,599	427,790	118,867	1,023,256	-	1,216	1,216	1,024,472
Fundraising	-	-	-	-	-	312,407	312,407	312,407
Depreciation and Amortization	66,830	151,561	10,075	228,466	7,071	-	7,071	235,537
Rent	200	-	194,285	194,485	26,400	26,400	52,800	247,285
Utilities	53,437	147,539	39,792	240,768	13	-	13	240,781
Professional Fees	54,641	68,540	40,343	163,524	14,093	6,388	20,481	184,005
Building Maintenance	73,642	121,547	19,754	214,943	5,219	-	5,219	220,162
Contract Labor: Security and Cleaning	23,199	42,161	35,021	100,381	4,617	1,257	5,874	106,255
Food and Household Supplies	50,483	14,589	36,332	101,404	2,510	6,757	9,267	110,671
Clinical Specialists	18,574	-	138,445	157,019	-	-	-	157,019
Office and Other Supplies	19,849	14,273	37,401	71,523	4,634	4,635	9,269	80,792
Insurance	16,755	21,363	14,702	52,820	2,581	2,005	4,586	57,406
Telephone	20,348	18,767	10,774	49,889	7,824	-	7,824	57,713
Staff Recruiting, Training, Awards, Meetings	40,572	28,365	19,366	88,303	6,024	6,278	12,302	100,605
Equipment and Furnishings	15,512	8,611	2,285	26,408	12,804	5,191	17,995	44,403
Travel	8,486	8,304	2,613	19,403	800	917	1,717	21,120
Equipment Rental and Maintenance	4,498	1,200	1,795	7,493	485	5,546	6,031	13,524
Postage and Delivery	171	122	-	293	720	1,970	2,690	2,983
Software	-	16	-	16	480	3,381	3,861	3,877
Taxes and Licenses	557	1,000	-	1,557	413	300	713	2,270
Interest and Bank Fees	-	-	59	59	140	-	140	199
Dues and Subscription	-	-	-	-	-	975	975	975
<b>Total Expenses</b>	<b>\$ 2,712,270</b>	<b>\$ 3,441,636</b>	<b>\$ 2,326,055</b>	<b>\$ 8,479,961</b>	<b>\$ 487,585</b>	<b>\$ 567,996</b>	<b>\$ 1,055,581</b>	<b>\$ 9,535,542</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in operating net assets	\$ 3,801,334	\$ 2,069,768
Adjustments to reconcile change in operating net assets to net cash provided by operating activities:		
Depreciation	364,115	235,538
Donated securities	(93,241)	-
(Increase) decrease in assets:		
Grants and contracts receivable	(71,684)	(62,602)
Prepaid expenses	(48,110)	(48,329)
Security deposits	(10,424)	(26,807)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(84,644)	232,992
Accrued annual leave	(49,169)	47,141
Accrued interest payable-QLICI Note	-	(77,872)
Resident deposits	27,624	(14,411)
Credit card payable	(31,595)	31,595
Unearned revenue	-	(122,183)
	<u>3,804,206</u>	<u>2,264,830</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(1,984,179)	(5,358,310)
Proceeds from contributed investments	93,241	-
	<u>(1,890,938)</u>	<u>(5,358,310)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable - Paycheck Protection Program	-	874,415
	<u>-</u>	<u>874,415</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,913,268</b>	<b>(2,219,065)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>6,554,478</u>	<u>8,773,543</u>
End of year	<u>\$ 8,467,746</u>	<u>\$ 6,554,478</u>

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

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020

**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 six 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*

There are seven housing programs that focus on helping the families. 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, 2021 and 2020, the balance of restricted cash was \$2,908,330 and \$5,467,596, respectively.

***Resident Deposits***

The Organization maintains a separate cash account held on behalf of the residents in the amount of \$53,905 and \$26,281 at June 30, 2021 and 2020, 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, 2021 AND 2020

**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, 2021 and 2020.

***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, 2021 AND 2020

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

***In-Kind Contributions***

Donated facilities, securities, 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 year ended June 30, 2021, the Organization received donated security 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 2017 and later remain subject to examination by the IRS and state authorities.

***Recently Issued Accounting Standards***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally using the straight-line method. The guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The House of Ruth is evaluating the effect that adoption of ASU 2016- 02 will have on its financial statements.

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020

**3. LIQUIDITY AND AVAILABILITY**

As of June 30, 2021, 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	\$ 5,505,511
Receivables	<u>811,781</u>
Total financial assets	<u>\$ 6,317,292</u>
Less: net assets with restrictions not available (within one year)	<u>(884,720)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 5,432,472</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, 2021, uninsured balances were \$5,430,916 and \$1,464,827, respectively.

The Organization held various certificates of deposit, with maturity dates of 12 months or less, in the aggregate amount of \$2,780,006 and \$4,454,924, at June 30, 2021 and 2020, 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. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 7,941,152	\$ 7,258,136
Building Kidspace	8,072,147	-
Construction in progress (NOTE 8)	-	6,878,584
Land	683,360	683,360
Leasehold improvements	163,022	163,022
Household and office equipment	434,684	392,479
Software	65,395	-
Vehicles	<u>31,900</u>	<u>31,900</u>
Total property and equipment	17,391,660	15,407,481

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020

**5. PROPERTY AND EQUIPMENT (CONTINUED)**

Accumulated depreciation & amortization	(4,674,878)	(4,310,763)
Total property and equipment, net	<u>\$ 12,716,782</u>	<u>\$ 11,096,718</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$364,115 and \$235,538, 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 \$1,131,589 and \$806,265, for the years ended June 30, 2021 and 2020, respectively. In addition, The House of Ruth leases property to a related entity "Kidspac, Inc." The commencement date was January 1, 2020 and ending on December 31, 2048.

Future minimum lease payments for all operating leases are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 136,814
2023	83,453
2024	81,784
2025	91,056
2026	207,748
Thereafter	<u>7,221,923</u>
Total	<u>\$ 7,822,778</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 2021 and 2020. Contributions to the Plan for the years ended June 30, 2021 and 2020 were \$167,630 and \$179,861, respectively.

**8. CAPITAL CONSTRUCTION CAMPAIGN**

During February 2018, the Organization began a capital campaign to demolish two existing buildings and construct one new building during the winter of 2019. The building was complete and put into service in November of 2020, and as of June 30, 2021, the Organization has spent \$8,072,147 in construction costs. The building is being depreciated in accordance with generally accepted accounting principles.

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020

**9. 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 (QLICIs) 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, 2021 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, 2021 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.

Other assets and long-term liabilities related to the NMTC financing reflected on the consolidated statements of financial position as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Other Assets:		
Note Receivable – Twain IF 334, LLC	\$ <u>4,804,610</u>	\$ <u>4,804,610</u>
Total Other Assets	\$ <u>4,804,610</u>	\$ <u>4,804,610</u>

Interest income earned from the loan receivable with TIF 334, LLC related to the NMTC financing for the years ended June 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Interest Income	\$ <u>48,046</u>	\$ <u>48,046</u>

HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020

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

Long-term liabilities:

Note Payable – QLICI Note A	\$ 4,804,610	\$ 4,804,610
Note Payable – QLICI Note B	<u>1,761,390</u>	<u>1,761,390</u>
Total Long-Term Liabilities	<u>\$ 6,566,000</u>	<u>\$ 6,566,000</u>

Interest expense related to this note for the years ended June 30, 2021 and 2020 was \$77,873 and \$77,873, respectively.

**10. 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.

Long-term liabilities:

	<u>2021</u>	<u>2020</u>
Note Payable – Reinvestment Fund, Inc.	<u>\$ 500,000</u>	<u>\$ 500,000</u>

**11. LOAN PAYABLE – PAYCHECK PROTECTION PROGRAM**

On May 18, 2020, the Organization received loan proceeds in the amount of approximately \$874,415 under the Paycheck Protection Program (“PPP”) with First National Bank. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act” enacted March 27, 2020), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks, assuming the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at a fixed interest rate of 1%. The Organization has used all proceeds for purposes consistent with the PPP rules and regulations. While the Organization currently believes that its use of the loan proceeds meets the conditions for forgiveness of the loan, we cannot assure you that there are actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part. The Organization has applied for full forgiveness of the loan and is awaiting the required approvals from the financial institution and Small Business Administration. (SEE NOTE 13)



HOUSE OF RUTH AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2021 AND 2020

**12. UNCERTAINTIES**

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 remain unknown, but so far have been expansive. 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 remain uncertain. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

**13. SUBSEQUENT EVENTS**

In accordance with FASB ASC 855, the Organization evaluated subsequent events through May 11, 2022, the date these consolidated financial statements were available to be issued.

On August 31, 2021, The House of Ruth received approval from First National Bank of Pennsylvania and the Small Business Administration (SBA) that the Paycheck Protection Program Loan, in the amount of \$874,415 and dated May 18, 2020, had been forgiven in its entirety. (SEE NOTE 11)

There were no other 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, 2021 AND 2020

	ASSETS				2020
	HOUSE OF RUTH	KIDSPACE INC.	ELIMINATIONS	TOTAL	
<b>CURRENT ASSETS</b>					
Cash and cash equivalents					
Cash and cash equivalents	\$ 5,505,511	\$ -	\$ -	\$ 5,505,511	\$ 1,060,601
Cash - restricted (NOTE 2)	2,768,004	140,326	-	2,908,330	5,467,596
Resident deposits - cash held on behalf of others (NOTE 2)	53,905	-	-	53,905	26,281
Total cash and cash equivalents	<u>8,327,420</u>	<u>140,326</u>	<u>-</u>	<u>8,467,746</u>	<u>6,554,478</u>
Receivables:					
Grants and contracts	811,781	-	-	811,781	740,097
Deferred rent receivables	-	314,105	(314,105)	-	-
Note receivable - Twain IF 334, net (NOTE 9)	4,804,610	-	-	4,804,610	4,804,610
Total receivables	<u>5,616,391</u>	<u>314,105</u>	<u>(314,105)</u>	<u>5,616,391</u>	<u>5,544,707</u>
Other assets:					
Prepaid expenses	98,244	-	-	98,244	50,134
Security deposits	55,044	-	-	55,044	44,620
Total other assets	<u>153,288</u>	<u>-</u>	<u>-</u>	<u>153,288</u>	<u>94,754</u>
Total current assets	<u>14,097,099</u>	<u>454,431</u>	<u>(314,105)</u>	<u>14,237,425</u>	<u>12,193,939</u>
<b>NON-CURRENT ASSETS</b>					
Property and equipment, net (NOTES 5 and 8)	4,644,635	8,072,147	-	12,716,782	11,096,718
Investment in Kidspac (NOTES 9)	884,720	-	(884,720)	-	-
Total non-current assets	<u>5,529,355</u>	<u>8,072,147</u>	<u>(884,720)</u>	<u>12,716,782</u>	<u>11,096,718</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,626,454</u>	<u>\$ 8,526,578</u>	<u>\$ (1,198,825)</u>	<u>\$ 26,954,207</u>	<u>\$ 23,290,657</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 395,895	\$ -	\$ -	\$ 395,895	\$ 480,539
Accrued annual leave	156,424	-	-	156,424	205,593
Accrued interest payable-QLICI Note	-	-	-	-	-
Residential deposits	53,905	-	-	53,905	26,281
Credit card payable	-	-	-	-	31,595
Total current liabilities	<u>606,224</u>	<u>-</u>	<u>-</u>	<u>606,224</u>	<u>744,008</u>
<b>NON-CURRENT LIABILITIES</b>					
Notes payable - QLICI note A (NOTE 9)	-	4,804,610	-	4,804,610	4,804,610
Notes payable - QLICI note B (NOTE 9)	-	1,761,390	-	1,761,390	1,761,390
Notes payable - Reinvestment Fund, Inc. (NOTE 10)	-	500,000	-	500,000	500,000
Loan payable - Paycheck Protection Program (NOTE 11)	874,415	-	-	874,415	874,415
Deferred rent payable	314,105	-	(314,105)	-	-
Total non-current liabilities	<u>1,188,520</u>	<u>7,066,000</u>	<u>(314,105)</u>	<u>7,940,415</u>	<u>7,940,415</u>
<b>TOTAL LIABILITIES</b>	<u>1,794,744</u>	<u>7,066,000</u>	<u>(314,105)</u>	<u>8,546,639</u>	<u>8,684,423</u>
<b>NET ASSETS</b>					
Without donor restrictions	17,232,351	(848,393)	(884,720)	15,499,238	13,751,795
With donor restrictions	599,359	2,308,971	-	2,908,330	854,439
Total net assets	<u>17,831,710</u>	<u>1,460,578</u>	<u>(884,720)</u>	<u>18,407,568</u>	<u>14,606,234</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 19,626,454</u>	<u>\$ 8,526,578</u>	<u>\$ (1,198,825)</u>	<u>\$ 26,954,207</u>	<u>\$ 23,290,657</u>

HOUSE OF RUTH AND SUBSIDIARY  
CONSOLIDATED SCHEDULE OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	HOUSE OF RUTH			2021 KIDSPACE INC.			ELIMINATIONS	TOTAL			2020
	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	\$ 5,454,882	\$ -	\$ 5,454,882	\$ -	\$ -	\$ -	\$ -	\$ 5,454,882	\$ -	\$ 5,454,882	\$ 4,855,591
Federal grants	2,379,737	-	2,379,737	-	-	-	-	2,379,737	-	2,379,737	2,126,573
Contracts	3,221,905	-	3,221,905	-	-	-	-	3,221,905	-	3,221,905	3,347,759
Affordable housing campaign	-	2,500,000	2,500,000	-	-	-	-	-	2,500,000	2,500,000	-
Kidspace campaign	-	290,853	290,853	-	126,040	126,040	(290,853)	-	126,040	126,040	1,080,394
Other revenue	456,376	-	456,376	-	-	-	-	456,376	-	456,376	194,993
TOTAL REVENUE AND SUPPORT	11,512,900	2,790,853	14,303,753	-	126,040	126,040	(290,853)	11,512,900	2,626,040	14,138,940	11,605,310
NET ASSETS RELEASED FROM RESTRICTIONS	572,149	(572,149)	-	-	-	-	-	572,149	(572,149)	-	-
TOTAL REVENUE AND RECLASSIFICATIONS	12,085,049	2,218,704	14,303,753	-	126,040	126,040	(290,853)	12,085,049	2,053,891	14,138,940	11,605,310
EXPENSES											
Program Services											
Housing and services for women	2,851,905	-	2,851,905	-	-	-	-	2,851,905	-	2,851,905	2,712,270
Housing and services for families	3,616,743	-	3,616,743	-	-	-	-	3,616,743	-	3,616,743	3,441,636
Community based services	2,545,093	-	2,545,093	-	290,853	290,853	(290,853)	2,545,093	-	2,545,093	2,326,055
Total program services	9,013,741	-	9,013,741	-	290,853	290,853	(290,853)	9,013,741	-	9,013,741	8,479,961
Supporting Services											
Management and general	616,981	-	616,981	-	-	-	-	616,981	-	616,981	487,585
Fundraising	706,884	-	706,884	-	-	-	-	706,884	-	706,884	567,996
Total supporting services	1,323,865	-	1,323,865	-	-	-	-	1,323,865	-	1,323,865	1,055,581
TOTAL EXPENSES	10,337,606	-	10,337,606	-	290,853	290,853	(290,853)	10,337,606	-	10,337,606	9,535,542
NET OPERATING SURPLUS	1,747,443	2,218,704	3,966,147	-	(164,813)	(164,813)	-	1,747,443	2,053,891	3,801,334	2,069,768
CHANGE IN NET ASSETS	1,747,443	2,218,704	3,966,147	-	(164,813)	(164,813)	-	1,747,443	2,053,891	3,801,334	2,069,768
NET ASSETS											
BEGINNING OF YEAR	13,647,093	(1,619,345)	12,027,748	104,702	2,473,784	2,578,486	-	13,751,795	854,439	14,606,234	12,536,466
END OF YEAR	\$ 15,394,536	\$ 599,359	\$ 15,993,895	\$ 104,702	\$ 2,308,971	\$ 2,413,673	\$ (290,853)	\$ 15,499,238	\$ 2,908,330	\$ 18,407,568	\$ 14,606,234

# PHILLIPS & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2021, 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 11, 2022.

### ***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) as a basis for designing 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 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.

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

Rockville, Maryland  
May 11, 2022

# 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, 2021. 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, 2021.

***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, 2021, and have issued our report thereon dated May 11, 2022, 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

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

Rockville, Maryland  
May 11, 2022



HOUSE OF RUTH AND SUBSIDIARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

<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	DC0083L3G001803	\$ 23,902
Supportive Housing Program	14.235	DC0083L3G001802	86,399
Supportive Housing Program	14.235	DC0097L3G001903	<u>259,196</u>
			<u>369,496</u>
United States Department of Housing and Urban Development passed through The Community Partnership for the Prevention of Homelessness:			
Supportive Housing Program	14.235	DC0024L3G001912	163,170
Supportive Housing Program	14.235	DC0024L3G002013	36,108
Supportive Housing Program	14.235	D114HORDD	142,604
Supportive Housing Program	14.235	D114HORDD Ext. 1	102,977
Supportive Housing Program	14.235	DC0104L3G001800	75,320
Supportive Housing Program	14.235	DC0104L3G001901	153,636
Supportive Housing Program	14.235	DC0097L3G001801	223,381
Supportive Housing Program	14.235	DC0097L3G001902	<u>151,031</u>
			<u>1,048,227</u>
Total U.S. Department of Housing and Urban Development			<u>1,417,722</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-0733-2-20	150,899
Family Violence Prevention Services	93.671	JA-FSA-0733-2-21	407,421
Family Violence Prevention Services	93.671	JA-FSA-0732-2-20	1,341
Family Violence Prevention Services	93.671	JA-FSA-0732-2-21	23,509
Family Violence Prevention Services	93.671	JA-FSA-0733-4-20	74,528
Family Violence Prevention Services	93.671	JA-FSA-0733-4-21	<u>181,635</u>
			<u>839,333</u>
United States Department of Agriculture passed through DC Public Schools:			
Child and Adult Care Food Program	10.558	V-126	<u>12,429</u>
United States Department of Justice passed through:			
Women's Integrated Re-Entry Program	16.738	2020-JGL-3003	30,982
Women's Integrated Re-Entry Program	16.738	2021-BMA18-3003	<u>79,271</u>
			<u>110,253</u>
Total Federal Expenditures			<u>\$ 2,379,737</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, 2021

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:	<u>\$750,000</u>
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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.