

HOUSE OF RUTH
FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS
JUNE 30, 2013 AND 2012

HOUSE OF RUTH

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INDEPENDENT AUDITORS' REPORT

Board of Directors
HOUSE OF RUTH
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of House of Ruth (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

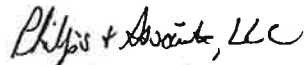
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Ruth as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of House of Ruth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering House of Ruth's internal control over financial reporting and compliance.



Rockville, Maryland

November 11, 2013

HOUSE OF RUTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents		
Cash and cash equivalents	\$ 1,558,665	\$ 1,612,469
Resident deposits - cash held on behalf of others (NOTE 2)	<u>93,641</u>	<u>82,244</u>
Total cash and cash equivalents	<u>1,652,306</u>	<u>1,694,713</u>
Receivables:		
Grants and contracts	1,007,625	723,905
Contributions, net (NOTE 4)	<u>261,127</u>	<u>249,470</u>
Total receivables	<u>1,268,752</u>	<u>973,375</u>
Prepaid expenses and other assets	<u>12,959</u>	<u>12,230</u>
Total current assets	<u>2,934,017</u>	<u>2,680,318</u>
Security deposits	7,266	7,266
Property and equipment, net (NOTE 5)	<u>5,819,023</u>	<u>6,047,812</u>
TOTAL ASSETS	<u><u>\$ 8,760,306</u></u>	<u><u>\$ 8,735,396</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 285,041	\$ 363,843
Accrued annual leave	204,207	212,992
Residential deposits	<u>93,641</u>	<u>82,244</u>
Total current liabilities	<u>582,889</u>	<u>659,079</u>
Total liabilities	<u>582,889</u>	<u>659,079</u>
NET ASSETS		
Unrestricted	<u>8,177,417</u>	<u>8,076,317</u>
Total net assets	<u>8,177,417</u>	<u>8,076,317</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,760,306</u></u>	<u><u>\$ 8,735,396</u></u>

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

HOUSE OF RUTH
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	UNRESTRICTED	
	2013	2012
REVENUE AND SUPPORT		
Contributions	\$ 3,590,109	\$ 3,894,138
Federal grants	1,426,954	1,552,468
Contracts	3,108,190	2,826,381
Other revenue	84,479	95,474
TOTAL REVENUE AND SUPPORT	8,209,732	8,368,461
EXPENSES		
Program Services		
Housing and services for women	2,353,218	2,613,796
Housing and services for families	3,116,243	2,975,396
Community based services	1,897,532	1,921,478
Total program services	7,366,993	7,510,670
Supporting Services		
Management and general	291,619	281,236
Fundraising	450,020	549,662
Total supporting services	741,639	830,898
TOTAL EXPENSES	8,108,632	8,341,568
CHANGE IN NET ASSETS	101,100	26,893
NET ASSETS		
BEGINNING OF YEAR	8,076,317	8,049,424
END OF YEAR	\$ 8,177,417	\$ 8,076,317

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

HOUSE OF RUTH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 101,100	\$ 26,893
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	287,216	297,175
(Increase) decrease in assets:		
Accounts receivable	(295,377)	(34,954)
Prepaid expenses	(729)	(11,349)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(78,802)	108,767
Accrued annual leave	(8,785)	34,340
Resident deposits	11,397	26,306
Net Cash Provided By Operating Activities	<u>16,020</u>	<u>447,178</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(58,427)</u>	<u>(14,556)</u>
Net Cash (Used For) Investing Activities	<u>(58,427)</u>	<u>(14,556)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	<u>-</u>	<u>(74,529)</u>
Net Cash (Used For) Financing Activities	<u>-</u>	<u>(74,529)</u>
 NET (DECREASE) INCREASE IN CASH	 (42,407)	 358,093
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,694,713</u>	<u>1,336,620</u>
End of year	<u>\$ 1,652,306</u>	<u>\$ 1,694,713</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 2,578</u>

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

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 seven 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 women and their children who are dealing with domestic violence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

Resident Deposits

The Organization maintains a separate cash account held on behalf of the residents in the amount of \$93,641 and \$82,244 at June 30, 2013 and 2012, respectively. These funds are exclusively for the residents and are not available to pay the Organization's expenses. Funds will be maintained by the Organization until the residents withdraw their deposits upon departure from the programs.

Grants and Contracts Receivable

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Write-off of accounts receivable occurs when all collection efforts have been exhausted or certain conditions or forgiveness have been reached. All receivables are deemed collectible by management at June 30, 2013 and 2012.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

Net Assets

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

Unrestricted - Represents net assets available for general operations.

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

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

Estimates

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

Revenue Recognition

Contributions

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

Government Grants and Cooperative Agreements

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

In-Kind Contributions

Donated facilities, goods and services are recorded at fair market value at the date of donation. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. During the years ended June 30, 2013 and 2012, the Organization received in-kind legal services of \$52,872 and \$269,708, respectively. Additionally the Organization received the services of volunteers, and the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses

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

Income Tax Status

The Organization is exempt from the payment of Federal income taxes on their exempt activities under 501(c)(3) of the Internal Revenue Code and has been designated by the Internal Revenue Service as "publicly supported" organization under Section 509(a) of the Code. The Organization adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes, which requires that a tax position be recognized on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of FASB ASC 740 had no impact on the Organization's audited financial statements. The Organization does not believe their financial statements include (or reflect) any uncertain tax positions. However, fiscal years 2010 and later remain subject to examination by the IRS and state authorities.

3. CONCENTRATION OF CREDIT RISK

Financial instruments, which subject the Organization to concentrations of credit risk, consist of demand deposit and savings accounts with a financial institution. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total is insured up to \$250,000. All account balances were fully insured as of June 30, 2013 and 2012.

The Organization held various certificates of deposit with maturity dates of six months or less, in the aggregate amount of \$1,418,889 and \$1,367,331 at June 30, 2013 and 2012, respectively. These certificates of deposit were fully guaranteed through the members of CDARS network.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give and are stated at their net realizable value. The gross contributions receivable accounts as of June 30, 2013 and 2012 was \$321,584 and \$311,755, respectively. The allowance for doubtful accounts as of June 30, 2013 and 2012 was \$60,457 and \$62,285, respectively. The contributions receivable are expected to be collected within one year.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Building and improvements	\$7,142,644	\$7,092,794
Land	763,360	763,360
Leasehold improvements	152,522	152,522
Household and office equipment	277,966	269,389
Vehicles	<u>31,900</u>	<u>31,900</u>
Total	8,368,392	8,309,965
Accumulated depreciation and amortization	<u>(2,549,369)</u>	<u>(2,262,153)</u>
Total	<u>\$5,819,023</u>	<u>\$6,047,812</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$287,216 and \$297,175, 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 \$127,143 and \$113,118 for the years ended June 30, 2013 and 2012, respectively. Future minimum lease payments for all operating leases are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 58,188
2015	59,574
2016	61,002
2017	59,508
2018	<u>38,895</u>
	<u>\$ 277,167</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 2013 and 2012. Contributions to the Plan for the years ended June 30, 2013 and 2012 were \$177,958 and \$171,765, respectively.

HOUSE OF RUTH
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

8. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, the Organization evaluated subsequent events through November 11, 2013, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

HOUSE OF RUTH
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2013
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	2013						2012					
	Program Services			Supporting Services			Program Services			Supporting Services		
	Housing and Services for Women	Housing and Services for Families	Community Based Services	Management and General	Fundraising	Total	Housing and Services for Women	Housing and Services for Families	Community Based Services	Management and General	Fundraising	Total
Salaries	\$ 1,603,662	\$ 1,769,345	\$ 1,184,085	\$ 134,276	\$ 247,941	\$ 4,557,092	\$ 1,342,217	\$ 1,465,350	\$ 1,066,393	\$ 20,440	\$ 382,217	\$ 4,939,309
Payroll Taxes and Fringe Benefits	335,690	447,726	282,977	68,278	20,440	1,066,393	88,718	96,635	1,077,198	-	88,718	1,155,111
Clinical Specialists	29,075	33,119	157,161	-	-	219,355	-	-	219,355	-	-	219,355
Outside Services	16,922	21,712	11,647	1,263	48,240	50,281	49,503	99,784	90,700	99,784	41,039	90,700
Professional Fees	66,675	18,194	5,356	2,816	38,223	90,225	41,039	131,264	466,408	38,223	41,039	131,264
Food and Household Supplies	19,330	36,123	70,769	126,222	-	126,222	-	-	118,345	-	-	126,222
Office and Other Supplies	14,594	31,211	4,168	6,158	4,645	49,973	10,803	56,252	80,019	4,645	10,803	60,776
Telephone	24,266	27,346	9,506	1,508	77	61,118	1,585	62,703	80,019	77	1,585	62,703
Postage	28	107	94	147	45,971	229	46,118	48,739	80,019	45,971	46,118	62,703
Rent	2,400	46,870	43,799	16,294	17,780	93,069	34,074	127,143	113,118	17,780	34,074	127,143
Utilities and Other Occupancy	52,954	121,371	15,452	1,350	927	189,777	2,277	189,777	182,476	927	2,277	189,777
Insurance	15,213	26,192	7,110	-	-	48,515	-	-	36,603	-	-	50,792
Contract Labor: Security and Cleaning	17,975	139	33,000	-	-	51,114	-	-	49,081	-	-	51,114
Building Maintenance	84,796	181,498	32,779	299,073	-	299,073	-	-	228,555	-	-	299,073
Equipment Rental and Maintenance	5,864	953	4,039	9,051	-	10,856	9,051	19,907	18,557	-	-	19,907
Equipment and Furnishings	13,383	51,912	8,492	3,885	1,465	73,787	5,350	79,137	96,635	1,465	5,350	79,137
Printing	3,725	4,581	1,853	411	18,351	10,159	18,762	28,921	39,617	18,351	18,762	28,921
Travel	1,768	5,502	2,336	126	202	9,606	328	9,934	11,537	202	328	9,934
Staff Recruiting, Training, Awards, Meeting	5,039	6,182	4,700	1,852	2,640	15,921	4,492	20,413	11,266	2,640	4,492	20,413
Vehicle Expense	3,438	1,649	660	5,747	-	5,747	-	5,747	14,519	-	-	5,747
Other Client Costs	12,112	44,733	7,212	64,057	-	64,057	-	64,057	57,986	-	-	64,057
Interest and Bank Fees	-	-	-	18,088	(41)	-	18,047	18,047	19,645	(41)	18,047	19,645
Miscellaneous	0	-	-	298	-	-	298	298	1,213	-	298	298
Depreciation and Amortization	21,445	235,252	8,260	22,259	-	264,957	22,259	287,216	297,175	-	22,259	287,216
Software	1,591	2,624	1,217	3,224	2,634	5,432	5,858	11,290	39,352	2,634	5,858	11,290
Taxes and Licenses	1,273	1,902	860	335	525	4,035	860	4,895	6,331	525	860	4,895
Total Expenses	\$ 2,353,218	\$ 3,116,243	\$ 1,897,532	\$ 291,619	\$ 450,020	\$ 7,366,993	\$ 741,639	\$ 8,108,632	\$ 8,341,568	\$ 450,020	\$ 741,639	\$ 8,108,632

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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

Board of Directors
HOUSE OF RUTH
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of House of Ruth (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 11, 2013.

Internal Control over Financial Reporting

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

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

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


INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether House of Ruth's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Rockville, Maryland
November 11, 2013

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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 Circular A-133 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, 2013. House of Ruth's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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
OMB CIRCULAR A-133 AND ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS (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, 2013.

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 OMB Circular A-133, 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.

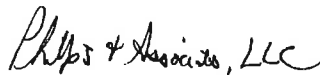
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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
OMB CIRCULAR A-133 AND ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of House of Ruth as of and for the year ended June 30, 2013, and have issued our report thereon dated November 11, 2013, 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 OMB Circular A-133 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Rockville, Maryland
November 11, 2013

HOUSE OF RUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<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	DC0032B3G001104	\$ 12,006
Supportive Housing Program	14.235	DC0032L3G001205	132,077
Supportive Housing Program	14.235	DC0061B3G001104	66,841
Supportive Housing Program	14.235	DC0061L3G001205	48,654
Supportive Housing Program	14.235	DC0033B3G001104	49,223
Supportive Housing Program	14.235	DC0033L3G001205	35,829
Supportive Housing Program	14.235	DC0013B3G001104	187,720
Supportive Housing Program	14.235	DC0013L3G001205	<u>136,640</u>
			<u>668,990</u>
United States Department of Housing and Urban Development passed through The Community Partnership for the Prevention of Homelessness:			
Supportive Housing Program	14.235	DC0020B3G001003	70,323
Supportive Housing Program	14.235	DC0020B3G001104	59,915
Supportive Housing Program	14.235	DC0024B3G001104	135,813
Supportive Housing Program	14.235	DC0024L3G001205	<u>96,940</u>
			<u>362,991</u>
Total U.S. Department of Housing and Urban Development			<u>1,031,981</u>
United States Temporary Assistance for Needy Families passed through D.C. Department of Human Services:			
Temporary Assistance for Needy Families	93.558	TCP GRANT #SS12-65-HOR-RF	70,847
United States Department of Health and Human Services passed through DC Department of Human Services:			
Family Violence Prevention Services	93.671	FSA/APS-05-12	25,000
Family Violence Prevention Services	93.671	FSA/APS-10-13	25,000
Family Violence Prevention Services	93.671	FSA/APS-10-13	<u>225,000</u>
			<u>275,000</u>
United States Department of Homeland Security:			
Emergency Food and Shelter Program	97.024	30-1492-00	<u>7,203</u>
United States Department of Agriculture passed through DC Public Schools:			
Child and Adult Care Food Program	10.558	V-126	<u>41,923</u>
Total Federal Expenditures			<u>\$ 1,426,954</u>

NOTE 1 - BASIS OF PRESENTATION

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

HOUSE OF RUTH
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified	___yes	<u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	___yes	<u> X </u> none reported
Noncompliance material to financial statements noted	___yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
Material weaknesses identified	___yes	<u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	___yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	___yes	<u> X </u> 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:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<u> X </u> 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.