

HOUSE OF RUTH  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS  
JUNE 30, 2015 AND 2014

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**PHILLIPS & ASSOCIATES, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

## HOUSE OF RUTH

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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 financial statements of House of Ruth (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Ruth as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2016 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  
July 14, 2016

HOUSE OF RUTH  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
Cash and cash equivalents	\$ 1,404,391	\$ 2,082,376
Resident deposits - cash held on behalf of others (NOTE 2)	<u>61,010</u>	<u>67,654</u>
Total cash and cash equivalents	<u>1,465,401</u>	<u>2,150,030</u>
Receivables:		
Grants and contracts	1,126,081	822,251
Contributions, net (NOTE 4)	<u>217,232</u>	<u>195,580</u>
Total receivables	<u>1,343,313</u>	<u>1,017,831</u>
Total current assets	<u>2,808,714</u>	<u>3,167,861</u>
Security deposits	7,266	7,266
Property and equipment, net (NOTE 5)	<u>5,389,505</u>	<u>5,611,354</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,205,485</u></u>	<u><u>\$ 8,786,481</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 393,053	\$ 274,211
Accrued annual leave	211,004	189,325
Residential deposits	<u>61,010</u>	<u>67,654</u>
Total current liabilities	<u>665,067</u>	<u>531,190</u>
Total liabilities	<u>665,067</u>	<u>531,190</u>
<b>NET ASSETS</b>		
Unrestricted	<u>7,540,418</u>	<u>8,255,291</u>
Total net assets	<u>7,540,418</u>	<u>8,255,291</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 8,205,485</u></u>	<u><u>\$ 8,786,481</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, 2015 AND 2014

	UNRESTRICTED	
	2015	2014
REVENUE AND SUPPORT		
Contributions	\$ 3,470,824	\$ 3,726,443
Federal grants	1,471,439	1,376,372
Contracts	3,217,199	3,335,423
Other revenue	79,895	84,760
TOTAL REVENUE AND SUPPORT	8,239,357	8,522,998
EXPENSES		
Program Services		
Housing and services for women	2,180,747	2,416,958
Housing and services for families	3,660,786	3,182,150
Community based services	2,066,624	1,983,207
Total program services	7,908,157	7,582,315
Supporting Services		
Management and general	573,094	433,434
Fundraising	472,979	429,375
Total supporting services	1,046,073	862,809
TOTAL EXPENSES	8,954,230	8,445,124
CHANGE IN NET ASSETS	(714,873)	77,874
NET ASSETS		
BEGINNING OF YEAR	8,255,291	8,177,417
END OF YEAR	\$ 7,540,418	\$ 8,255,291

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

HOUSE OF RUTH  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (714,873)	\$ 77,874
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation	273,487	276,505
(Increase) decrease in assets:		
Accounts receivable	(325,482)	250,921
Prepaid expenses	-	12,959
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	118,842	(10,830)
Accrued annual leave	21,679	(14,882)
Resident deposits	<u>(6,644)</u>	<u>(25,987)</u>
Net Cash (Used for) Provided By Operating Activities	<u>(632,991)</u>	<u>566,560</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(51,638)</u>	<u>(68,836)</u>
Net Cash (Used For) Investing Activities	<u>(51,638)</u>	<u>(68,836)</u>
 NET (DECREASE) INCREASE IN CASH	 (684,629)	 497,724
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,150,030</u>	<u>1,652,306</u>
End of year	<u><u>\$ 1,465,401</u></u>	<u><u>\$ 2,150,030</u></u>

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

HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

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 \$61,010 and \$67,654 at June 30, 2015 and 2014, 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, 2015 and 2014.



HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

Net Assets

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

Unrestricted - Represents net assets available for general operations.

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

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

Estimates

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

Revenue Recognition

Contributions

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

Government Grants and Cooperative Agreements

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

In-Kind Contributions

Donated facilities, goods and services are recorded at fair market value at the date of donation. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and the services would typically need to be purchased if not donated. During the years ended June 30, 2015 and 2014, the Organization received no in-kind contributions. The Organization received the services of volunteers, and the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

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 2012 and later remain subject to examination by the IRS and state authorities.

3. CONCENTRATION OF CREDIT RISK

Financial instruments, which subject the Organization to concentrations of credit risk, consist of demand deposit and savings accounts with a financial institution. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total is insured up to \$250,000 by FDIC. Uninsured balances were \$290,293 and \$1,035,175, at June 30, 2015 and June 30, 2014, respectively.

The Organization held various certificates of deposit with maturity dates of six months or less, in the aggregate amount of \$907,598 and \$905,790 at June 30, 2015 and 2014, 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 June 30, 2015 and 2014 was \$217,332 and \$224,805, respectively. The allowance for doubtful accounts as of June 30, 2015 and 2014 was \$0 and \$29,225, respectively. The contributions receivable are expected to be collected within one year.

HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015 AND 2014

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$7,239,867	\$7,211,479
Land	763,360	763,360
Leasehold improvements	152,522	152,522
Household and office equipment	301,216	277,966
Vehicles	<u>31,900</u>	<u>31,900</u>
Total	8,488,865	8,437,227
Accumulated depreciation and amortization	<u>(3,099,360)</u>	<u>(2,825,873)</u>
Total	<u>\$5,389,505</u>	<u>\$5,611,354</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$273,487 and \$276,505, 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 \$148,865 and \$135,170, for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments for all operating leases are as follows:

Year Ending June 30,

2016	\$ 61,002
2017	59,508
2018	<u>38,895</u>
	<u>\$ 159,405</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 2015 and 2014. Contributions to the Plan for the years ended June 30, 2015 and 2014 were \$177,859 and \$178,019, respectively.

HOUSE OF RUTH  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2015 AND 2014

8. SUBSEQUENT EVENTS

In accordance with FASB ASC 855, the Organization evaluated subsequent events through July 14, 2016, the date these financial statements were available to be issued.

On August 28, 2015, the Organization entered into a loan agreement with City First, Bank of D.C., N.A., in the amount of \$900,000. The note bears an interest rate equal to Prime Rate, as reflected in the Wall Street Journal, plus .125 percent. On July, 14 2016, Prime Rate was 3.50 percent. The principal amount plus all accrued interest are due on December 31, 2016. The Organization makes monthly interest payments on the note. The loan is secured by a certain piece of real estate the Organization owns. The real estate is located in Northwest Washington, District of Columbia. As of July 14, 2016, amount owed on the note was \$900,000 plus accrued interest. House of Ruth has used the loan proceeds to fund operating expenses of the Organization.

Except as noted in the previous paragraph, 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, 2015  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	2015				2014			Total Expenses	Total Expenses
	Program Services			Total	Supporting Services				
	Housing and Services for Women	Housing and Services for Families	Community Based Services			Management and General	Fundraising	Total	
Salaries	\$ 1,502,532	\$ 2,217,544	\$1,294,355	\$ 5,014,431	\$ 254,504	\$ 218,947	\$ 473,451	\$ 5,487,882	\$ 5,164,016
Payroll Taxes and Fringe Benefits	314,141	471,200	283,311	1,068,652	162,810	16,289	179,099	1,247,751	1,215,252
Depreciation and Amortization	21,886	241,248	8,157	271,291	2,196	-	2,196	273,487	276,505
Clinical Specialists	26,325	45,445	183,365	255,135	-	-	-	255,135	246,821
Building Maintenance	72,257	135,437	44,303	251,997	-	-	-	251,997	355,658
Utilities	32,333	143,058	16,317	191,708	-	-	-	191,708	181,679
Contract Labor: Security and Cleaning	61,495	48,644	44,898	155,037	2,242	-	2,242	157,279	52,727
Rent	6,257	45,083	44,889	96,229	27,706	24,930	52,636	148,865	135,170
Outside Services	10,775	20,182	18,515	49,472	16,765	76,440	93,205	142,677	137,040
Food and Household Supplies	23,022	38,601	69,560	131,183	-	-	-	131,183	121,156
Equipment and Furnishings	14,220	51,054	451	65,725	5,830	3,172	9,002	74,727	66,399
Office and Other Supplies	13,899	36,225	7,130	57,254	11,135	5,461	16,596	73,850	72,312
Telephone	20,716	32,437	10,301	63,454	5,606	-	5,606	69,060	70,444
Other Client Costs	13,552	44,382	8,669	66,603	-	-	-	66,603	65,208
Postage and Delivery	21	260	-	281	8,034	54,440	62,474	62,755	40,646
Insurance	14,801	34,022	8,430	57,253	5,159	1,102	6,261	63,514	57,066
Staff Recruiting, Training, Awards, Meetings	7,612	18,488	8,105	34,205	15,274	2,759	18,033	52,238	35,455
Printing and Publishing	4,693	9,023	2,243	15,959	4,507	29,594	34,101	50,060	24,300
Professional Fees	7,792	15,592	3,896	27,280	6,949	5,021	11,970	39,250	52,851
Fund Raising	-	-	-	-	-	28,462	28,462	28,462	-
Equipment Rental and Maintenance	4,101	2,779	4,080	10,960	11,992	3,101	15,093	26,053	18,020
Interest and Bank Fees	-	-	-	-	19,111	1,016	20,127	20,127	18,609
Travel	3,239	7,143	2,485	12,867	2,831	487	3,318	16,185	10,418
Vehicle Expense	3,217	662	220	4,099	-	-	-	4,099	4,976
Software	368	416	104	888	9,779	1,358	11,137	12,025	12,361
Dues and Subscription	708	1,411	1,750	3,869	99	-	99	3,968	-
Taxes and Licenses	785	450	1,090	2,325	526	400	926	3,251	5,003
Miscellaneous	-	-	-	-	39	-	39	39	5,032
<b>Total Expenses</b>	<b>\$ 2,180,747</b>	<b>\$ 3,660,786</b>	<b>\$2,066,624</b>	<b>\$ 7,908,157</b>	<b>\$ 573,094</b>	<b>\$ 472,979</b>	<b>\$ 1,046,073</b>	<b>\$ 8,954,230</b>	<b>\$ 8,445,124</b>

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

The Board of Directors  
HOUSE OF RUTH  
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of House of Ruth (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 July 14, 2016.

### ***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  
July 14, 2016

# PHILLIPS & ASSOCIATES, LLC

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## 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

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 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, 2015. House of Ruth's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

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

Our responsibility is to express an opinion on compliance for each of House of Ruth's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, 2015.

***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, 2015, and have issued our report thereon dated July 14, 2016, 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  
July 14, 2016

HOUSE OF RUTH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<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	DC0032L3G001306	\$ 12,242
Supportive Housing Program	14.235	DC0032L3G001407	134,585
Supportive Housing Program	14.235	DC0061L3G001306	68,115
Supportive Housing Program	14.235	DC0061L3G001407	48,652
Supportive Housing Program	14.235	DC0033L3G001306	50,161
Supportive Housing Program	14.235	DC0033L3G001407	35,829
Supportive Housing Program	14.235	DC0013L3G001306	191,296
Supportive Housing Program	14.235	DC0013L3G001407	<u>136,640</u>
			<u>677,520</u>
United States Department of Housing and Urban Development passed through The Community Partnership for the Prevention of Homelessness:			
Supportive Housing Program	14.235	DC0020B3G001205	65,660
Supportive Housing Program	14.235	DC0020L3G001306	66,462
Supportive Housing Program	14.235	DC0024L3G001306	136,239
Supportive Housing Program	14.235	DC0024L3G001407	<u>85,974</u>
			<u>354,335</u>
Total U.S. Department of Housing and Urban Development			<u>1,031,855</u>
United States Department of Health and Human Services passed through DC Department of Human Services:			
Family Violence Prevention Services	93.671	JA-FSA-0732-2-14	27,000
Family Violence Prevention Services	93.671	JA-FSA-0733-2-14	<u>220,000</u>
			<u>247,000</u>
United States Department of Justice passed through:			
Women's Integrated Re-Entry Program	16.738	2013-DJ-BX-0056	34,427
Women's Integrated Re-Entry Program	16.738	2014-DJ-BX-1134	<u>112,024</u>
			<u>146,451</u>
United States Department of Agriculture passed through DC Public Schools:			
Child and Adult Care Food Program	10.558	V-126	<u>46,133</u>
Total Federal Expenditures			<u>\$ 1,471,439</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, 2015

SUMMARY OF AUDITORS' RESULTS

*Financial Statements*

Type of auditor's 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 510(a) of OMB Circular A-133	___yes	__X__no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.235	U.S. Department of Housing and Urban Development Supportive Housing Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	__X__yes	___no
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FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS – NONE NOTED.

FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS – NONE NOTED.

SUMMARY SCHEDULE OF PRIOR FINDINGS – NONE NOTED.