

**SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION**

DISTRICT OF COLUMBIA,

Plaintiff,

v.

CASA RUBY, INC., *et al.*,

Defendants.

Case No. 2022 CA 003343 B
Judge Danya A. Dayson

RECEIVER’S SECOND INTERIM REPORT

The Wanda Alston Foundation, Inc., the Court-appointed receiver (the “Receiver”) over Defendants, Casa Ruby, Inc., and its subsidiaries and affiliates (“Casa Ruby”), respectfully submits this Second Interim Report and states as follows:

I. Introduction and Procedural Background

The Wanda Alston Foundation was appointed as the Receiver for Casa Ruby, Inc. by the Court on August 12, 2022. It immediately started taking necessary actions to secure the organization’s records and property – delivering the *Receiver’s First Interim Report* to the Court on September 26, 2022. At the subsequent status hearing on September 29, 2022, the Court extended the term of the receivership and set two additional receivership report deadlines for October 28, 2022 and November 28, 2022 and a second status hearing for January 6, 2023.

II. Disposition of Organization’s Records and Property

The Receiver secured all important documents from the two leased properties in the Dupont Circle neighborhood that it had taken custody of. It cleared out of the first site on September 20,

2022 and it cleared out of the second site on October 12, 2022. Both properties were relinquished to the landlords.

Before vacating the last property, the Receiver made arrangements to have Casa Ruby's various records and business files picked up by the DC Attorney General's Office. They will have a contractor scan all of the documents – as part of the anticipated pretrial discovery process. When the work is complete, all parties will have access and Casa Ruby's records will be maintained electronically for seven years in accordance with various records retention laws.

At the Court's direction, the Receiver has maintained physical possession of the clients' accumulated mail – relinquishing articles only to the apparent addressees. The Receiver is working with other local non-profit organizations in the community. It will try to make contact with as many of the mail's original intended recipients as possible until the Court directs that any remaining accumulated mail be returned to the US Postal Service.

III. Efforts to Secure Additional Legal Representation

The Receiver continues to work with Marks, O'Neill, O'Brien, Doherty & Kelly, PC – the law firm retained by the Alliance of Nonprofits for Insurance, Risk Retention Group to handle various breach of contract claims related to several properties previously leased by Casa Ruby. When the DC Attorney General's Office amends its complaint, the Receiver will review the policy documents to determine if additional legal representation should be requested under any applicable liability coverage for the former officers and directors of the organization.

The Receiver is also in the final stages of vetting another law firm to represent Casa Ruby in a separate and distinct capacity on a pro bono basis. Once those arrangements are complete, that law firm will file a precipe of appearance with the Court. The Receiver has also been coordinating

with another local non-profit organization who has offered to provide legal representation on a pro bono basis to any former employees (other than Ms. Corado) who want to come forward to provide evidence or testimony to the authorities.

IV. Gaining Access to Organization's Financial Accounts

The Receiver has had limited success gaining access to Casa Ruby's financial accounts – even when presenting these institutions with the Court's orders. Since Ms. Corado often used many of the same institutions for other side ventures without always maintaining clear lines of separation, difficulties arise because it is not completely clear how much authority over these intermingled activities that the Court intended to convey to the Receiver.

V. Review of E-Mails Received from the Board of Directors

The Receiver has successfully located and made contact with only three individuals listed on Casa Ruby's last IRS Form 990 as members of the Board of Directors. All of them said they had resigned from the Board of Directors. One claimed to have left over two years ago, but he was still promoting his board membership on various social media platforms. None of them could provide any records of the minutes or agendas of official meetings – all claiming that the organization never had a “functional” board. In sum, the Receiver was forwarded a total of only eight e-mails from one of the board members:

- (a) an e-mail dated November 24, 2020 from Ms. Corado where she chides the Board of Directors for electing a new president at a meeting she was unaware of – saying she has “alarming suspicions that this was done with hidden motives that could result in serious damage to the mission and vision of casa ruby”;

- (b) an e-mail dated July 18, 2021 from Ms. Corado where she requests board approval of SBA loan increase – alleging that DHS was delaying invoice payments in retaliation for a discrimination complaint she had lodged and suggesting the loan might be forgiven after COVID;
- (c) an e-mail dated February 15, 2022 from Ms. Corado with a financial report prepared by Ayala, Vado, & Associates where the firm “does not express an opinion or any form or assurance of them” and notes that management had elected to “omit substantially all of the disclosures required by generally accepted accounting principles” and an independent audit report prepared by Damron Accounting & Consulting Services with numerous spelling and grammar errors and the contradictory assertion:

“In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the Casa Ruby, Inc. as of December 31, 2020 and 2019 and changes in its net assets and its cash flow for the years ended in accordance with principles generally accepted in the United State of America.”
- (d) a forwarded e-mail dated February 22, 2022 with Aleix Blackmon’s resignation as Interim Executive Director;
- (e) an e-mail dated February 23, 2022 with Meredith Zoltick’s resignation from the Board of Directors;
- (f) a forwarded e-mail dated April 20, 2022 with the appointment of Marks, O’Neill, O’Brien, Doherty & Kelly, PC by the Alliance of Nonprofits for Insurance, Risk

Retention Group to handle various breach of contract claims related to several properties previously leased by Casa Ruby; and

- (g) an e-mail dated February 23, 2022 with Hassan Naveed's resignation from the Board of Directors.

VI. Partial Review of Records from the Accounting Firm

Ayala, Vado, & Associates initially did not respond to any of the Receiver's requests for Casa Ruby's records. However, the DC Attorney General's Office shared the records that it had received from the firm in response to its subpoenas and the firm has subsequently reached back out to the Receiver to comply with the Court's orders. It will take some time to conduct a full review of the records. However, based upon the partial review that has been completed so far, the Receiver can offer several findings:

- (a) The firm started working for Casa Ruby on or about June 3, 2016 and it prepared the organization's IRS Form 990 from 2016 to 2020;
- (b) During that time, the firm repeatedly expressed concerns that Casa Ruby was not making its payroll tax payments in a timely manner and it tried a number of different approaches to convince Ms. Corado to correct the situation – becoming increasingly proactive in the organization's payroll process;
- (c) These efforts became an increasingly difficult challenge – as Ms. Corado broke payment plans that had been arranged by the firm and the government responded by seizing funds from the Casa Ruby's accounts and turning down its grant applications until the organization could provide a "Clean Hands" certificate;

- (d) In September of 2018, the firm met with Ms. Corado to explain the importance of making payroll tax payments in a timely manner to avoid late payment penalties and interest and it also expressed concerns about the compensation of the organization's officers and directors – noting the need for review and approval by the Board of Directors;
- (e) Ms. Corado's compensation had jumped from \$31,895.00 reported on the IRS Form 990 in 2015 to \$132,380 on the IRS Form 990 in 2016 and further salary increases in three of the next four years would raise her reported compensation to \$260,416.00 on the last IRS Form 990 submitted in 2020;
- (f) The firm also apparently struggled to apply generally accepted accounting principles to the organization because appropriate documentation was not always provided to justify all expenditures;
- (g) In September of 2021, the firm raised concerns about several large unexplained payments to TI Global Logistics amounting to over \$170,000.00 and numerous cash withdrawals amounting to almost \$420,000.00 – including two \$100,000.00 counter withdrawals less than eight days apart in April; and
- (h) Bank statements also show numerous CashApp transactions and a series of ATM withdrawals from El Salvador – where the same \$505.65 was being taken out at multiple sites every few days.

VII. Preliminary Conclusions and Implications Going Forward

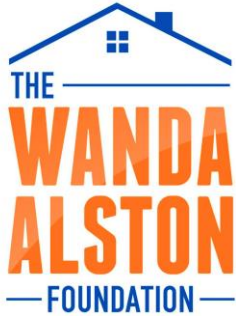
The Receiver has confirmed the existence of less than \$15,000.00 in a few of the organization's accounts that it has had limited success gaining access to. Casa Ruby appears to

have been delinquent in its payroll taxes. Under the Federal Priority Act (31 U.S.C. § 3713), the Receiver is required to pay all claims owed to the federal government first. Thus, after all outstanding payroll taxes have been paid off, there is little chance that there will be anything left for any other debts or obligations like past rent or wages.

The absence of any records of the official business conducted by the Board of Directors is also problematic. The statements of some board members suggest that she acted without any authorization – opening side ventures in El Salvador and taking substantial increases in compensation without approval.

However, the question of whether any fault for those acts should be characterized as unlawful conversions of the organization's property, as negligence in the performance of fiduciary duties by directors, or as fraud committed against the government is beyond the current scope of the Receiver's charge. The Court would need to provide additional direction before any action could be taken to attempt recovery of the organization's property or to impose liability for the organization's losses.

RESPECTFULLY SUBMITTED BY:



THE WANDA ALSTON FOUNDATION, INC.
Court-Appointed Receiver for Casa Ruby, Inc.
1701 Rhode Island Ave NW
Second Floor
Washington DC 20036-3001
Office: (202) 465-8794
info@wandaalstonfoundation.org
<https://www.wandaalstonfoundation.org/>

FOR THE RECEIVER:

Nick Harrison

NICK HARRISON, JD, MBA, PMP
Attorney for the Receiver (DC Bar #1024439)
Harrison-Stein, PC
601 Pennsylvania Avenue NW
South Building, Suite 900
Washington, DC 20005-3647
Office: (202) 434-8292
Cell: (202) 297-5057
nick@harrison-stein.com
<https://www.harrison-stein.com/>

COPIES TO:

Geoffrey Comber (geoffrey.comber@dc.gov)
Cara Spencer (cara.spencer@dc.gov)
Adam Gitlin (adam.gitlin@dc.gov)
William Stephens (william.stephens@dc.gov)

Attorneys for the District of Columbia

Ruby Corado (dclatinosenaccion@gmail.com; rubycoradomd@gmail.com;
rubycoradoc@gmail.com; rubycoradoes@gmail.com)

Defendant