

Rebuilding Together – Houston

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2014 and 2013

Rebuilding Together – Houston

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Independent Auditors' Report

To the Board of Directors of
Rebuilding Together – Houston:

We have audited the accompanying financial statements of Rebuilding Together – Houston, which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities, of functional expenses, and of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 Rebuilding Together – Houston as of December 31, 2014 and 2013 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the schedule of value of programs delivered for the years ended December 31, 2014 and 2013 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 our 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.

Blazek & Vetterling

May 29, 2015

Rebuilding Together – Houston

Statements of Financial Position as of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 99,984	\$ 78,302
Investments	433,981	595,000
Pledges receivable	214,769	51,750
Grants receivable	78,516	77,992
Property, net (<i>Note 2</i>)	<u>85,829</u>	<u>114,934</u>
TOTAL ASSETS	<u>\$ 913,079</u>	<u>\$ 917,978</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 35,183	\$ 61,919
Grant advances	<u>22,564</u>	<u>80,373</u>
Total liabilities	<u>57,747</u>	<u>142,292</u>
Net assets:		
Unrestricted	520,813	542,137
Temporarily restricted (<i>Note 4</i>)	<u>334,519</u>	<u>233,549</u>
Total net assets	<u>855,332</u>	<u>775,686</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 913,079</u>	<u>\$ 917,978</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Statement of Activities for the year ended December 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 516,448	\$ 779,095	\$ 1,295,543
Grants (Note 3)	1,264,437		1,264,437
Warehouse rental (Note 5)	15,400		15,400
Other income	17,212		17,212
Loss on disposal of fixed assets	<u>(44,577)</u>		<u>(44,577)</u>
Total revenue	1,768,920	779,095	2,548,015
Net assets released from restrictions:			
Time restrictions	86,749	(86,749)	
Capital expenditures	26,860	(26,860)	
Program expenditures	<u>564,516</u>	<u>(564,516)</u>	
Total	<u>2,447,045</u>	<u>100,970</u>	<u>2,548,015</u>
EXPENSES:			
Housing and neighborhood revitalization programs:			
Roof and Interior Repair	1,480,032		1,480,032
Volunteer Home Repair	600,823		600,823
Safer Home	<u>4,779</u>		<u>4,779</u>
Total housing and neighborhood revitalization programs	2,085,634		2,085,634
Management and general	204,572		204,572
Fundraising	<u>178,163</u>		<u>178,163</u>
Total expenses	<u>2,468,369</u>		<u>2,468,369</u>
CHANGES IN NET ASSETS	(21,324)	100,970	79,646
Net assets, beginning of year	<u>542,137</u>	<u>233,549</u>	<u>775,686</u>
Net assets, end of year	<u>\$ 520,813</u>	<u>\$ 334,519</u>	<u>\$ 855,332</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Statement of Activities for the year ended December 31, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 331,968	\$ 965,825	\$ 1,297,793
Grants (<i>Note 3</i>)	829,771		829,771
Other income	<u>5,168</u>		<u>5,168</u>
Total revenue	1,166,907	965,825	2,132,732
Net assets released from restrictions:			
Time restrictions	56,015	(56,015)	
Program expenditures	<u>920,457</u>	<u>(920,457)</u>	
Total	<u>2,143,379</u>	<u>(10,647)</u>	<u>2,132,732</u>
EXPENSES:			
Housing and neighborhood revitalization programs:			
Roof and Interior Repair	1,310,856		1,310,856
Volunteer Home Repair	684,104		684,104
Safer Home	<u>4,652</u>		<u>4,652</u>
Total housing and neighborhood revitalization programs	1,999,612		1,999,612
Management and general	142,718		142,718
Fundraising	<u>127,171</u>		<u>127,171</u>
Total expenses	<u>2,269,501</u>		<u>2,269,501</u>
CHANGES IN NET ASSETS	(126,122)	(10,647)	(136,769)
Net assets, beginning of year	<u>668,259</u>	<u>244,196</u>	<u>912,455</u>
Net assets, end of year	<u>\$ 542,137</u>	<u>\$ 233,549</u>	<u>\$ 775,686</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Statement of Functional Expenses for the year ended December 31, 2014

EXPENSES	HOUSING AND NEIGHBORHOOD REVITALIZATION PROGRAMS				SUPPORTING SERVICES		
	ROOF AND INTERIOR REPAIR	VOLUNTEER HOME REPAIR	SAFER HOME	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Contractor fees	\$ 1,226,404	\$ 28,967		\$ 1,255,371			\$ 1,255,371
Salaries and benefits	195,524	247,122	\$ 3,500	446,146	\$ 70,903	\$ 138,328	655,377
Construction supplies		225,116		225,116			225,116
Professional fees	20,767	26,247	372	47,386	27,829	17,863	93,078
Marketing					58,159		58,159
Occupancy	12,881	21,584	348	34,813	5,534	10,792	51,139
Supplies	7,309	12,247	198	19,754	3,139	6,124	29,017
Insurance	11,114	14,047	199	25,360			25,360
Rebuilding Together National Fee					15,000		15,000
Travel	3,405	5,706	92	9,203	1,463	2,854	13,520
Depreciation		12,239		12,239			12,239
Telephone	2,628	4,403	70	7,101	1,129	2,202	10,432
Other		3,145		3,145	21,416		24,561
Total expenses	<u>\$ 1,480,032</u>	<u>\$ 600,823</u>	<u>\$ 4,779</u>	<u>\$ 2,085,634</u>	<u>\$ 204,572</u>	<u>\$ 178,163</u>	<u>\$ 2,468,369</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Statement of Functional Expenses for the year ended December 31, 2013

<u>EXPENSES</u>	<u>HOUSING AND NEIGHBORHOOD REVITALIZATION PROGRAMS</u>				<u>SUPPORTING SERVICES</u>		
	<u>ROOF AND INTERIOR REPAIR</u>	<u>VOLUNTEER HOME REPAIR</u>	<u>SAFER HOME</u>	<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Contractor fees	\$ 1,112,746	\$ 67,523		\$ 1,180,269			\$ 1,180,269
Salaries and benefits	144,472	237,843	\$ 3,430	385,745	\$ 72,659	\$ 82,164	540,568
Construction supplies		256,211		256,211			256,211
Professional fees	8,546	33,237		41,783	42,139	31,805	115,727
Marketing	1,321	2,213	36	3,570			3,570
Occupancy	8,212	13,761	222	22,195	4,181	4,727	31,103
Supplies	4,847	8,122	134	13,103	2,467	2,790	18,360
Insurance	20,836	34,915	563	56,314			56,314
Travel	7,274	12,188	197	19,659	3,703	4,187	27,549
Depreciation		10,854		10,854			10,854
Telephone	2,602	4,360	70	7,032	1,325	1,498	9,855
Other		2,877		2,877	16,244		19,121
Total expenses	<u>\$ 1,310,856</u>	<u>\$ 684,104</u>	<u>\$ 4,652</u>	<u>\$ 1,999,612</u>	<u>\$ 142,718</u>	<u>\$ 127,171</u>	<u>\$ 2,269,501</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Statements of Cash Flows for years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 79,646	\$ (136,769)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	12,239	10,854
Loss on disposal of fixed assets	44,577	
Changes in operating assets and liabilities:		
Pledges receivable	(163,019)	44,265
Grants receivable	(524)	(7,617)
Other assets		833
Accounts payable	(26,736)	(84,081)
Grant advances	<u>(57,809)</u>	<u>(35,916)</u>
Net cash used by operating activities	<u>(111,626)</u>	<u>(208,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(27,711)	
Net change in cash and certificates of deposit held as investments	<u>161,019</u>	<u>(20,000)</u>
Net cash provided (used) by investing activities	<u>133,308</u>	<u>(20,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for warehouse renovations		<u>50,000</u>
NET CHANGE IN CASH	21,682	(178,431)
Cash, beginning of year	<u>78,302</u>	<u>256,733</u>
Cash, end of year	<u>\$ 99,984</u>	<u>\$ 78,302</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Notes to Financial Statements for the years ended December 31, 2014 and 2013

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Rebuilding Together – Houston (RTH) is a nonprofit corporation founded in 1982 that promotes private sector involvement in improving the quality of life for low-income seniors and disabled homeowners in the City of Houston and Harris County. RTH's focus is the delivery of essential home repairs to improve the overall condition of the home, eliminate health and safety hazards in the home, and improve its energy efficiency. Exterior home repair is provided by volunteer crews sponsored by corporations, churches, schools and community organizations and is the core of RTH's mission. Low-income neighborhoods served by RTH include Acres Homes, North Side, Fifth Ward, Kashmere Gardens, Settegast, Third Ward, Sunnyside and communities outside loop 610 in east Harris County.

Federal income tax status – RTH is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1). RTH files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. RTH believes it is no longer subject to examinations of returns for tax years ended before December 31, 2011.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Investments are comprised of demand deposits and non-negotiable certificates of deposit and are reported at face value. At December 31, 2014, investments included demand deposits of \$433,981. At December 31, 2013, investments included demand deposits of \$573,457 and non-negotiable certificates of deposit of \$21,543.

Pledges receivable – Amounts that are expected to be collected within one year are reported at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows. All pledges receivable are expected to be collected in 2015. At December 31, 2014, one pledge represents 93% of total pledges receivable. At December 31, 2013, one pledge represents 77% of total pledges receivable.

Property is reported at cost, if purchased, or at fair value at date of gift, if donated. RTH capitalizes additions and improvements with a cost of more than \$5,000. The warehouse is depreciated using the straight-line method over 20 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Grant revenue represents contracts to provide home repair services to specific recipients and is recognized when the related services are provided. Amounts received in advance are reported as contract advances.

Contributions are recognized as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit the use of the donated assets are classified as restricted contributions. Conditional contributions are recognized in the same manner when the conditions are substantially met. RTH recognizes gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are classified as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, RTH reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated materials, use of facilities and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During 2014, RTH recognized \$36,684 of donated office space as contribution revenue and rent expense and \$1,770 of donated professional services were recognized as contribution revenue and professional fees expense. During 2013, RTH recognized \$31,104 of donated office space as contribution revenue and rent expense and \$4,999 of donated professional services were recognized as professional fees expense.

During 2014, volunteers contributed approximately 73,400 hours in connection with programs. During 2013, volunteers contributed approximately 75,500 hours in connection with programs. No amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Rental income is recognized in the period it is earned.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

NOTE 2 – PROPERTY

Property consists of the following:

	<u>2014</u>	<u>2013</u>
Warehouse	\$ 244,789	\$ 217,078
Land	67,509	67,509
Construction in progress	<u> </u>	<u>44,577</u>
Total property, at cost	312,298	329,164
Accumulated depreciation	<u>(226,469)</u>	<u>(214,230)</u>
Property, net	<u>\$ 85,829</u>	<u>\$ 114,934</u>

NOTE 3 – CONCENTRATION OF GRANTS

RTH receives the majority of its grants from a limited number of sources. Should these contracts not be renewed or replaced, the related expenses would not be incurred. Revenue recognized from these grants includes the following:

	<u>2014</u>	<u>2013</u>
Harris County Housing Finance Corporation	\$ 501,191	\$ 614,605
Amegy Bank	253,414	
U. S. Department of Housing and Urban Development	209,634	40,000
Texas Veterans Commission	153,673	
Houston Housing Finance Corporation	25,000	25,000
City of Houston		5,034
Other	<u>121,525</u>	<u>145,132</u>
Total	<u>\$ 1,264,437</u>	<u>\$ 829,771</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Volunteer Home Repair	\$ 210,000	
Warehouse renovations	100,000	\$ 126,860
Restricted for future periods	4,519	86,749
Other programs	<u>20,000</u>	<u>19,940</u>
Total temporarily restricted net assets	<u>\$ 334,519</u>	<u>\$ 233,549</u>

NOTE 5 – RENTAL INCOME

RTH leases a portion of its warehouse space to another organization for \$2,200 per month under an agreement which expires May 31, 2016. As of December 31, 2014, the remaining future minimum rental income under this lease is as follows:

2015	\$ 26,400
2016	<u>11,000</u>
Total	<u>\$ 37,400</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2015, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Rebuilding Together – Houston

Supplemental Schedule of Value of Programs Delivered for the years ended December 31, 2014 and 2013

The estimated value of programs delivered is as follows:

	<u>2014</u>	<u>2013</u>
Expenses other than in-kind:		
Roof and Interior Repair	\$ 1,469,056	\$ 1,297,644
Volunteer Home Repair	587,103	670,343
Safer Home	4,529	4,430
Management and general	198,768	138,537
Fundraising	<u>170,459</u>	<u>122,444</u>
Total expenses other than in-kind	<u>2,429,915</u>	<u>2,233,398</u>
In-kind expenses:		
Volunteer labor for Volunteer Home Repair Program (<i>Note 1</i>)	2,073,170	2,130,805
In-kind space and professional services	<u>38,454</u>	<u>36,103</u>
Total in-kind expenses	<u>2,111,624</u>	<u>2,166,908</u>
Estimated value of programs delivered	<u>\$ 4,541,539</u>	<u>\$ 4,400,306</u>

NOTE 1 – The Volunteer Home Repair Program (VHRP) facilitated completion by volunteers of exterior home repairs of 224 houses in 2014 and 233 houses in 2013.

The estimated value of these donated services is calculated as follows:

	<u>2014</u>	<u>2013</u>
VHRP house repair projected crew:		
Number of houses	224	233
Approximate number of crew members per house	x 18	x 18
Days worked	x 2	x 2
Number of hours a day worked	x 7.5	x 7.5
Value of a donated hour	<u>x \$23.40</u>	<u>x \$23.40</u>
	\$ 1,415,232	\$ 1,472,094
Skilled leaders:		
Number of houses	224	233
Approximate number of skilled leaders per house	x 2	x 2
Number of hours per house	x 20	x 20
Value of a donated hour	<u>x \$60</u>	<u>x \$60</u>
	\$ 537,600	\$ 559,200

The Safer Home Program (SHP) facilitated completion of 52 wheelchair ramps in 2014 and 43 wheelchair ramps in 2013 by volunteers.

The estimated value of these donated services is calculated as follows:

	<u>2014</u>	<u>2013</u>
Crew:		
Number of ramps	52	43
Approximate number of crew members per house	x 7	x 7
Number of hours per ramp	x 9	x 9
Value of a donated hour	<u>x \$23.40</u>	<u>x \$23.40</u>
	\$ 76,658	\$ 63,391
Skilled leaders:		
Number of ramps	52	43
Number of hours per ramp	x 14	x 14
Value of a donated hour	<u>x \$60</u>	<u>x \$60</u>
	<u>\$ 43,680</u>	<u>\$ 36,120</u>
Total estimate of donated services	<u>\$ 2,073,170</u>	<u>\$ 2,130,805</u>