

Financial Statements

Rebuilding Together – Twin Cities

St. Paul, Minnesota

For the Years Ended
June 30, 2015 and 2014

REBUILDING TOGETHER – TWIN CITIES
TABLE OF CONTENTS
JUNE 30, 2015 AND 2014

| | <u>Page No.</u> |
|-----------------------------------|-----------------|
| INDEPENDENT AUDITOR'S REPORT | 3 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 5 |
| Statements of Activities | 6 |
| Statements of Functional Expenses | 8 |
| Statements of Cash Flows | 10 |
| Notes to Financial Statements | 11 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rebuilding Together Twin Cities
Minneapolis, Minnesota

We have audited the accompanying financial statements of Rebuilding Together Twin Cities (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Rebuilding Together Twin Cities as of June 30, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2014, were audited by other auditors whose report dated December 29, 2014, expressed an unmodified opinion on those statements.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
October 12, 2015

FINANCIAL STATEMENTS

REBUILDING TOGETHER TWIN CITIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 95,504 | \$ 35,671 |
| Contributions and grants receivable | 64,512 | 39,867 |
| Contracts receivable | 144,031 | - |
| Pledges receivable | 7,710 | 500 |
| Prepaid expenses | 26,289 | 6,867 |
| Properties held for sale | 154,373 | 285,765 |
| TOTAL CURRENT ASSETS | 492,419 | 368,670 |
| INVESTMENTS | 28,000 | 60,925 |
| PROPERTY AND EQUIPMENT | | |
| Furniture and equipment | 34,885 | 3,925 |
| Computer equipment | 3,499 | 1,318 |
| TOTAL PROPERTY AND EQUIPMENT, COST | 38,384 | 5,243 |
| ACCUMULATED DEPRECIATION | (9,831) | (4,408) |
| TOTAL PROPERTY AND EQUIPMENT, NET | 28,553 | 835 |
| NONCURRENT ASSETS | | |
| Security deposit | 3,400 | 3,400 |
| TOTAL ASSETS | \$ 552,372 | \$ 433,830 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 62,684 | \$ 48,519 |
| Accrued payroll | 19,417 | 16,908 |
| Deferred revenue | 108,548 | 6,742 |
| Line of credit | 11,500 | 9,000 |
| Note payable | 80,000 | - |
| TOTAL CURRENT LIABILITIES | 282,149 | 81,169 |
| TOTAL LIABILITIES | 282,149 | 81,169 |
| NET ASSETS | | |
| Unrestricted | 2,194 | 4,049 |
| Temporarily restricted | 268,029 | 348,612 |
| TOTAL NET ASSETS | 270,223 | 352,661 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 552,372 | \$ 433,830 |

See Independent Auditor's Report and Notes to Financial Statements.

REBUILDING TOGETHER TWIN CITIES
 STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015
 (COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

| | 2015 | | | 2014 |
|---|-----------------|---------------------------|-------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | |
| SUPPORT AND REVENUE | | | | |
| SUPPORT | | | | |
| Pledges and contributions | \$ 161,362 | \$ 258,350 | \$ 419,712 | \$ 284,310 |
| Donated services and materials | 29,375 | - | 29,375 | 23,308 |
| Donated property held for sale | - | 3,400 | 3,400 | 199,800 |
| TOTAL SUPPORT | 190,737 | 261,750 | 452,487 | 507,418 |
| REVENUE | | | | |
| Program services | 159,877 | - | 159,877 | 7,271 |
| Gain (loss) on sale of donated property held for sale | (1,489) | - | (1,489) | 16,923 |
| Interest income | 2,611 | - | 2,611 | 3,363 |
| Special events, net of expenses of \$60,362 and \$7,559 in 2015 and 2014, respectively | 54,704 | 28,495 | 83,199 | 65,940 |
| Other revenue | 2,510 | - | 2,510 | 1,284 |
| TOTAL REVENUE | 218,213 | 28,495 | 246,708 | 94,781 |
| NET ASSETS RELEASED FROM RESTRICTION | | | | |
| Satisfaction of program restrictions | 370,828 | (370,828) | - | - |
| TOTAL SUPPORT AND REVENUE | 779,778 | (80,583) | 699,195 | 602,199 |
| EXPENSES | | | | |
| Program services | 534,091 | - | 534,091 | 410,699 |
| Support services | | | | |
| Management and general | 153,450 | - | 153,450 | 95,920 |
| Fundraising | 106,924 | - | 106,924 | 89,166 |
| TOTAL SUPPORTING SERVICES | 260,374 | - | 260,374 | 185,086 |
| TOTAL EXPENSES | 794,465 | - | 794,465 | 595,785 |
| CHANGE IN NET ASSETS | (14,687) | (80,583) | (95,270) | 6,414 |
| NET ASSETS, BEGINNING OF YEAR | 4,049 | 348,612 | 352,661 | 346,638 |
| PRIOR PERIOD ADJUSTMENT (NOTE 9) | 12,832 | - | 12,832 | (391) |
| NET ASSETS, END OF YEAR | \$ 2,194 | \$ 268,029 | \$ 270,223 | \$ 352,661 |

See Independent Auditor's Report and Notes to Financial Statements.

REBUILDING TOGETHER TWIN CITIES
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

| | Unrestricted | Temporarily Restricted | Total |
|---|-----------------|---------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| SUPPORT | | | |
| Pledges and contributions | \$ 57,906 | \$ 226,404 | \$ 284,310 |
| Donated services and materials | 23,308 | - | 23,308 |
| Donated property held for sale | - | 199,800 | 199,800 |
| TOTAL SUPPORT | 81,214 | 426,204 | 507,418 |
| REVENUE | | | |
| Program services | 7,271 | - | 7,271 |
| Gain (loss) on sale of donated property held for sale | 16,923 | - | 16,923 |
| Interest income | 80 | 3,283 | 3,363 |
| Special events, net of expenses of \$7,559 | 46,115 | 19,825 | 65,940 |
| Other revenue | 1,284 | - | 1,284 |
| TOTAL REVENUE | 71,673 | 23,108 | 94,781 |
| NET ASSETS RELEASED FROM RESTRICTION | | | |
| Satisfaction of program restrictions | 388,593 | (388,593) | - |
| TOTAL SUPPORT AND REVENUE | 541,480 | 60,719 | 602,199 |
| EXPENSES | | | |
| Program services | 410,699 | - | 410,699 |
| Support services | | | |
| Management and general | 95,920 | - | 95,920 |
| Fundraising | 89,166 | - | 89,166 |
| TOTAL SUPPORTING SERVICES | 185,086 | - | 185,086 |
| TOTAL EXPENSES | 595,785 | - | 595,785 |
| CHANGE IN NET ASSETS | (54,305) | 60,719 | 6,414 |
| NET ASSETS, BEGINNING OF YEAR | 58,745 | 287,893 | 346,638 |
| PRIOR PERIOD ADJUSTMENT | (391) | - | (391) |
| NET ASSETS, END OF YEAR | \$ 4,049 | \$ 348,612 | \$ 352,661 |

See Independent Auditor's Report and Notes to Financial Statements.

REBUILDING TOGETHER TWIN CITIES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

| | Support Services | | | Total Support Services | Total | 2014 Total |
|-------------------------------------|---------------------|------------------------------|-------------------|------------------------------|-------------------|-------------------|
| | Program Services | Management and General | Fundraising | | | |
| PERSONNEL COSTS | | | | | | |
| Salaries and wages | \$ 130,981 | \$ 50,778 | \$ 35,497 | \$ 86,275 | \$ 217,256 | \$ 189,313 |
| Employee benefits | 10,264 | 3,000 | 2,527 | 5,527 | 15,791 | 12,438 |
| Payroll taxes | 12,600 | 3,682 | 3,102 | 6,784 | 19,384 | 17,843 |
| TOTAL PERSONNEL COSTS | 153,845 | 57,460 | 41,126 | 98,586 | 252,431 | 219,594 |
| PROJECT EXPENSES | | | | | | |
| Donated services and materials | 7,782 | - | - | - | 7,782 | 8,014 |
| Contractors | 117,298 | - | - | - | 117,298 | 22,993 |
| Construction materials and supplies | 72,577 | 17 | - | 17 | 72,594 | 96,909 |
| Volunteer support | 3,690 | 31 | - | 31 | 3,721 | 8,816 |
| TOTAL PROJECT COSTS | 201,347 | 48 | - | 48 | 201,395 | 136,732 |
| EXPENSES | | | | | | |
| Bad debt | - | 7,153 | 7,625 | 14,778 | 14,778 | 3,888 |
| Conferences | 165 | 1,060 | - | 1,060 | 1,225 | 3,871 |
| Dues and subscriptions | 9,892 | 3,517 | 2,474 | 5,991 | 15,883 | 12,367 |
| Equipment and software | 3,948 | 1,155 | 965 | 2,120 | 6,068 | 10,010 |
| Insurance | 9,387 | 2,393 | 1,344 | 3,737 | 13,124 | 10,052 |
| Interest | 12 | 1,921 | - | 1,921 | 1,933 | 953 |
| Marketing | 9,126 | 2,120 | 4,607 | 6,727 | 15,853 | 14,551 |
| Training | 516 | 602 | 637 | 1,239 | 1,755 | 1,641 |
| Travel | 4,639 | 3,787 | 1,791 | 5,578 | 10,217 | 14,082 |
| Office | 4,084 | 3,798 | 3,357 | 7,155 | 11,239 | 8,961 |
| Occupancy | 27,885 | 8,151 | 6,864 | 15,015 | 42,900 | 37,400 |
| Professional fees | 32,370 | 56,235 | 32,487 | 88,722 | 121,092 | 107,031 |
| REO costs | 69,651 | - | - | - | 69,651 | 6,434 |
| Miscellaneous | 615 | 2,906 | 1,831 | 4,737 | 5,352 | 3,145 |
| Telephone and internet | 2,795 | 932 | 1,637 | 2,569 | 5,364 | 4,412 |
| EXPENSES BEFORE DEPRECIATION | 530,277 | 153,238 | 106,745 | 259,983 | 790,260 | 595,124 |
| Depreciation | 3,814 | 212 | 179 | 391 | 4,205 | 661 |
| TOTAL EXPENSES | \$ 534,091 | \$ 153,450 | \$ 106,924 | \$ 260,374 | \$ 794,465 | \$ 595,785 |

See Independent Auditor's Report and Notes to Financial Statements.

REBUILDING TOGETHER TWIN CITIES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

| | Support Services | | | | Total |
|-------------------------------------|---------------------|------------------------------|------------------|------------------------------|-------------------|
| | Program Services | Management and General | Fundraising | Total Support Services | |
| PERSONNEL COSTS | | | | | |
| Salaries and wages | \$ 138,244 | \$ 15,737 | \$ 35,332 | \$ 51,069 | \$ 189,313 |
| Employee benefits | 9,083 | 1,034 | 2,321 | 3,355 | 12,438 |
| Payroll taxes | 13,029 | 1,483 | 3,331 | 4,814 | 17,843 |
| TOTAL PERSONNEL COSTS | 160,356 | 18,254 | 40,984 | 59,238 | 219,594 |
| PROJECT EXPENSES | | | | | |
| Donated services and materials | 8,014 | - | - | - | 8,014 |
| Contractors | 22,993 | - | - | - | 22,993 |
| Construction materials and supplies | 96,909 | - | - | - | 96,909 |
| Volunteer support | 8,816 | - | - | - | 8,816 |
| TOTAL PROJECT COSTS | 136,732 | - | - | - | 136,732 |
| EXPENSES | | | | | |
| Bad debt | - | 3,888 | - | 3,888 | 3,888 |
| Conferences | 1,818 | 1,567 | 486 | 2,053 | 3,871 |
| Dues and subscriptions | 7,872 | 1,155 | 3,340 | 4,495 | 12,367 |
| Equipment and software | 6,636 | 1,629 | 1,745 | 3,374 | 10,010 |
| Insurance | 8,057 | 976 | 1,019 | 1,995 | 10,052 |
| Interest | - | 953 | - | 953 | 953 |
| Marketing | 10,124 | 1,410 | 3,017 | 4,427 | 14,551 |
| Training | 705 | 936 | - | 936 | 1,641 |
| Travel | 10,161 | 1,826 | 2,095 | 3,921 | 14,082 |
| Office | 2,512 | 2,023 | 4,426 | 6,449 | 8,961 |
| Occupancy | 26,476 | 3,414 | 7,510 | 10,924 | 37,400 |
| Professional fees | 35,120 | 51,403 | 20,508 | 71,911 | 107,031 |
| REO costs | 491 | 5,943 | - | 5,943 | 6,434 |
| Miscellaneous | - | 96 | 3,049 | 3,145 | 3,145 |
| Telephone and internet | 3,189 | 382 | 841 | 1,223 | 4,412 |
| EXPENSES BEFORE DEPRECIATION | 410,249 | 95,855 | 89,020 | 184,875 | 595,124 |
| Depreciation | 450 | 65 | 146 | 211 | 661 |
| TOTAL EXPENSES | \$ 410,699 | \$ 95,920 | \$ 89,166 | \$ 185,086 | \$ 595,785 |

See Independent Auditor's Report and Notes to Financial Statements.

REBUILDING TOGETHER TWIN CITIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

| | 2015 | 2014 |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (95,270) | \$ 6,414 |
| Adjustment to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation and amortization expense | 4,205 | 661 |
| Realized/unrealized loss (gain) | 1,489 | (16,923) |
| Change in operating assets | | |
| Contributions and grants receivable | (24,645) | 37,396 |
| Contracts receivable | (144,031) | - |
| Pledges receivable | (7,210) | - |
| Prepaid expenses | (19,422) | - |
| Donated property held for sale | (3,400) | (199,800) |
| Expenditures capitalized on property held for sale | (12,297) | (56,017) |
| Proceed from sale of donated property held for sale, net | 145,600 | 187,620 |
| Change in operating liabilities | | |
| Accounts payable | 14,165 | 879 |
| Accrued payroll | 2,509 | (4,254) |
| Deferred revenue | 101,806 | 6,742 |
| | <u>(36,501)</u> | <u>(37,282)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments, net | - | (5,043) |
| Maturities of investments | 32,925 | 9,000 |
| Purchases of property and equipment | (19,091) | - |
| | <u>13,834</u> | <u>3,957</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipt of funds from note payable | 80,000 | - |
| Draws on line of credit | 11,500 | 35,572 |
| Payments on line of credit | (9,000) | (26,572) |
| | <u>82,500</u> | <u>9,000</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | |
| CHANGE IN CASH AND CASH EQUIVALENTS | 59,833 | (24,325) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>35,671</u> | <u>59,996</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$ 95,504</u> | <u>\$ 35,671</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | <u>\$ 1,933</u> | <u>\$ 953</u> |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | |
| Prior period adjustment for asset additions | <u>\$ 14,050</u> | <u>\$ -</u> |
| Prior period adjustment for accumulated depreciation on asset additions | <u>\$ 1,218</u> | <u>\$ -</u> |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS | | |
| Receipt of donated facilities and services through in-kind contributions | <u>\$ 29,375</u> | <u>\$ 23,308</u> |

See Independent Auditor's Report and Notes to Financial Statements.

REBUILDING TOGETHER – TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Rebuilding Together Twin Cities, a Minnesota nonprofit organization (hereinafter referred to as RTTC) was incorporated in 1997. Its mission is to bring volunteers and communities together to improve the homes and lives of low-income homeowners. When qualified homeowners are not capable of making needed repairs, RTTC will coordinate the volunteers, skilled labor, tools and supplies necessary to repair the homes. RTTC also works to rehabilitate properties that house qualifying nonprofit organizations serving our community. They focus their efforts on older adults, individuals living with disabilities, active and retired members of the armed services, and families with children, tailoring services to meet the needs of each individual homeowner.

RTTC works year round to preserve affordable homeownership, build healthy neighborhoods and ensure that homeowners in need can live independently in safe and healthy homes. Its programs are organized around three primary focus areas – Accessibility, Repair and Community.

Accessibility Services:

- Safe at Home Program provides safety and fall prevention modifications for low income homeowners who are older adults or are living with a disability. Often these homeowners are faced with the prospect of losing their independence as the result of needing home safety or fall prevention modifications that they cannot afford.
- Ramp Program designs, builds and installs wheelchair ramps and elongated stairs for homeowners in need who are older adults or individuals living with a disability.
- Accessibility Modifications Program (AMP) provides contractor-delivered larger environmental home modifications to promote aging-in-place and single-level-living. These modifications include widening doorways and renovating bathrooms and/or kitchens for accessibility.

Repair Services:

- Home Repair Program provides volunteer-delivered repairs, including weatherizing, cleaning, installing flooring, patching and painting, siding, landscaping and almost anything that restores the homeowners' independence, safety and security.
- Critical Repair Program is designed to help low-income homeowners repair or replace vital systems associated with their home, such as HVAC, electrical, plumbing, outer envelope, and/or roof systems. These contractor-based services enable homeowners in need to be better prepared to deal with future home maintenance issues.

Community Services:

- Nonprofit Facility/Community Beautification provides safe and welcoming spaces for communities to gather through renovation and beautification work for community centers, schools, supportive housing facilities and outdoor community spaces.

Real Estate Owned (REO) transforms donated vacant foreclosed homes into safe, healthy and affordable housing for qualified homeowners. Once rehabilitated, these homes are made available for purchase to individuals and families who earn less than 120% of the area median income. Proceeds from the sale of these homes are invested back into Rebuilding Together programs.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of RTTC and related changes are classified and reported as follows:

Unrestricted net assets - Those resources over which the Board of Directors has discretionary control.

Temporarily restricted net assets - Those resources subject to donor imposed restrictions which will be satisfied by actions of RTTC or passage of time.

REBUILDING TOGETHER – TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation – Continued

Permanently restricted net assets - Those resources subject to a donor-imposed restriction that they be maintained permanently by RTTC.

RTTC had no permanently restricted net assets as of June 30, 2015 and 2014.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

D. Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

E. Accounts Receivables

Accounts receivables are uncollateralized third-party payer obligations. Payments of program receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. RTTC does not charge interest on its program receivables. Management reviews accounts receivables to determine estimated amounts that will not be collected. There was no allowance for accounts receivable

F. Investments and Investment Income

Investments are comprised of a money market account and an economic development revenue bond issued by the city of Minneapolis. These investments are recorded in the financial statements at fair value.

G. Property and Equipment

Property and equipment acquisitions are recorded at cost. RTTC's policy is to capitalize items with an estimated useful life in excess of one year and exceeding \$1,000. Depreciation is provided over the estimated useful life of each depreciable asset, and is computed on the straight-line method. The estimated useful lives of furniture and equipment are 3 to 4 years.

H. Property Held for Sale

Property held for sale consists of single-family dwellings that were donated by banks and are recorded at fair value. The properties will be repaired and sold specifically to a low- to moderate-income family for owner-occupancy. RTTC capitalizes costs incurred to bring the property to a selling point.

RTTC's policy is to sell the properties as promptly as possible, however, it may hold some properties at year-end and these properties are reported as inventory. Inventory is valued at the lower of cost or market (cost is determined as fair value at the date of gift plus any costs incurred).

REBUILDING TOGETHER – TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any restrictions. Contributions, including unconditional promises to give, are recorded as made. Unconditional promises to give due in subsequent years are recorded at their net realizable value.

RTTC has cost-reimbursable grants and contracts with government agencies. Revenue from these grants is recognized as costs are incurred. Payments received, but not yet expended, for the purpose of the grant, are reflected as deferred revenue in the accompanying statement of financial position.

J. Functional Expenses

Salaries and related expenses are allocated based on job descriptions and management estimates. Expenses, other than salaries and related expenses that are not directly identifiable by program or support service are allocated based on management estimates.

K. Income Taxes

RTTC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. Accordingly, no provision for income taxes is included in these financial statements. Because RTTC is a public charity, contributions may qualify for tax deductions by the contributors.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of June 30, 2015 and 2014, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

RTTC files informational returns in the U.S. federal and in the Minnesota state jurisdictions. U.S. federal returns and Minnesota returns prior to fiscal year 2012 are closed. No returns are currently under examination in any tax jurisdiction.

L. Credit Risk

RTTC maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.

M. Reclassifications

Certain prior year items have been reclassified to conform to the current year presentation. These reclassifications did not affect the net assets of RTTC.

N. Subsequent Events

Management has evaluated subsequent events through October 12, 2015, which is the date the financial statements were available to be issued.

REBUILDING TOGETHER – TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 2: FAIR VALUE MEASUREMENTS

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs to the valuation methodologies used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in an active market that RTTC has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2015.

Money Market Funds – Valued at \$1 per share.

Financial assets recorded in the Statements of Financial Position are categorized based on the inputs to the valuation technique as follows:

The composition of investments at June 30, 2015 and 2014 is set forth in the following table. Money market investments are stated at fair value.

| | Level 1 | Total |
|-----------------------------------|-----------|-----------|
| June 30, 2015 | | |
| Economic development revenue bond | \$ 28,000 | \$ 28,000 |
| June 30, 2014 | | |
| Economic development revenue bond | \$ 48,000 | \$ 48,000 |
| Money market accounts | 12,925 | 12,925 |
| Total | \$ 60,925 | \$ 60,925 |

The economic development revenue bond was issued by the city of Minneapolis on December 4, 1997, and donated to RTTC in 2004. Interest income is receivable from the bond on the first of June and December of each year at an interest rate of 6.5%. The bond matures December 1, 2017, however there have been early maturity payouts of \$20,000 and \$9,000 during the year ended June 30, 2015 and 2014, respectively.

Interest income on the bond and money market accounts was \$2,611 and \$3,363 for the years ended June 30, 2015 and 2014, respectively.

REBUILDING TOGETHER – TWIN CITIES
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 AND 2014

Note 3: PROPERTY HELD FOR SALE

During the year ended June 30, 2015, RTTC received a donation of land, which was valued at \$3,400. During the year ended June 30, 2014, RTTC received donations of single-family homes from local banks with the stipulation that the property be repaired and sold specifically to a low-to moderate-income family for owner-occupancy. These donations consisted of three buildings with estimated contributed values at \$199,800. RTTC also spent \$76,432 and \$56,017 during the years ended June 30, 2015 and 2014 to repair and rehabilitate the properties. Those amounts were added to the value of the properties. The properties have been recorded at their estimated net realizable value. During the year ended June 30, 2015, the donated land was sold, net of closing costs for \$3,500, with a net gain of \$100 recognized on the sale. During the year ended June 30, 2014, two of the properties were sold for \$187,620, net of closing costs, with a net gain of \$16,923 recognized on the sale. Total donated property held for sale during the years ended June 30, 2015 and 2014 made up 1% and 33% of total support and revenue, respectively.

Note 4: LINE OF CREDIT

RTTC has a revolving line of credit with Western Bank. Bank advances on the credit line are payable on demand, and the interest rate in 2015 was 3.25%. The credit line is secured by the economic development revenue bond (Note 3), and the authorized line decreases as payments are received on the bond. The line of credit was renewed on January 5, 2015 for \$37,000 and matures on February 4, 2016. As of June 1, 2015, the new terms of the line of credit reduce credit limit from \$48,000 to \$28,000, which, as of June 30, 2015, has a current principal balance of \$11,500.

Note 5: NOTE PAYABLE

On April 1, 2015, RTTC secured a promissory note of \$80,000, due in monthly payments of interest only at a rate of 6.5% per annum. The full balance of principal and accrued interest is due on April 2, 2016, and is secured by the property of RTTC.

Note 6: LEASES

RTTC currently leases its office and warehouse space under a noncancelable operating lease which expires November 30, 2016. Under the terms of this lease, RTTC is responsible for the maintenance, repair, and replacement of heating fixtures, air conditioning fixtures, and other fixtures and leasehold improvements. Monthly rent expense was \$1,700 through March 31, 2013, and then increased to \$3,400 per month. Total rent expense was \$42,900 and \$37,400 for the years ending June 30, 2015 and 2014, respectively.

Future minimum lease payments under this lease are as follows:

| For the Period Ended June 30, | |
|----------------------------------|-------------------------|
| 2016 | \$ 44,400 |
| 2017 | <u>18,500</u> |
| Total | <u><u>\$ 62,900</u></u> |

REBUILDING TOGETHER – TWIN CITIES
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 AND 2014

Note 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|------------------------|------------|------------|
| Time restricted | \$ 34,350 | \$ 50,778 |
| REO projects | 145,100 | 246,269 |
| Miscellaneous projects | 67,334 | 31,630 |
| Special events | 21,245 | 19,935 |
| Total | \$ 268,029 | \$ 348,612 |

Note 8: CONTRIBUTED SERVICES AND MATERIALS

The value of contributed services and materials included as contributions in the financial statements and the corresponding expenses for the years ended June 30, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---------------------------------------|-----------|-----------|
| Legal and other professional services | \$ 10,485 | \$ 15,883 |
| Contractor services | 6,063 | - |
| Materials | 12,827 | 7,425 |
| Total | \$ 29,375 | \$ 23,308 |

In addition, numerous individuals volunteer their time and perform a variety of program and fundraising services. Although no amounts have been reflected in the financial statements, management estimates the number of hours and the fair value of those services to be approximately as follows:

| | 2015 | | 2014 | |
|----------------------|-------|------------|-------|------------|
| | Hours | Value | Hours | Value |
| Skilled volunteers | 28 | \$ 1,680 | 56 | \$ 3,360 |
| Unskilled volunteers | 4,292 | 106,570 | 5,911 | 143,696 |
| Total | 4,320 | \$ 108,250 | 5,967 | \$ 147,056 |

The value of labor per hour is based on research provided by the Independent Sector, www.independentsector.org

REBUILDING TOGETHER – TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 9: PRIOR PERIOD ADJUSTMENTS

Certain prior year items have been adjusted to conform to generally accepted accounting principles. The adjustment includes the following:

| | |
|--|-------------------------|
| Adjustment for assets not capitalized in prior periods | \$ 14,050 |
| Adjustment for depreciation no recognized prior period asset additions | <u>(1,218)</u> |
| Total | <u><u>\$ 12,832</u></u> |