

Financial Statements

Rebuilding Together – Twin Cities Minneapolis, Minnesota

For the Period
July 1, 2015 through December 31, 2015

REBUILDING TOGETHER – TWIN CITIES
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of Rebuilding Together Twin Cities (a nonprofit corporation), as of December 31, 2015, and the related statements of activities, and functional expense and cash flows for the six month period then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 31, 2016

FINANCIAL STATEMENTS

REBUILDING TOGETHER TWIN CITIES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 160,123
Contributions and grants receivable	10,505.00
Contracts receivable	38,946.00
Pledges receivable	5,983.00
Prepaid expenses	26,908.00
Inventory	10,221.00
Properties held for sale	<u>44,577.00</u>

TOTAL CURRENT ASSETS 297,263.00

INVESTMENTS

28,000.00

PROPERTY AND EQUIPMENT

Furniture and equipment	42,522.00
Computer equipment	<u>3,499.00</u>

TOTAL PROPERTY AND EQUIPMENT, COST 46,021.00
ACCUMULATED DEPRECIATION (12,939.00)

TOTAL PROPERTY AND EQUIPMENT, NET 33,082.00

NONCURRENT ASSETS

Security deposit	<u>3,400.00</u>
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TOTAL ASSETS \$ 361,745

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 50,349
Accrued expense	22,302.00
Deferred revenue	23,261.00
Note payable	<u>8,347.00</u>

TOTAL LIABILITIES 104,259.00

NET ASSETS

Unrestricted	167,813.00
Temporarily restricted	<u>89,673.00</u>

TOTAL NET ASSETS 257,486.00

TOTAL LIABILITIES AND NET ASSETS \$ 361,745

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

REBUILDING TOGETHER TWIN CITIES
STATEMENT OF ACTIVITIES
FOR THE PERIOD JULY 1, 2015 THROUGH DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
SUPPORT			
Pledges and contributions	\$ 48,002	\$ 222,230	\$ 270,232
Donated services and materials	45,641	-	45,641
TOTAL SUPPORT	<u>93,643</u>	<u>222,230</u>	<u>315,873</u>
REVENUE			
Program services	276,145	-	276,145
Special events, net of expenses of \$42,059	69,128	-	69,128
Gain (loss) on sale of donated property held for sale	(3,896)	-	(3,896)
Interest income	943	-	943
Other revenue	600	-	600
TOTAL REVENUE	<u>342,920</u>	<u>-</u>	<u>342,920</u>
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	400,586	(400,586)	-
TOTAL SUPPORT AND REVENUE	<u>837,149</u>	<u>(178,356)</u>	<u>658,793</u>
EXPENSES			
Program services	520,406	-	520,406
Support services			
Management and general	61,118	-	61,118
Fundraising	90,006	-	90,006
TOTAL SUPPORT SERVICES	<u>151,124</u>	<u>-</u>	<u>151,124</u>
TOTAL EXPENSES	<u>671,530</u>	<u>-</u>	<u>671,530</u>
CHANGE IN NET ASSETS	165,619	(178,356)	(12,737)
NET ASSETS, BEGINNING OF PERIOD	<u>2,194</u>	<u>268,029</u>	<u>270,223</u>
NET ASSETS, END OF YEAR	<u>\$ 167,813</u>	<u>\$ 89,673</u>	<u>\$ 257,486</u>

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

REBUILDING TOGETHER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD JULY 1, 2015 THROUGH DECEMBER 31, 2015

	Support Services				Total
	Program Services	Management and General	Fundraising	Total Support Services	
PERSONNEL COSTS					
Salaries and wages	\$ 83,600	\$ 17,822	\$ 25,241	\$ 43,063	\$ 126,663
Employee benefits	6,634	1,434	897	2,331	8,965
Payroll taxes	7,656	1,655	1,035	2,690	10,346
TOTAL PERSONNEL COSTS	97,890	20,911	27,173	48,084	145,974
PROJECT EXPENSES					
Donated services and materials	19,480	-	-	-	19,480
Contractors	226,736	-	-	-	226,736
Construction materials and supplies	67,393	-	-	-	67,393
Volunteer support	5,070	-	-	-	5,070
TOTAL PROJECT COSTS	318,679	-	-	-	318,679
EXPENSES					
Bad debt	-	500	-	500	500
Conferences	486	105	65	170	656
Dues and subscriptions	5,262	1,138	711	1,849	7,111
Equipment and software	3,691	637	369	1,006	4,697
Insurance	6,819	1,560	712	2,272	9,091
Interest	-	3,418	-	3,418	3,418
Marketing	9,312	2,004	1,752	3,756	13,068
Training	11	3	76	79	90
Travel	5,233	616	422	1,038	6,271
Office	2,076	966	2,207	3,173	5,249
Occupancy	16,428	3,552	2,220	5,772	22,200
Professional fees	25,505	23,649	14,570	38,219	63,724
REO costs	16,399	-	-	-	16,399
Indirect event expenses	-	-	36,236	36,236	36,236
Miscellaneous	8,012	1,610	3,112	4,722	12,734
Telephone and internet	1,646	356	323	679	2,325
EXPENSES BEFORE DEPRECIATION	517,449	61,025	89,948	150,973	668,422
Depreciation	2,957	93	58	151	3,108
TOTAL EXPENSES	\$ 520,406	\$ 61,118	\$ 90,006	\$ 151,124	\$ 671,530

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

REBUILDING TOGETHER TWIN CITIES
STATEMENT OF CASH FLOW
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (12,737)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	3,108
Realized/unrealized loss (gain)	3,896
Change in operating assets	
Contributions and grants receivable	54,007
Contracts receivable	105,085
Pledges receivable	1,727
Prepaid expenses	(619)
Inventory	(10,221)
Expenditures capitalized on property held for sale	105,900
Change in operating liabilities	
Accounts payable	(12,335)
Accrued payroll	2,885
Deferred revenue	<u>(85,287)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>155,409</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(7,637)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	(71,653)
Payments on line of credit	<u>(11,500)</u>
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(83,153)</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	 64,619
 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	 <u>95,504</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	 <u><u>\$ 160,123</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid	<u><u>\$ 3,418</u></u>
 SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS	
Receipt of donated facilities and services through in-kind contributions	<u><u>\$ 45,641</u></u>

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

REBUILDING TOGETHER – TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 volunteer-delivered safety, fall prevention and entrance access modifications for older adults or those living with a disability so that they can continue to live in safety and independence in their own homes.
- Access for Always Program provides larger, contractor-delivered environmental home modifications such as doorway widening and kitchen or bathroom renovations to enable aging-in-place and single-level living.

Livability Services:

- Home Repair Program creates healthier, more livable homes by providing volunteer-delivered repairs including weatherizing, cleaning, installing flooring, patching and painting, landscaping, and almost anything that restores the homeowners' independence, safety and security.
- Critical Repair Program provides timely contractor-delivered repair or replacement of essential systems such as HVAC, electrical, plumbing, outer envelope and roofs that are critical to healthy, livable homes.

Community Services:

- Nonprofit Facility/Community Beautification fosters vibrant communities by providing safe and welcoming spaces for communities to gather. Projects include renovation and beautification work for community centers, schools, supportive housing facilities and outdoor community spaces.
- ReNeighboring Program transforms donated vacant homes into safe, healthy and affordable housing for qualified homeowners who earn less than 120% of the Area Median Income. Proceeds from the sale of these professionally-rehabilitated homes are invested back into Rebuilding Together programs.

Rebuilding Together Twin Cities rehabilitated 81 homes in Minneapolis, Saint Paul, Arden Hills, Blaine, Brooklyn Park, Burnsville, Columbia Heights, Coon Rapids, Crystal, Dayton, Farmington, Inver Grove Heights, Maplewood, Rochester, and Vadnais Heights. We completed 30 Livability Projects and 51 Accessibility Projects. We also completed three Community Services projects, providing repairs and improvements to two nonprofit facilities located in Minneapolis and Saint Paul and renovating one donated, vacant home in Columbia Heights.

The 81 homes housed a total of 184 residents. The rehab services to the non-profit facilities directly impacted the lives of area residents through improvements at two locations, and the transformation of a vacant, donated home will now provide quality, affordable housing for a moderate-income household. Projects utilized 423 volunteers contributing 3,139 hours of service to the community.

B. Change in Accounting Period

In 2015, RTTC changed its fiscal year-end from June 30th to December 31st to better align its financial reporting cycle with its programmatic and business cycle. This resulted in a one-time six month fiscal year ended December 31, 2015.

REBUILDING TOGETHER – TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. 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.

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 December 31, 2015.

D. 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.

E. Cash Equivalents

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

F. 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

G. Investments and Investment Income

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

H. 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.

I. Inventory

RTTC's inventory consists of lawn mowers and snow blowers that will be donated to homeowners.

REBUILDING TOGETHER – TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. 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 contracts with government agencies. Revenue from these contracts is recognized as costs are incurred. Payments received, but not yet expended, for the purpose of the contract, are reflected as deferred revenue in the accompanying statement of financial position.

In addition, the organization receives government contract commitments which typically mature into cost-reimbursable contracts. These commitments require RTTC to secure homeowner loan mortgages before program work and reimbursements can begin. Because of their contingent nature, contract commitments are not recognized in the financial statements. As of December 31, 2015 RTTC had two commitments from the Minnesota Housing Finance Agency (one for \$45,000 which expires July 2016 and a second for \$80,000 which expires July 2017), and one from the Minnesota Department of Human Services for \$25,027 which expires July 2016. RTTC expects these commitments to convert to cost reimbursable contracts in future periods at which time they would be recognized in the financial statements.

K. 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.

L. 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 December 31, 2015, 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 2013 are closed. No returns are currently under examination in any tax jurisdiction.

M. 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.

N. Subsequent Events

Management has evaluated subsequent events through March 31, 2016, which is the date the financial statements were available to be issued.

REBUILDING TOGETHER – TWIN CITIES
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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 December 31, 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 December 31, 2015 is set forth in the following table. Money market investments are stated at fair value.

	Level 1	Total
December 31, 2015:		
Economic development revenue bond	\$ 28,000	\$ 28,000

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 received 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.

Interest income on the bond and money market accounts was \$910 for the period ended December 31, 2015.

Note 3: PROPERTIES HELD FOR SALE

RTTC periodically receives donations of single-family homes from local banks with the stipulation that the properties be repaired and sold specifically to low-to-moderate income families for owner-occupancy. RTTC capitalizes costs incurred to bring the property to a selling point. These properties have been recorded at their estimated net realizable value. During the six month period ended December 31, 2015, RTTC did not receive any donated property held for sale. It did, however, sell one property donated during a prior year which was valued at \$109,796 and sold for \$105,900 with a net loss of \$3,896 recognized on the sale. Another property, also donated during a prior year and valued at \$44,577 remained in inventory as of December 31, 2015.

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
DECEMBER 31, 2015

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 at December 31, 2015 was 3.25%. The credit line is secured by the economic development revenue bond (Note 2), and the authorized line decreases as payments are received on the bond. The line of credit was renewed on February 4, 2016. As of June 1, 2015, the new terms of the line of credit reduce the credit limit to \$28,000. The current principal balance outstanding was \$0 as of December 31, 2015.

Note 5: NOTE PAYABLE

On April 1, 2015, RTTC secured a promissory note with Nonprofits Assistance Fund 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. The current principal balance outstanding was \$8,347 as of December 31, 2015.

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 \$3,400 through November 30, 2014, and then increased to \$3,700 per month. Total rent expense was \$22,200 for the period ending December 31, 2015.

Future minimum lease payments under this lease are as follows:

For the Year Ended December 31,	Amount
2016	\$ 40,700

Note 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 are as follows:

Economic development bond	\$ 28,000
Real estate owned projects	41,800
Miscellaneous projects	19,873
Total	\$ 89,673

REBUILDING TOGETHER – TWIN CITIES
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015

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 period ended December 31, 2015 are as follows:

Legal and other professional services	\$ 7,305
Contractor services	5,090
Materials	33,246
	<u>45,641</u>
Total	<u>\$ 45,641</u>

The value of contributed goods included as special event revenue in the financial statements and the corresponding expenses for the period ended December 31, 2015 are as follows:

Contributed goods	\$ 29,521
	<u>29,521</u>

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:

	Hours	Value
Skilled volunteers	169	\$ 10,140
Unskilled volunteers	3,139	77,941
	<u>3,308</u>	<u>\$ 88,081</u>
Total	<u>3,308</u>	<u>\$ 88,081</u>

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