

Rebuilding Together – Houston

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2012

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 statement of financial position as of December 31, 2012 and the related statements of activities, of functional expenses, and of 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.

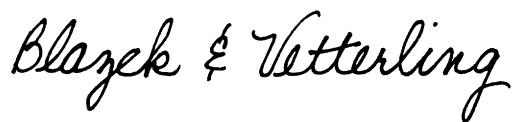
Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain 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 Rebuilding Together – Houston as of December 31, 2012 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.

Supplementary Information – Our audit was 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 year ended December 31, 2012 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.



April 30, 2013

Rebuilding Together – Houston

Statement of Financial Position as of December 31, 2012

ASSETS

Cash	\$ 256,733
Investments	575,000
Pledges receivable (<i>Note 2</i>)	146,015
Grants receivable	70,375
Other assets	833
Property, net (<i>Note 3</i>)	<u>125,788</u>
TOTAL ASSETS	<u>\$ 1,174,744</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 146,000
Contract advances	<u>116,289</u>
Total liabilities	<u>262,289</u>
Net assets:	
Unrestricted (<i>Note 5</i>)	668,259
Temporarily restricted (<i>Note 6</i>)	<u>244,196</u>
Total net assets	<u>912,455</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,174,744</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Statement of Activities for the year ended December 31, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Grants (<i>Note 4</i>)	\$ 1,170,510		\$ 1,170,510
Contributions	509,977	\$ 931,505	1,441,482
Interest income	1,300		1,300
Other income	<u>7,109</u>	<u> </u>	<u>7,109</u>
Total revenue	1,688,896	931,505	2,620,401
Net assets released from restrictions:			
Program expenditures	<u>828,610</u>	<u>(828,610)</u>	<u> </u>
Total	<u>2,517,506</u>	<u>102,895</u>	<u>2,620,401</u>
EXPENSES:			
Housing and neighborhood revitalization programs:			
Roof and Interior Repair	1,750,574		1,750,574
Volunteer Home Repair	649,001		649,001
Safer Home	<u>31,117</u>	<u> </u>	<u>31,117</u>
Total housing and neighborhood revitalization programs	2,430,692		2,430,692
Management and general	191,780		191,780
Fundraising	<u>92,028</u>	<u> </u>	<u>92,028</u>
Total expenses	<u>2,714,500</u>	<u> </u>	<u>2,714,500</u>
CHANGES IN NET ASSETS	(196,994)	102,895	(94,099)
Net assets, beginning of year	<u>865,253</u>	<u>141,301</u>	<u>1,006,554</u>
Net assets, end of year	<u>\$ 668,259</u>	<u>\$ 244,196</u>	<u>\$ 912,455</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Statement of Functional Expenses for the year ended December 31, 2012

<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 (<i>Note 7</i>)	\$ 1,552,292	\$ 52,148	\$ 29,162	\$ 1,633,602			\$ 1,633,602
Salaries and benefits	140,985	194,196	1,156	336,337	\$ 77,977	\$ 48,044	462,358
Construction supplies		271,845		271,845			271,845
Professional fees	15,000	14,034		29,034	34,524	35,464	99,022
Marketing		44,549		44,549	26,058		70,607
Insurance	16,348	23,127	399	39,874			39,874
Occupancy	9,536	13,169		22,705	5,289	3,110	31,104
Supplies	6,844	9,682	167	16,693	3,609	2,256	22,558
Travel	6,550	9,267	160	15,977	3,454	2,159	21,590
Depreciation		10,854		10,854			10,854
Telephone	3,019	4,271	73	7,363	1,593	995	9,951
Other		1,859		1,859	39,276		41,135
Total expenses	<u>\$ 1,750,574</u>	<u>\$ 649,001</u>	<u>\$ 31,117</u>	<u>\$ 2,430,692</u>	<u>\$ 191,780</u>	<u>\$ 92,028</u>	<u>\$ 2,714,500</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Statement of Cash Flows for year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ (94,099)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	10,854
Contributions restricted for warehouse renovations	(100,680)
Changes in operating assets and liabilities:	
Pledges receivable	(84,965)
Grants receivable	(33,370)
Other assets	(833)
Accounts payable	54,000
Contract advances	<u>(42,377)</u>
Net cash used by operating activities	<u>(291,470)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net change in cash and certificates of deposits held as investments	<u>(45,000)</u>
Net cash used by investing activities	<u>(45,000)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from contributions restricted for warehouse renovations	<u>50,680</u>
Net cash provided by financing activities	<u>50,680</u>

NET CHANGE IN CASH	(285,790)
Cash, beginning of year	<u>542,523</u>
Cash, end of year	<u>\$ 256,733</u>

See accompanying notes to financial statements.

Rebuilding Together – Houston

Notes to Financial Statements for the year ended December 31, 2012

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 examinations; 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, 2009.

Cash concentration – Interest-bearing bank deposits exceed the federally insured limit per depositor per institution.

Investments are comprised of funds held in demand savings accounts and non-negotiable certificates of deposit and are reported at face value.

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.

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 with corporations 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 asset 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 reported 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.

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.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2012 are expected to be collected as follows:

Within one year	\$ 106,015
In one to five years	<u>40,000</u>
Total pledges receivable	<u>\$ 146,015</u>

At December 31, 2012, two pledges represent 89% of total pledges receivable.

NOTE 3 – PROPERTY

Property at December 31, 2012 consists of the following:

Warehouse	\$ 217,078
Land	67,509
Construction in progress	<u>44,577</u>
Total property, at cost	329,164
Accumulated depreciation	<u>(203,376)</u>
Property, net	<u>\$ 125,788</u>

NOTE 4 – CONCENTRATION OF GRANTS

RTH receives the majority of its funding from a limited number of corporations. Revenue recognized from these grants at December 31, 2012 includes the following:

City of Houston	\$ 494,965
Harris County Housing Finance Corporation	384,156
Fifth Ward – CRC	141,641
Federal Home Loan Bank – Dallas	56,946
Green Bank	47,920
CenterPoint Energy Houston Electric, LLC	42,378
Other	<u>2,504</u>
Total	<u>\$ 1,170,510</u>

NOTE 5 – UNRESTRICTED NET ASSETS

Unrestricted net assets at December 31, 2012 consist of the following:

Board-designated reserve fund	\$ 300,000
Board-designated building fund	275,000
Property	125,788
Undesignated	<u>(32,529)</u>
Total unrestricted net assets	<u>\$ 668,259</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2012 are available for the following purposes:

Warehouse renovations	\$ 126,860
Restricted for future periods	96,015
Home repairs for veterans	9,817
Other programs	<u>11,504</u>
Total temporarily restricted net assets	<u>\$ 244,196</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

A spouse of an employee was contracted to provide inspection services totaling \$31,000 under the Roof and Interior Repair program in 2012.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2013, 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 year ended December 31, 2012

The estimated value of programs delivered at December 31, 2012 is as follows:

Expenses:	
Roof and Interior Repair	\$ 1,726,038
Volunteer Home Repair	635,832
Safer Home	31,117
Management and general	186,491
Fundraising	<u>88,918</u>
Expenses other than in-kind	<u>2,668,396</u>
In-kind expenses:	
Volunteer labor for Volunteer Home Repair Program (<i>Note 1</i>)	2,638,690
In-kind space and professional services	<u>46,104</u>
Total in-kind expenses	<u>2,684,794</u>
Estimated value of programs delivered	<u>\$ 5,353,190</u>

NOTE 1 – The Volunteer Home Repair Program (VHRP) facilitated completion by volunteers of exterior home repairs of 306 houses in 2012 by volunteers. On average, each VHRP house repair project utilized an 18-member crew, which worked 2 days, 15 hours per crew member for 270 hours per house. Valued at \$21.79 per hour, the labor component in the 2012 VHRP was valued at \$1,800,290 (# of houses 306 x # of hours 270 x \$21.79 per hour = \$1,800,290). Two skilled leaders, which worked 2 days, 20 hours per skilled leader for 40 hours per house. Valued at \$60.00 per hour, the skilled labor component in the 2012 VHRP was valued at \$734,400 (# of houses 306 x # of hours 40 x \$60.00 per hour = \$734,400). The Safer Home Program (SHP) facilitated completion of 47 wheelchair ramps in 2012 by volunteers. On average, each ramp utilized a 7-member crew working 9 hours per crew member for 63 hours per ramp. Valued at \$21.79 per hour, the labor component in 2012 SHP was valued at \$64,520 (# of ramps 47 x # of hours 63 x \$21.79 per hour = \$64,520). A skilled leader worked 14 hours per ramp. Valued at \$60 per hour, the skilled labor component in the 2012 SHP was valued at \$39,480 (# of ramps 47 x # of hours 14 x \$60.00 per hour = \$39,480). Total volunteer value estimated as \$2,638,690.
