

**REBUILDING TOGETHER/
ARLINGTON/FAIRFAX/FALLS CHURCH, INC.**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED JUNE 30, 2016 AND 2015

**REBUILDING TOGETHER/
ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
YEARS ENDED JUNE 30, 2016 AND 2015**

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Bernard M. Gordon, CPA, PLC

Certified Public Accountant and Consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rebuilding Together/Arlington/Fairfax/Falls Church, Inc.

I have audited the accompanying financial statements of Rebuilding Together/Arlington/Fairfax/Falls Church, Inc. (a not-for-profit corporation), which consist of the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rebuilding Together/Arlington/Fairfax/Falls Church, Inc. as of June 30, 2016 and 2015, 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.

Bernard M. Gordon, CPA, PLC

April 19, 2017

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	\$ 173,871	\$ 153,604
Receivable for costs recoverable under government grants	18,946	27,968
Contributions receivable - affiliate	13,000	16,429
Sponsorships and other receivables	11,190	12,875
Prepaid expenses	7,354	6,909
Property and equipment, net	4,042	4,286
Other assets	811	146
TOTAL ASSETS	\$ 229,214	\$ 222,217

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 21,405	\$ 12,533
Accrued vacation	5,602	5,602
Other accrued expenses	11,990	8,600
TOTAL LIABILITIES	38,997	26,735

NET ASSETS

Unrestricted	166,922	175,740
Temporarily restricted	23,295	19,742
TOTAL NET ASSETS	190,217	195,482

TOTAL LIABILITIES AND NET ASSETS	\$ 229,214	\$ 222,217
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See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributed professional labor, materials, office use, and other	\$ 421,325	\$ -	\$ 421,325
Sponsorships	125,760	-	125,760
Government grants	144,434	-	144,434
Contributions - affiliates	25,000	-	25,000
Contributions	35,445	50,000	85,445
Special events	2,253	-	2,253
Less: Cost of direct benefits to donors	(888)	-	(888)
Net assets released from restrictions	<u>46,447</u>	<u>(46,447)</u>	<u>0</u>
TOTAL REVENUE AND OTHER SUPPORT	799,776	3,553	803,329
EXPENSES			
Program services	745,286	-	745,286
Fundraising	2,858	-	2,858
General and administrative	<u>60,450</u>	<u>-</u>	<u>60,450</u>
TOTAL EXPENSES	808,594	-	808,594
CHANGE IN NET ASSETS	(8,818)	3,553	(5,265)
NET ASSETS AT BEGINNING OF YEAR	<u>175,740</u>	<u>19,742</u>	<u>195,482</u>
NET ASSETS AT END OF YEAR	<u>\$ 166,922</u>	<u>\$ 23,295</u>	<u>\$ 190,217</u>

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributed professional labor, materials, office use, and other	\$ 397,147	\$ -	\$ 397,147
Sponsorships	154,492	-	154,492
Government grants	142,500	-	142,500
Contributions - affiliates	40,628	-	40,628
Contributions	51,977	25,000	76,977
Special events	5,674	-	5,674
Less: Cost of direct benefits to donors	(4,027)	-	(4,027)
Net assets released from restrictions	<u>5,258</u>	<u>(5,258)</u>	<u>0</u>
TOTAL REVENUE AND OTHER SUPPORT	793,649	19,742	813,391
EXPENSES			
Program services	692,184	-	692,184
Fundraising	4,610	-	4,610
General and administrative	<u>56,255</u>	<u>-</u>	<u>56,255</u>
TOTAL EXPENSES	753,049	-	753,049
CHANGE IN NET ASSETS	40,600	19,742	60,342
NET ASSETS AT BEGINNING OF YEAR	<u>135,140</u>	<u>-</u>	<u>135,140</u>
NET ASSETS AT END OF YEAR	<u>\$ 175,740</u>	<u>\$ 19,742</u>	<u>\$ 195,482</u>

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services	Fund- raising	General and Administrative	Grand Total
Contributed professional labor, materials, office use, and other	\$ 410,973	\$ -	\$ 9,815	\$ 420,788
Salaries	135,408	1,655	31,758	168,821
Payroll taxes	10,405	127	2,442	12,974
Materials and waste disposal	77,452	-	444	77,896
Consulting fee - RT Express	31,481	-	-	31,481
Dues - affiliate	10,178	124	2,391	12,693
Contractors	12,535	-	129	12,664
Audit and tax preparation	6,898	84	1,618	8,600
Bookkeeping	6,828	83	1,589	8,500
Insurance	4,814	59	1,126	5,999
Training and project support	4,944	-	130	5,074
Contract services	4,476	457	122	5,055
Rent - office	3,850	47	903	4,800
Printing and copying	3,714	24	476	4,214
Rent - storage	3,971	-	-	3,971
Signage and T-shirts	3,779	-	-	3,779
Supplies and postage	3,091	34	645	3,770
Travel	3,301	87	226	3,614
Telecommunications	2,861	35	665	3,561
Depreciation	-	-	2,243	2,243
Meeting and events	174	-	1,598	1,772
Website and e-mail	688	8	168	864
Software, government fees, and other	3,465	34	1,962	5,461
Total expenses	\$ 745,286	\$ 2,858	\$ 60,450	\$ 808,594

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Fund- raising</u>	<u>General and Administrative</u>	<u>Grand Total</u>
Contributed professional labor, materials, office use, and other	\$ 373,981	\$ -	\$ 21,670	\$ 395,651
Salaries	130,268	2,129	21,312	153,709
Payroll taxes	10,055	166	1,587	11,808
Materials and waste disposal	78,549	-	-	78,549
Dues - affiliate	8,472	140	1,517	10,129
Contractors	28,397	-	236	28,633
Audit and tax preparation	7,193	119	1,288	8,600
Bookkeeping	7,236	120	1,307	8,663
Insurance	5,208	87	1,130	6,425
Training and project support	2,580	-	25	2,605
Contract services	1,125	-	-	1,125
Rent - office	4,015	67	718	4,800
Printing and copying	3,399	1,485	283	5,167
Rent - storage	3,909	-	-	3,909
Signage and T-shirts	5,614	-	-	5,614
Supplies and postage	4,683	73	254	5,010
Travel	5,207	49	172	5,428
Telecommunications	2,983	49	534	3,566
Depreciation	-	-	2,229	2,229
Meeting and events	4,573	45	143	4,761
Website and e-mail	1,351	22	242	1,615
Software, government fees, and other	3,386	59	1,608	5,053
Total expenses	<u>\$ 692,184</u>	<u>\$ 4,610</u>	<u>\$ 56,255</u>	<u>\$ 753,049</u>

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (5,265)	\$ 60,342
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	2,243	2,229
Loss on disposal of computers	377	-
(Increase) decrease in operating assets		
Receivable for costs recoverable under government grants	9,022	29,617
Contributions receivable - affiliate	3,429	8,571
Sponsorships and other receivables	1,685	(8,205)
Prepaid expenses	(445)	(619)
Other assets	(665)	(146)
Increase (decrease) in operating liabilities		
Accounts payable	8,872	(14,029)
Accrued vacation	-	119
Other accrued expenses	3,390	400
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>22,643</u>	<u>78,279</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(2,376)</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,376)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,267	78,279
CASH AND CASH EQUIVALENTS - BEGINNING	<u>153,604</u>	<u>75,325</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 173,871</u></u>	<u><u>\$ 153,604</u></u>

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

1. NATURE OF ACTIVITIES

Rebuilding Together/Arlington/Fairfax/Falls Church, Inc. (“RTAFF”) organizes housing rehabilitation projects to repair the homes of low-income homeowners residing in Arlington County, Fairfax County, the City of Fairfax, and the City of Falls Church, Virginia. RTAFF also provides these services to group homes and shelters operated by other not-for-profit organizations. Rehabilitations are done at no cost to the homeowner. A significant portion of the work is performed by volunteers. RTAFF was incorporated in December 2010 in Virginia and is an independent not-for-profit organization. RTAFF is affiliated with Rebuilding Together, Inc., a not-for-profit organization that serves as the “national office” for RTAFF and approximately 150 similar organizations that use the Rebuilding Together name.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial reporting framework

RTAFF presents its financial statements in accordance with United States generally accepted accounting principles for not-for-profit organizations. RTAFF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Grants and contributions

Grants and contributions are recognized as revenue in the period received or unconditionally promised, whichever is earlier. They are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Grants and contributions restricted by the donor are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Government grants

Government grants are cost reimbursable grants. They are considered exchange transactions and are recognized as unrestricted revenue to the extent of allowable direct and indirect costs incurred.

Cash and cash equivalents

RTAFF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable

RTAFF considers accounts receivable to be fully collectible and, therefore, no allowance for doubtful accounts is required.

**REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

Property and equipment

RTAFF capitalizes property and equipment acquisitions of \$500 or more at cost. Property and equipment is depreciated using the straight-line method over the estimated useful life of three to five years.

Income taxes

RTAFF is a not-for-profit corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Restrictions met in year contribution received

RTAFF reports all temporarily restricted contributions whose restrictions are met in the same year as unrestricted contributions.

Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation.

Concentration of credit risk

RTAFF maintains cash balances at a bank. At June 30, 2016, all of RTAFF's cash balances are insured by the Federal Deposit Insurance Corporation.

Estimates

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

3. CONTRIBUTED PROFESSIONAL LABOR, MATERIALS, OFFICE USE, AND OTHER

RTAFF recognized revenue in the June 30, 2016 and 2015 Statements of Activities for the fair value of the following contributed professional labor, materials, office use, and other:

	<u>2016</u>	<u>2015</u>
Professional labor	\$ 396,149	\$ 374,739
Materials	12,105	10,599
Office use	5,700	5,700
Supplies, equipment and other	7,371	6,109
	<u>\$ 421,325</u>	<u>\$ 397,147</u>

In addition, for the years ended June 30, 2016 and 2015 RTAFF received approximately 6,700 and 6,400 hours, respectively of contributed unskilled labor from volunteers who assist the organization in a variety of tasks. The value of these services for the years ended June 30, 2016 and 2015 is estimated at \$167,000 and \$144,000, respectively. No revenue has been recognized for these services in the Statements of Activities because they do not meet the criteria for recognition under generally accepted accounting principles.

**REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

4. OPERATING LEASES

RTAFF leases its office space at below market rent under a month-to-month lease. In addition, RTAFF rents storage space under a month-to-month agreement.

Rent expense for the years ended June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Contributed office use	\$ 5,700	\$ 5,700
Rent - office	\$ 4,800	\$ 4,800
Rent - storage	\$ 3,971	\$ 3,909

5. REVENUE CONCENTRATION

During the years ended June 30, 2016 and 2015, approximately 18% of total revenue for each year was derived from two local government grants.

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Computers	\$ 4,407	\$ 3,290
Furniture and equipment	<u>6,064</u>	<u>6,064</u>
	10,471	9,354
Less: accumulated depreciation	<u>6,429</u>	<u>5,068</u>
	<u>\$ 4,042</u>	<u>\$ 4,286</u>

7. RELATED PARTY TRANSACTIONS

Under the terms of an Affiliation Partnership Agreement between RTAFF and Rebuilding Together, Inc., RTAFF has been granted the authority to use the "Rebuilding Together" name and service mark (logo) and has agreed to operate its program according to certain standards.

During the years ended June 30, 2016 and 2015, RTAFF recognized contribution revenue of \$25,000 and \$40,628, respectively from Rebuilding Together, Inc.

For the years ended June 30, 2016 and 2015, RTAFF incurred \$12,693 and \$10,129, respectively of dues expense to Rebuilding Together, Inc.

At June 30, 2016 and 2015, RTAFF has a \$13,000 and \$16,429, respectively contribution receivable from Rebuilding Together, Inc.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 consists of \$23,295 and \$19,742, respectively to develop the RT Express program and perform a home renovation.

During the years ended June 30, 2016 and 2015, \$46,447 and \$5,258, respectively was released from temporarily restricted net assets to unrestricted net assets due to satisfying the restricted purposes specified by the donors.

9. EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program services, fundraising, and general and administrative categories.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 19, 2017, the date the financial statements were available to be issued.