

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

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

YEARS ENDED JUNE 30, 2018 AND 2017

**REBUILDING TOGETHER/
ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
YEARS ENDED JUNE 30, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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

February 15, 2019

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 and 2017

ASSETS

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 168,054 | \$ 201,651 |
| Receivable for costs recoverable under government grants | 20,434 | 46,283 |
| Contributions receivable - affiliate | 5,400 | 3,000 |
| Sponsorships and other receivables | 7,278 | 8,700 |
| Prepaid expenses | 4,599 | 7,931 |
| Property and equipment, net | 19,294 | 7,674 |
| Deposit | 2,500 | - |
| TOTAL ASSETS | \$ 227,559 | \$ 275,239 |

LIABILITIES AND NET ASSETS

| | | |
|---|-------------------|-------------------|
| LIABILITIES | | |
| Accounts payable | \$ 18,475 | \$ 35,731 |
| Accrued vacation | 10,868 | 6,845 |
| Other accrued expenses | 9,000 | 9,000 |
| TOTAL LIABILITIES | 38,343 | 51,576 |
| NET ASSETS | | |
| Unrestricted | 167,726 | 136,197 |
| Temporarily restricted | 21,490 | 87,466 |
| TOTAL NET ASSETS | 189,216 | 223,663 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 227,559 | \$ 275,239 |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|--------------------------|-----------------------------------|--------------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Contributed professional labor, materials, office use, and other | \$ 590,030 | \$ - | \$ 590,030 |
| Government grants | 172,461 | - | 172,461 |
| Government award | 5,000 | - | 5,000 |
| Contributions | 101,375 | 32,900 | 134,275 |
| Contributions - affiliate | 27,000 | - | 27,000 |
| Sponsorships | 105,700 | - | 105,700 |
| Net assets released from restrictions | <u>98,876</u> | <u>(98,876)</u> | <u>0</u> |
| TOTAL REVENUE AND OTHER SUPPORT | 1,100,442 | (65,976) | 1,034,466 |
| EXPENSES | | | |
| Program services | 975,059 | - | 975,059 |
| Fundraising | 6,449 | - | 6,449 |
| General and administrative | <u>87,405</u> | <u>-</u> | <u>87,405</u> |
| TOTAL EXPENSES | 1,068,913 | - | 1,068,913 |
| CHANGE IN NET ASSETS | 31,529 | (65,976) | (34,447) |
| NET ASSETS AT BEGINNING OF YEAR | <u>136,197</u> | <u>87,466</u> | <u>223,663</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 167,726</u> | <u>\$ 21,490</u> | <u>\$ 189,216</u> |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------------------|-----------------------------------|---------------------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Contributed professional labor, materials, office use, and other | \$ 546,574 | \$ - | \$ 546,574 |
| Government grants | 171,968 | - | 171,968 |
| Contributions | 60,956 | 127,500 | 188,456 |
| Contributions - affiliate | 15,000 | - | 15,000 |
| Sponsorships | 121,599 | - | 121,599 |
| Net assets released from restrictions | <u>63,329</u> | <u>(63,329)</u> | <u>0</u> |
| TOTAL REVENUE AND OTHER SUPPORT | 979,426 | 64,171 | 1,043,597 |
| EXPENSES | | | |
| Program services | 934,272 | - | 934,272 |
| Fundraising | 6,387 | - | 6,387 |
| General and administrative | <u>69,492</u> | <u>-</u> | <u>69,492</u> |
| TOTAL EXPENSES | 1,010,151 | - | 1,010,151 |
| CHANGE IN NET ASSETS | (30,725) | 64,171 | 33,446 |
| NET ASSETS AT BEGINNING OF YEAR | <u>166,922</u> | <u>23,295</u> | <u>190,217</u> |
| NET ASSETS AT END OF YEAR | <u><u>\$ 136,197</u></u> | <u><u>\$ 87,466</u></u> | <u><u>\$ 223,663</u></u> |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

| | <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 | \$ 560,999 | \$ - | \$ 29,031 | \$ 590,030 |
| Salaries | 207,517 | 2,043 | 36,170 | 245,730 |
| Payroll taxes | 15,913 | 157 | 2,773 | 18,843 |
| Materials, waste disposal and permits | 82,729 | - | 87 | 82,816 |
| Contractors | 22,159 | - | - | 22,159 |
| Dues - affiliate | 11,840 | 138 | 1,772 | 13,750 |
| Rent - office | 8,256 | 96 | 1,248 | 9,600 |
| Travel | 8,819 | 136 | 571 | 9,526 |
| Bookkeeping | 8,120 | 94 | 1,226 | 9,440 |
| Audit and tax preparation | 7,782 | 95 | 1,123 | 9,000 |
| Contract services | 6,903 | 55 | 727 | 7,685 |
| Training and project support | 7,521 | - | 85 | 7,606 |
| Insurance | 6,026 | 66 | 934 | 7,026 |
| Depreciation | - | - | 6,059 | 6,059 |
| Rent - storage | 4,475 | - | - | 4,475 |
| Printing and copying | 2,111 | 2,163 | 26 | 4,300 |
| Signage and T-shirts | 4,199 | - | - | 4,199 |
| Supplies and postage | 2,728 | 403 | 334 | 3,465 |
| Meeting and events | 2,089 | - | 1,240 | 3,329 |
| Telecommunications | 2,409 | 28 | 365 | 2,802 |
| Website and e-mail | 2,464 | 200 | 2,210 | 2,410 |
| Software, government fees, and other | 2,464 | 775 | 1,424 | 4,663 |
| Total expenses | <u>\$ 975,059</u> | <u>\$ 6,449</u> | <u>\$ 87,405</u> | <u>\$ 1,068,913</u> |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

| | Program Services | Fund- raising | General and Administrative | Grand Total |
|---|---------------------|------------------|----------------------------------|---------------------|
| Contributed professional labor, materials, office use, and other | \$ 529,105 | \$ - | \$ 17,469 | \$ 546,574 |
| Salaries | 175,261 | 1,293 | 28,381 | 204,935 |
| Payroll taxes | 13,454 | 99 | 2,177 | 15,730 |
| Materials, waste disposal and permits | 72,393 | - | 362 | 72,755 |
| Contractors | 34,606 | - | 3,764 | 38,370 |
| Consulting fee - RT Express | 24,370 | - | - | 24,370 |
| Dues - affiliate | 10,411 | - | 1,840 | 12,251 |
| Rent - office | 7,140 | - | 1,260 | 8,400 |
| Travel | 7,215 | - | 412 | 7,627 |
| Bookkeeping | 7,417 | - | 1,308 | 8,725 |
| Audit and tax preparation | 7,650 | - | 1,350 | 9,000 |
| Contract services | 5,988 | 4,800 | 665 | 11,453 |
| Training and project support | 5,410 | 45 | 2,741 | 8,196 |
| Insurance | 5,310 | - | 937 | 6,247 |
| Depreciation | - | - | 2,172 | 2,172 |
| Rent - storage | 4,242 | - | - | 4,242 |
| Printing and copying | 4,121 | - | 281 | 4,402 |
| Signage and T-shirts | 5,372 | - | - | 5,372 |
| Contract services - affiliate | 3,769 | - | - | 3,769 |
| Supplies and postage | 3,015 | - | 398 | 3,413 |
| Meeting and events | 1,355 | - | 1,397 | 2,752 |
| Telecommunications | 3,169 | - | 556 | 3,725 |
| Website and e-mail | 969 | - | 171 | 1,140 |
| Software, government fees, and other | 2,530 | 150 | 1,851 | 4,531 |
| Total expenses | \$ 934,272 | \$ 6,387 | \$ 69,492 | \$ 1,010,151 |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ (34,447) | \$ 33,446 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 6,059 | 2,172 |
| (Increase) decrease in operating assets | | |
| Receivable for costs recoverable under government grants | 25,849 | (27,337) |
| Contributions receivable - affiliate | (2,400) | 10,000 |
| Sponsorships and other receivables | 1,422 | 2,490 |
| Prepaid expenses | 3,332 | (577) |
| Deposit and other assets | (2,500) | 811 |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | (17,256) | 14,326 |
| Accrued vacation | 4,023 | 1,243 |
| Other accrued expenses | - | (2,990) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | (15,918) | 33,584 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (17,679) | (5,804) |
| NET CASH USED BY INVESTING ACTIVITIES | (17,679) | (5,804) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (33,597) | 27,780 |
| CASH AND CASH EQUIVALENTS - BEGINNING | 201,651 | 173,871 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 168,054 | \$ 201,651 |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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 130 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.

Cash and cash equivalents

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

Receivables

RTAFF considers all receivables to be fully collectible and, therefore, there is no allowance for doubtful accounts. RTAFF does not require collateral for receivables.

Property and equipment

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

Contributions

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. 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.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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.

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.

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. CONCENTRATIONS OF CREDIT RISK

RTAFF maintains cash balances at a bank. At June 30, 2018, all of RTAFF's cash balances are insured by the Federal Deposit Insurance Corporation.

At June 30, 2018, RTAFF has a \$20,434 receivable from a northern Virginia local government. This receivable was collected in July 2018.

4. REVENUE CONCENTRATION

During the years ended June 30, 2018 and 2017, approximately 17% and 16%, respectively of total revenue was derived from two local government grants.

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

RTAFF recognized revenue in the June 30, 2018 and 2017 Statements of Activities for the fair value of the following contributed professional labor, materials, office use, and other:

| | 2018 | 2017 |
|-------------------------------|------------|------------|
| Professional labor | \$ 553,467 | \$ 475,692 |
| Materials | 15,145 | 52,948 |
| Office use | 13,037 | 8,490 |
| Supplies, equipment and other | 8,381 | 9,444 |
| | \$ 590,030 | \$ 546,574 |

In addition, for the years ended June 30, 2018 and 2017 RTAFF received approximately 4,900 and 5,400 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, 2018 and 2017 is

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

estimated at \$132,000 and \$140,000, 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.

6. 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, 2018 and 2017 consists of the following:

| | <u>2018</u> | <u>2017</u> |
|------------------------|-------------|-------------|
| Contributed office use | \$ 13,037 | \$ 8,490 |
| Rent - office | \$ 9,600 | \$ 8,400 |
| Rent - storage | \$ 4,475 | \$ 4,242 |

7. RECEIVABLES

All receivables are due within one year of the statement of financial position date.

8. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 consists of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|------------------|-----------------|
| Computers | \$ 9,171 | \$ 9,171 |
| Furniture and equipment | 9,633 | 7,104 |
| Website development costs | <u>15,150</u> | - |
| | 33,954 | 16,275 |
| Less: accumulated depreciation | <u>14,660</u> | <u>8,601</u> |
| | <u>\$ 19,294</u> | <u>\$ 7,674</u> |

9. 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, 2018 and 2017, RTAFF recognized contribution revenue of \$27,000 and \$15,000, respectively from Rebuilding Together, Inc.

For the years ended June 30, 2018 and 2017, RTAFF incurred \$13,750 and \$12,251, respectively of dues expense to Rebuilding Together, Inc.

For the year ended June 30, 2017, RTAFF incurred a \$3,769 contract service expense to Rebuilding Together, Inc.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

At June 30, 2018 and 2017, RTAFF has a \$5,400 and \$3,000, respectively contribution receivable from Rebuilding Together, Inc.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017 consists of \$21,490 and \$87,466, respectively to develop the RT Express program, improve administrative infrastructure, and perform home renovations.

During the years ended June 30, 2018 and 2017, \$98,876 and \$63,329, respectively was released from temporarily restricted net assets to unrestricted net assets due to satisfying the restricted purposes specified by the donors.

11. 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.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 15, 2019, the date the financial statements were available to be issued.