

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

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

YEARS ENDED JUNE 30, 2019 AND 2018

**REBUILDING TOGETHER/
ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
YEARS ENDED JUNE 30, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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

May 28, 2020

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 and 2018

ASSETS

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 184,897 | \$ 168,054 |
| Receivable for costs recoverable under government grants | 62,092 | 20,434 |
| Contributions receivable - affiliate | - | 5,400 |
| Sponsorships and other receivables | 25,665 | 7,278 |
| Prepaid expenses | 9,187 | 4,599 |
| Property and equipment, net | 12,592 | 19,294 |
| Deposit | - | 2,500 |
| TOTAL ASSETS | \$ 294,433 | \$ 227,559 |

LIABILITIES AND NET ASSETS

| | | |
|---|-------------------|-------------------|
| LIABILITIES | | |
| Accounts payable | \$ 14,394 | \$ 18,475 |
| Accrued vacation | 12,274 | 10,868 |
| Other accrued expenses | 9,500 | 9,000 |
| TOTAL LIABILITIES | 36,168 | 38,343 |
| NET ASSETS | | |
| Without donor restrictions | 201,190 | 167,726 |
| With donor restrictions | 57,075 | 21,490 |
| TOTAL NET ASSETS | 258,265 | 189,216 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 294,433 | \$ 227,559 |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|---|---|-----------------------------------|-----------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Contributed professional labor, materials, office use, and other | \$ 459,386 | \$ - | \$ 459,386 |
| Government grants | 220,000 | - | 220,000 |
| Contributions | 76,076 | 79,925 | 156,001 |
| Contributions - affiliate | 37,000 | 5,000 | 42,000 |
| Sponsorships | 118,500 | - | 118,500 |
| Net assets released from restrictions | | | |
| Satisfaction of purpose restrictions | <u>49,340</u> | <u>(49,340)</u> | <u>0</u> |
| TOTAL REVENUE AND OTHER SUPPORT | 960,302 | 35,585 | 995,887 |
| EXPENSES | | | |
| Program services | 845,765 | - | 845,765 |
| Fundraising | 8,107 | - | 8,107 |
| General and administrative | <u>72,966</u> | <u>-</u> | <u>72,966</u> |
| TOTAL EXPENSES | 926,838 | - | 926,838 |
| CHANGE IN NET ASSETS | 33,464 | 35,585 | 69,049 |
| NET ASSETS AT BEGINNING OF YEAR | <u>167,726</u> | <u>21,490</u> | <u>189,216</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 201,190</u> | <u>\$ 57,075</u> | <u>\$ 258,265</u> |

See notes to financial statements.

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|--------------------------------|---------------------------------|
| | <u> </u> | <u> </u> | <u> </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 | | | |
| Satisfaction of purpose 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><u>\$ 167,726</u></u> | <u><u>\$ 21,490</u></u> | <u><u>\$ 189,216</u></u> |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

| | <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 | \$ 445,476 | \$ 1,077 | \$ 12,833 | \$ 459,386 |
| Salaries | 196,467 | 4,200 | 32,396 | 233,063 |
| Payroll taxes | 15,067 | 321 | 2,485 | 17,873 |
| Materials, waste disposal and permits | 73,189 | - | - | 73,189 |
| Contractors | 17,896 | - | - | 17,896 |
| Dues - affiliate | 12,609 | - | 2,225 | 14,834 |
| Contract services | 12,137 | - | 2,010 | 14,147 |
| Bookkeeping | 8,334 | - | 1,471 | 9,805 |
| Rent - office | 7,480 | - | 2,120 | 9,600 |
| Audit and tax preparation | 8,075 | - | 1,425 | 9,500 |
| Travel | 8,055 | - | 585 | 8,640 |
| Training and project support | 8,540 | - | - | 8,540 |
| Depreciation | - | - | 7,656 | 7,656 |
| Insurance | 5,325 | - | 939 | 6,264 |
| Meeting and events | 3,139 | - | 2,557 | 5,696 |
| Signage and T-shirts | 5,401 | - | - | 5,401 |
| Rent - storage | 4,894 | - | - | 4,894 |
| Printing and copying | 2,164 | 2,109 | 3 | 4,276 |
| Supplies and postage | 3,130 | 250 | 398 | 3,778 |
| Telecommunications | 2,424 | - | 426 | 2,850 |
| Website and e-mail | 1,449 | - | 257 | 1,706 |
| Software, government fees, and other | 4,514 | 150 | 3,180 | 7,844 |
| Total expenses | <u>\$ 845,765</u> | <u>\$ 8,107</u> | <u>\$ 72,966</u> | <u>\$ 926,838</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 |
| Contract services | 6,903 | 55 | 727 | 7,685 |
| Bookkeeping | 8,120 | 94 | 1,226 | 9,440 |
| Rent - office | 8,256 | 96 | 1,248 | 9,600 |
| Audit and tax preparation | 7,782 | 95 | 1,123 | 9,000 |
| Travel | 8,819 | 136 | 571 | 9,526 |
| Training and project support | 7,521 | - | 85 | 7,606 |
| Depreciation | - | - | 6,059 | 6,059 |
| Insurance | 6,026 | 66 | 934 | 7,026 |
| Meeting and events | 2,089 | - | 1,240 | 3,329 |
| Signage and T-shirts | 4,199 | - | - | 4,199 |
| Rent - storage | 4,475 | - | - | 4,475 |
| Printing and copying | 2,111 | 2,163 | 26 | 4,300 |
| Supplies and postage | 2,728 | 403 | 334 | 3,465 |
| Telecommunications | 2,409 | 28 | 365 | 2,802 |
| Website and e-mail | - | 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.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 69,049 | \$ (34,447) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 7,656 | 6,059 |
| (Increase) decrease in operating assets | | |
| Receivable for costs recoverable under government grants | (41,658) | 25,849 |
| Contributions receivable - affiliate | 5,400 | (2,400) |
| Sponsorships and other receivables | (18,387) | 1,422 |
| Prepaid expenses | (4,588) | 3,332 |
| Deposit | 2,500 | (2,500) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | (4,081) | (17,256) |
| Accrued vacation | 1,406 | 4,023 |
| Other accrued expenses | 500 | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 17,797 | (15,918) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (954) | (17,679) |
| NET CASH USED BY INVESTING ACTIVITIES | (954) | (17,679) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 16,843 | (33,597) |
| CASH AND CASH EQUIVALENTS - BEGINNING | 168,054 | 201,651 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 184,897 | \$ 168,054 |

See notes to financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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.

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.

Net assets

Net assets are classified based on the existence, or absence, of restrictions imposed by donors. Accordingly, net assets are reported in the following classifications:

- Net assets without donor restrictions – net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the organization’s mission.
- Net assets with donor restrictions – net assets subject to restrictions imposed by donors. Some restrictions are temporary in nature; those restrictions are met by actions of RTAFF or the passage of time. Other restrictions are perpetual in nature, where the donor has stipulated the funds be maintained by RTAFF in perpetuity.

When a donor-restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

Contributions

Contributions are recognized as revenue in the period received or unconditionally promised, whichever is earlier.

Contributions are recorded as (i) net assets without donor restrictions, or (ii) net asset with donor restrictions, depending on the existence and nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other contributions that are restricted by the donor are reported as an increase in net assets with donor 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.

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.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses for each function. Accordingly, certain costs have been allocated among programs, general and administrative, and fundraising. Expenses are allocated based on estimates of time and effort.

Concentrations of credit risk

Financial instruments which subject RTAFF to concentrations of credit risk consist primarily of cash at a bank. The balance at the bank is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, all RTAFF's cash is insured.

Reclassifications

Certain amounts for the year ended June 30, 2018 have been reclassified to conform to the financial statement presentation for the year ended June 30, 2019. These reclassifications had no effect on the reported net assets.

New accounting pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and other matters. RTAFF has implemented the update in its financial statements for the year ended June 30, 2019. The update has been applied retrospectively to the year ended June 30, 2018 in these financial statements.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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. REVENUE CONCENTRATION

During the years ended June 30, 2019 and 2018, approximately 22% and 17%, respectively of total revenue was derived from two local government grants.

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

RTAFF recognized revenue, and an equal amount of expense, in the June 30, 2019 and 2018 statements of activities for the fair value of the following contributed professional labor, materials, office use, and other:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-------------------|-------------------|
| Professional labor | \$ 431,172 | \$ 553,467 |
| Materials | 11,025 | 15,145 |
| Office use | 12,866 | 13,037 |
| Supplies, equipment and other | <u>4,323</u> | <u>8,381</u> |
| | <u>\$ 459,386</u> | <u>\$ 590,030</u> |

In addition, for the years ended June 30, 2019 and 2018 RTAFF received approximately 4,600 and 4,900 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, 2019 and 2018 is estimated at \$125,000 and \$132,000, 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.

5. 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, 2019 and 2018 consists of the following:

| | <u>2019</u> | <u>2018</u> |
|------------------------|-------------|-------------|
| Contributed office use | \$ 12,866 | \$ 13,037 |
| Rent - office | \$ 9,600 | \$ 9,600 |
| Rent - storage | \$ 4,894 | \$ 4,475 |

**REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

6. RECEIVABLES

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

7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 consists of the following:

| | 2019 | 2018 |
|--------------------------------|-----------|-----------|
| Computers | \$ 10,125 | \$ 9,171 |
| Furniture and equipment | 9,633 | 9,633 |
| Website development costs | 15,150 | 15,150 |
| | 34,908 | 33,954 |
| Less: accumulated depreciation | 22,316 | 14,660 |
| | \$ 12,592 | \$ 19,294 |

8. RELATED PARTY TRANSACTIONS

Under the terms of an Affiliation 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, 2019 and 2018, RTAFF recognized contribution revenue of \$42,000 and \$27,000, respectively from Rebuilding Together, Inc.

For the years ended June 30, 2019 and 2018, RTAFF incurred \$14,834 and \$13,750, respectively of dues expense to Rebuilding Together, Inc.

At June 30, 2018 RTAFF has a \$5,400 contribution receivable from Rebuilding Together, Inc. There is no contribution receivable from Rebuilding Together, Inc. at June 30, 2019.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018 consist of \$57,075 and \$21,490, respectively to develop the RT Express program, improve administrative infrastructure, and perform home renovations.

REBUILDING TOGETHER/ARLINGTON/FAIRFAX/FALLS CHURCH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

10. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure (i.e., without donor or other restrictions limiting use) within one year of the June 30, 2019 and 2018 statement of financial position dates consist of the following:

| | 2019 | 2018 |
|---|------------|------------|
| Cash and cash equivalents | \$ 184,897 | \$ 168,054 |
| Receivable for costs recoverable under government grants | 62,092 | 20,434 |
| Contributions receivable - affiliate | - | 5,400 |
| Sponsorships and other receivables | 25,665 | 7,278 |
| | \$ 272,654 | \$ 201,166 |

As part of its liquidity management plan, cash in excess of daily operating requirements is maintained in cash and cash equivalents and not invested.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 28, 2020, the date the financial statements were available to be issued.

Due to the coronavirus pandemic, Governor Northam of Virginia issued several Executive Orders in March 2020 requiring residents to remain at their place of residence, except for the purpose of obtaining food, seeking medical assistance, and certain other purposes. As a response, RTAFF closed its office to the public and temporarily suspended on-site project activities. Staff is working remotely.

In April 2020, RTAFF received a \$52,100 loan from a bank under the federal government's Paycheck Protection Program ("PPP"). These funds are being used primarily to pay salaries in accordance with PPP guidelines.