

REBUILDING TOGETHER - TWIN CITIES

FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

REBUILDING TOGETHER - TWIN CITIES

Table of Contents

Independent Auditor's Report	Page 1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flow	4
Statement of Functional Expenses	5-6
Notes to Financial Statements	7 -13



SHERRY D. HEFFERNAN, LTD.

CERTIFIED PUBLIC ACCOUNTANT

6650 HORSESHOE BEND
CORCORAN-HAMEL, MINNESOTA 55340
763-478-6518, FAX 763-478-6088
EMAIL: SHERRY.HEFFERNAN@COMCAST.NET

MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rebuilding Together - Twin Cities
St. Paul, Minnesota

I have audited the accompanying statements of financial position of Rebuilding Together - Twin Cities (RTTC), a nonprofit organization, as of June 30, 2012 and 2011 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of RTTC's management. My responsibility is to express an opinion on these financial statements based on the audit.

I conducted the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of RTTC as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Sherry D. Heffernan, Ltd.

Sherry D. Heffernan, Ltd.

August 10, 2012

Rebuilding Together - Twin Cities
Statements of Financial Position
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 37,997	\$ 11,829
Promises to give	226,475	196,771
Investments	70,884	76,738
Prepaid expenses	7,355	2,416
Property held for sale	110,176	-
Equipment and leasehold improvements, net	3,908	5,688
TOTAL ASSETS	<u>\$ 456,795</u>	<u>\$ 293,442</u>
LIABILITIES		
Accounts payable	\$ 25,326	\$ 9,121
Accrued expenses	20,315	18,184
TOTAL LIABILITIES	<u>45,641</u>	<u>27,305</u>
NET ASSETS		
Unrestricted (deficit)	38,075	(35,055)
Temporarily restricted	373,079	301,192
TOTAL NET ASSETS	<u>411,154</u>	<u>266,137</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 456,795</u>	<u>\$ 293,442</u>

See accompanying notes and accountant's report.

**Rebuilding Together - Twin Cities
Statements of Activities
Years Ended June 30, 2012 and 2011**

	June 30, 2012			June 30, 2011		
	Temporarily			Temporarily		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
UNRESTRICTED NET ASSETS						
Unrestricted Revenues						
Donated services and materials	\$ 108,916	\$ -	\$ 108,916	\$ 86,939	\$ -	\$ 86,939
Donated property held for sale	-	99,900	99,900	-	-	-
Contributions	108,172	172,284	280,456	102,462	188,562	291,024
Contributions from affiliate	-	190,822	190,822	-	50,500	50,500
Interest income and miscellaneous	5,840	4,582	10,422	5,789	4,908	10,697
Special event revenue	35,409	15,000	50,409	28,162	15,000	43,162
Less: Cost of direct benefits to donors	(12,976)	-	(12,976)	(4,984)	-	(4,984)
	<u>22,433</u>	<u>15,000</u>	<u>37,433</u>	<u>23,178</u>	<u>15,000</u>	<u>38,178</u>
TOTAL REVENUES	245,361	482,588	727,949	218,368	258,970	477,338
Net assets released from restrictions						
Restrictions satisfied by purpose and time	<u>410,701</u>	<u>(410,701)</u>	<u>-</u>	<u>325,533</u>	<u>(325,533)</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	656,062	71,887	727,949	543,901	(66,563)	477,338
EXPENSES						
Program services	453,358	-	453,358	451,588	-	451,588
Management and general	94,507	-	94,507	81,843	-	81,843
Fundraising	<u>35,067</u>	<u>-</u>	<u>35,067</u>	<u>80,357</u>	<u>-</u>	<u>80,357</u>
TOTAL EXPENSES	582,932	-	582,932	613,788	-	613,788
INCREASE (DECREASE) IN NET ASSETS	73,130	71,887	145,017	(69,887)	(66,563)	(136,450)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	(35,055)	301,192	266,137	34,832	367,755	402,587
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 38,075	\$ 373,079	\$ 411,154	\$ (35,055)	\$ 301,192	\$ 266,137

See accompanying notes and accountant's report.

**Rebuilding Together Twin Cities
Statements of Cash Flows
Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 145,017	\$ (136,450)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,780	1,737
(Increase) decrease in operating assets:		
accrued expenses:		
Promises to give	(29,704)	58,855
Investments	(2,146)	10,999
Prepaid expenses	(4,939)	(368)
Property held for sale	(110,176)	-
Increase (decrease) in operating liabilities:		
Accounts payable	16,205	(8,891)
Accrued expenses	2,131	3,837
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>18,168</u>	<u>(70,281)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and vehicle	-	(2,500)
Maturities of principal on revenue bond	8,000	4,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>8,000</u>	<u>1,500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,168	(68,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,829</u>	<u>80,610</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>37,997</u></u>	<u><u>11,829</u></u>

See accompanying notes and accountant's report.

**Rebuilding Together Twin Cities
Statement of Functional Expenses
Year Ended June 30, 2012**

	<u>Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total All Services</u>
Salaries, taxes and benefits	\$ 137,428	\$ 49,750	\$ 6,617	\$ 193,795
Contracted services	33,827	2,699	4,993	41,519
Donated services and materials	92,483	6,693	1,928	101,104
Construction contractors	35,328	-	-	35,328
Construction materials and supplies	88,259	274	-	88,533
Professional fees	-	14,318	13,327	27,645
Advertising	6,174	35	75	6,284
Conferences and meetings	1,835	490	353	2,678
Dues	7,145	555	1,188	8,888
Equipment leases and rentals	3,245	1,141	152	4,538
Insurance	4,422	207	1,555	6,184
Office supplies	2,271	799	106	3,176
Occupancy expenses	22,569	7,938	1,056	31,563
Printing and postage	1,911	37	2,598	4,546
Staff development and training	600	2,930	-	3,530
Telephone	1,872	658	88	2,618
Travel	9,664	2,244	717	12,625
Website development/technology	1,645	579	77	2,301
Miscellaneous	1,407	2,712	178	4,297
Depreciation	1,273	448	59	1,780
Total expenses	<u>\$ 453,358</u>	<u>\$ 94,507</u>	<u>\$ 35,067</u>	<u>\$ 582,932</u>
	<u>78%</u>	<u>16%</u>	<u>6%</u>	<u>100%</u>

See accompanying notes and accountant's report.

**Rebuilding Together Twin Cities
Statement of Functional Expenses
Year Ended June 30, 2011**

	<u>Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total All Services</u>
Salaries, taxes and benefits	\$ 149,202	\$ 34,927	\$ 55,748	\$ 239,877
Contracted services	44,156	-	-	44,156
Donated services and materials	75,360	11,358	221	86,939
Construction contractors	54,248	-	-	54,248
Construction materials and supplies	70,938	-	-	70,938
Professional fees	3,510	11,342	4,279	19,131
Advertising	7,305	4,283	3,032	14,620
Conferences and meetings	214	1,731	523	2,468
Dues	5,360	466	999	6,825
Equipment leases and rentals	3,130	733	1,169	5,032
Insurance	3,193	1,193	748	5,134
Office supplies	1,969	461	735	3,165
Occupancy expenses	19,068	4,464	7,124	30,656
Printing and postage	1,372	197	395	1,964
Staff development and training	441	3,127	2,299	5,867
Telephone	1,640	384	613	2,637
Travel	7,301	2,125	1,487	10,913
Website development/technology	1,541	361	576	2,478
Miscellaneous	559	4,438	6	5,003
Depreciation	1,081	253	403	1,737
Total expenses	<u>\$ 451,588</u>	<u>\$ 81,843</u>	<u>\$ 80,357</u>	<u>\$ 613,788</u>
	<u>74%</u>	<u>13%</u>	<u>13%</u>	<u>100%</u>

See accompanying notes and accountant's report.

REBUILDING TOGETHER - TWIN CITIES

Notes to Financial Statements

June 30, 2012 and 2011

1) Summary of Significant Accounting Policies

Organizational Purpose

Incorporated in 1997, Rebuilding Together - Twin Cities (hereinafter referred to as RTTC) is a nonprofit housing organization whose mission is to bring volunteers and communities together to improve the homes and lives of low-income homeowners. RTTC provides critical home repairs for homeowners in need who are older adults, individuals living with disabilities, families with children and veterans to fulfill their vision of a safe and healthy home for every person. When qualified homeowners are not capable of making needed repairs, RTTC will coordinate the volunteers, skilled labor, tools and supplies necessary to fix the homes through two programs which are as follows:

Home Repair provides critical home repairs including re-roofing, installing handicap ramps, weatherizing, plumbing, electrical repairs, cleaning, re-carpeting, patching and painting, siding, landscaping and almost anything that restores the homeowners' independence, safety and security. Following a screen for homeowner eligibility, the selected projects are scheduled, financial and volunteer resources are assigned, and projects completed in a few work days. In addition to regularly scheduled projects throughout the year, the last Saturday of April each year is National Rebuilding Day when Rebuilding Together affiliates across the country make repairs for thousands of homeowners on one day.

Safe at Home provides no cost home safety and accessibility modifications for low-income homeowners who are older adults or are living with a disability. Often these homeowners are faced with the prospect of losing their independence as the result of needing home safety or accessibility modifications that they are unable to address. Projects are small in scale and are completed by two to four volunteers in about four hours. A project may include tasks such as installing grab bars, raised toilet seat adapters, handrails, door and window locks, smoke and carbon monoxide detectors and more.

RTTC also rehabilitates properties that house nonprofit organizations serving our community. These projects focus on creating safe and welcoming spaces for communities to gather and may include tasks such as painting, creating or revamping learning spaces, landscaping and gardening, installing playground equipment, and making general repairs to the facility.

Basis of Accounting and Presentation

The financial statements of RTTC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivable, payables and other liabilities. RTTC 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.

REBUILDING TOGETHER - TWIN CITIES
Notes to Financial Statements, continued

1) Summary of Significant Accounting Policies, continued

Basis of Accounting and Presentation, continued

Unrestricted net assets represent the portion of expendable funds that are available for support of RTTC's operations. Temporarily restricted net assets represent funds restricted by donors for various programs or periods.

Cash and Cash Equivalents

RTTC considers all checking and savings accounts and unrestricted highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Concentrations of Credit Risk Due to Temporary Cash Investments and Promises to Give Receivable

Financial instruments that potentially subject RTTC to concentrations of credit risk consist principally of temporary cash investments and unconditional promises to give. RTTC places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to promises receivable are limited due to the financial stability of the contributors. Promises to give include amounts from two donors comprising 65% of the balance at June 30, 2012 and from three donors comprising 41% of the balance at June 30, 2011.

Concentration of Contributions

RTTC received approximately 53% of its unrestricted and temporarily restricted contributions from three donors in 2012. There were no concentrations in 2011.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Investments

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

Fair Value Measurements

RTTC determined the fair value of certain assets and liabilities in accordance with the provisions of Accounting Standards Codification (ASC) 820, "Fair Value Measurements," which provides a framework for measuring fair value under generally accepted accounting principles.

REBUILDING TOGETHER - TWIN CITIES
Notes to Financial Statements, continued

1) Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

ASC 820 defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Equipment and Leasehold Improvements

All acquisitions of equipment and leasehold improvements in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Equipment and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives varying from four to seven years.

Donated Assets

Donated marketable securities, property held for resale and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services and Materials

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Donated facilities and materials are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value as provided by the donor at the date of receipt.

Restricted and Unrestricted Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a restriction expires, 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 - TWIN CITIES
Notes to Financial Statements, continued

1) Summary of Significant Accounting Policies, continued

Pass-Through Contributions from Affiliate

RTTC's affiliate, Rebuilding Together, Inc., receives certain contributions on behalf of its local chapters that are designated for specified local chapters by donors. RTTC received pass-through contributions from its affiliate of \$190,822 in 2012 and \$50,500 in 2011.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Functional 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 the programs and supporting services benefited.

Income Taxes

RTTC has a tax exempt status under Code Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. It is classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and charitable contributions by donors are tax deductible.

2) Promises to Give

Unconditional promises to give are as follows at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 214,339	\$ 116,805
Receivable in one to three years	<u>12,500</u>	<u>81,750</u>
Total unconditional promises to give	226,839	198,555
Less discounts to present value	<u>-364</u>	<u>- 1,784</u>
Net unconditional promises to give	<u>\$ 226,475</u>	<u>\$ 196,771</u>

Unconditional promises to give receivable of more than one year are discounted at 3.0%. Uncollectible promises are expected to be insignificant.

REBUILDING TOGETHER - TWIN CITIES
Notes to Financial Statements, continued

3) Investments

Investments consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Economic development revenue bond	\$ 63,000	\$ 71,000
Money market accounts	<u>7,884</u>	<u>5,738</u>
	<u>\$ 70,884</u>	<u>\$ 76,738</u>

The values of these investments are approximately based on Level 1 quoted prices in active markets.

The economic development revenue bond was issued by the city of Minneapolis, Minnesota on December 4, 1997, and donated to the organization in 2004. Interest income is receivable from the bond on June 1 and December 1 of each year at an interest rate of 6.5%. The bond matures December 1, 2017 however there was an early maturity payout of \$8,000 in 2012 and \$4,000 in 2011.

The bond and income earned from the bond have been restricted to be used only on rehabilitation projects.

4) Property Held for Resale

In 2012 RTTC received a donation of a single-family home from a local bank, with the stipulation that the property be repaired and sold specifically to a low to moderate-income family for owner-occupancy. The donated building was recorded as a contribution with an estimated value of \$99,900. RTTC also spent \$10,276 to repair the property through June 30, 2012 and that amount has been added to the value of the property. The property has been recorded at its estimated net realizable value.

5) Equipment and Leasehold Improvements

Equipment consists of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Equipment and furnishings	\$ 1,426	\$ 4,449
Vehicle	2,500	2,500
Leasehold improvements	<u>3,476</u>	<u>3,476</u>
	7,402	10,425
Less accumulated depreciation	<u>3,494</u>	<u>4,737</u>
	<u>\$ 3,908</u>	<u>\$ 5,688</u>

Depreciation of \$1,780 and \$1,738 was recorded in 2012 and 2011, respectively.

REBUILDING TOGETHER - TWIN CITIES
Notes to Financial Statements, continued

6) Line of Credit

RTTC has a \$63,000 revolving line of credit, of which \$63,000 was unused at June 30, 2012. Bank advances on the credit line are payable on demand and the interest rate in 2012 was 3.25%. The credit line is secured by the economic development revenue bond (footnote 3) and the authorized line decreases as payments are received on the bond. The line of credit expires February 2013.

7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Economic development revenue bond	\$ 63,000	\$ 75,000
Restricted for project overages and for future year projects	161,599	167,775
Donated building held for sale	99,900	-
Capital pledges	49,563	60,200
Less discount to present value	<u>-983</u>	<u>-1,783</u>
	<u>\$ 373,079</u>	<u>\$ 301,192</u>

8) Donated Services and Materials

The value of donated services and materials included as contributions in the financial statements and the corresponding expenses for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Legal and other professional services	\$ 13,902	\$ 22,638
Contractor services	36,172	17,685
Materials	<u>51,030</u>	<u>46,616</u>
	<u>\$ 101,104</u>	<u>\$ 86,939</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:

	<u>2012</u>		<u>2011</u>	
	<u>Hours</u>	<u>Value</u>	<u>Hours</u>	<u>Value</u>
Skilled volunteers	179	\$ 10,755	808	\$ 48,480
Unskilled volunteers	<u>6,669</u>	<u>148,602</u>	<u>5,766</u>	<u>120,509</u>
Total	<u>6,848</u>	<u>\$159,357</u>	<u>6,574</u>	<u>\$168,989</u>

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

REBUILDING TOGETHER - TWIN CITIES
Notes to Financial Statements, continued

9) Leases

The organization leases its office and warehouse space under a noncancelable operating lease which expires June 30, 2012. The organization is on a month-to-month verbal lease as the building is currently scheduled for demolition. Monthly rent expense was \$2,572 in 2012. Total rent expense was \$30,864 in 2012 and \$29,700 in 2011.

10) Income Taxes

The organization has evaluated its potential exposure for uncertain tax positions and management has expressed there are no uncertain tax positions as of June 30, 2012. Tax returns for the past three tax years remain open for examination by tax jurisdictions.

11) Subsequent Events

The organization has evaluated subsequent events through August 10, 2012, the date the financial statements were available to be issued. RTTC is not aware of any subsequent events that require recognition or disclosure in the financial statements.

12) State Grant Restrictions

Financial awards from state entities in the form of grants are subject to special audit. Such audits could result in claims against the organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any cannot be determined at this date.