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CERTIFIED PUBLIC
ACCOUNTANT

REBUILDING TOGETHER PHILADELPHIA

FINANCIAL STATEMENTS

JUNE 30, 2019

**REBUILDING TOGETHER PHILADELPHIA
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FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for the year ended June 30, 2018)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rebuilding Together Philadelphia
Philadelphia, Pennsylvania

Report on the Financial Statements

I have audited the accompanying financial statements of Rebuilding Together Philadelphia (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses 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.

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 Philadelphia as of June 30, 2019, 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.

Report on Summarized Comparative Information

I have previously audited Rebuilding Together Philadelphia 2018 financial statements, and my report dated September 6, 2018, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountant
King of Prussia, Pennsylvania

November 21, 2019

**REBUILDING TOGETHER PHILADELPHIA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(with comparative totals as of June 30, 2018)**

	2019	2018
<u>Assets</u>		
Cash	\$ 605,091	\$ 251,775
Grants receivable	264,575	337,771
Prepaid expenses	22,961	23,152
Security deposit	1,225	2,725
Endowment fund	325,822	304,107
Property and equipment, net	14,700	19,600
Total assets	\$1,234,374	\$ 939,130
 <u>Liabilities</u>		
Accounts payable	\$ 39,162	\$ 29,032
Accrued expenses	13,848	20,065
Deferred revenue	271,920	-
Total liabilities	324,930	49,097
 <u>Net assets</u>		
Without donor restrictions		
General operating	468,101	350,556
Board designated endowment	325,822	304,107
Total net assets without donor restrictions	793,923	654,663
With donor restrictions	115,521	235,370
Total net assets	909,444	890,033
Total liabilities and net assets	\$1,234,374	\$ 939,130

The accompanying notes are an integral part of these financial statements.

REBUILDING TOGETHER PHILADELPHIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
<u>Support and revenue</u>				
Grants and contributions	\$ 1,068,605	\$ 539,139	\$ 1,607,744	\$ 1,554,957
Fundraising events	60,454	-	60,454	55,648
Less: cost of direct donor benefits	(6,051)	-	(6,051)	(6,655)
Interest and investment income	19,154	-	19,154	17,115
Contributed services and supplies	210,366	-	210,366	402,982
Net assets released from restrictions	<u>658,988</u>	<u>(658,988)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,011,516</u>	<u>(119,849)</u>	<u>1,891,667</u>	<u>2,024,047</u>
<u>Expenses</u>				
Program	1,568,648	-	1,568,648	1,596,905
Management and general	148,459	-	148,459	114,893
Fundraising	<u>155,149</u>	<u>-</u>	<u>155,149</u>	<u>110,931</u>
Total expenses	<u>1,872,256</u>	<u>-</u>	<u>1,872,256</u>	<u>1,822,729</u>
Change in net assets	139,260	(119,849)	19,411	201,318
Net assets at beginning of year	<u>654,663</u>	<u>235,370</u>	<u>890,033</u>	<u>688,715</u>
Net assets at end of year	<u>\$ 793,923</u>	<u>\$ 115,521</u>	<u>\$ 909,444</u>	<u>\$ 890,033</u>

The accompanying notes are an integral part of these financial statements.

**REBUILDING TOGETHER PHILADELPHIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for the year ended June 30, 2018)**

	2019	2018
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 19,411	\$ 201,318
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,900	4,900
Unrealized gain on investment	(11,191)	(10,913)
Change in assets and liabilities:		
Grants receivable	73,196	(74,844)
Prepaid expenses	191	(11,720)
Security deposit	1,500	-
Accounts payable	10,130	18,301
Accrued expenses	(6,217)	(11,582)
Deferred revenue	271,920	-
Net cash provided by operating activities	363,840	115,460
<u>Cash flows from investing activities</u>		
Purchase of equipment	-	(24,500)
Purchase of investments	(10,524)	(38,657)
Net cash used in investing activities	(10,524)	(63,157)
Net increase in cash	353,316	52,303
Cash at beginning of year	251,775	199,472
Cash at end of year	\$ 605,091	\$ 251,775

The accompanying notes are an integral part of these financial statements.

**REBUILDING TOGETHER PHILADELPHIA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for the year ended June 30, 2018)**

	Program	Management and General	Fund Raising	Total 2019	Total 2018
Salaries	\$ 304,536	\$ 63,480	\$ 110,072	\$ 478,088	\$ 367,756
Payroll tax expense	25,318	5,278	9,150	39,746	30,935
Employee benefits	10,185	2,123	3,681	15,989	1,521
Pension	8,123	1,693	2,936	12,752	8,418
Total salaries and related expenses	348,162	72,574	125,839	546,575	408,630
Accounting and audit	-	20,849	-	20,849	25,418
AmeriCorps fee	9,500	-	-	9,500	-
Building contractors	732,219	-	-	732,219	618,519
Building materials	166,652	-	-	166,652	164,087
Consultants	20,197	-	7,885	28,082	34,050
Contributed services and supplies	167,688	42,678	-	210,366	402,982
Depreciation	4,900	-	-	4,900	4,900
Dues	15,681	-	-	15,681	14,977
Insurance	18,785	3,916	6,789	29,490	30,203
Occupancy	12,965	2,703	4,685	20,353	21,458
Office expense and supplies	10,186	2,123	3,682	15,991	19,450
Postage	1,165	243	421	1,829	2,561
Printing	2,018	421	729	3,168	1,265
Promotional expense	3,330	-	-	3,330	8,291
Telephone	4,976	1,037	1,798	7,811	6,421
Travel and conferences	9,187	1,915	3,321	14,423	16,415
Volunteer/homeowner support	41,037	-	-	41,037	43,102
Total expenses	<u>\$ 1,568,648</u>	<u>\$ 148,459</u>	<u>\$ 155,149</u>	<u>\$ 1,872,256</u>	<u>\$ 1,822,729</u>

The accompanying notes are an integral part of these financial statements.

REBUILDING TOGETHER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 - Nature of Operations

Rebuilding Together Philadelphia (the Organization) is a 501 (c) (3) charitable organization located in Philadelphia, Pennsylvania. The Organization's mission: repairing homes, revitalizing communities, rebuilding lives. Financial support comes from a variety of private and public grants and contributions and fundraising event revenue.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or 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 donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

REBUILDING TOGETHER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Contributed Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Statement of Cash Flows

The Organization utilizes the indirect method for reporting the increase or decrease in cash and equivalents. Cash equivalents, when applicable, are defined as short term, highly liquid investments with an initial maturity of three months or less.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

Income Taxes

The Organization is a not-for-profit organization exempt from 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. Accordingly, no provision for Federal or state income taxes is included in these financial statements. The Organization follows the income tax standard for uncertain tax positions. Should the tax-exempt status be challenged in the future, the Organization's last three tax years are open for examination by the IRS.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and these estimates could be material.

Property and Equipment

All acquisitions of property and equipment over \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Building Supplies Inventory

The Organization warehouses a variety of building materials, tools and supplies, the value of which is not considered to be material, and as a result, has not been recorded as an asset in the Statement of Financial Position.

**REBUILDING TOGETHER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2 - Summary of Significant Accounting Policies (continued)

Investments

The Organization presents its investments in accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-For-Profit Organizations". Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The fair values of these investments are subject to change based on the fluctuations of market values. Unrealized gains and losses are included in the change in net assets.

Deferred Grant Contract Income

Advance proceeds from government grant contracts for rehabilitation projects which are unspent at the end of a reporting period are reported as deferred revenue.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 - Lease Commitments

Effective September 1, 2013, the Organization entered into a year to year operating lease agreement for the use of its office facility and warehouse located at 4355 Orchard Street, Philadelphia, PA. Rent expense for the year ended June 30, 2019 was \$14,700.

Note 4 - Donated Services and Supplies

The Organization has recognized the following contributed services and supplies as of June 30, 2019:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Philadelphia Housing Development Corporation	Skilled labor and materials	\$ 148,359
Various	Skilled labor	15,314
Various	Building material and other supplies	4,015
Morgan, Lewis & Bockius LLP	Legal services	42,678
		<u>\$ 210,366</u>

The amount of contributed services and supplies recognized as income equals the amount expensed. Therefore, there is no resultant effect on the change in net assets.

**REBUILDING TOGETHER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 5 - Line of Credit

The Organization has available a line of credit with Univest Bank and Trust in the amount of \$500,000 which bears interest at prime plus .25% and is secured by all liquid assets and deposit accounts. There was no outstanding balance as of June 30, 2019. This line of credit is payable on demand.

Note 6 - Concentration of Credit Risk

The Organization maintains cash accounts, which, at times, may exceed federally insured limits. As of June 30, 2019, cash balances in excess of insured limits were \$432,942. Management believes that it is not exposed to any significant credit risk on its cash accounts.

Note 7 - Property and Equipment

As of June 30, 2019, property and equipment is as follows:

Ford Van	\$ 24,500
Less accumulated depreciation	<u>(9,800)</u>
Total equipment	<u>\$ 14,700</u>

Depreciation expense was \$4,900 for the year ended June 30, 2019.

The estimated useful lives were as follows:

Ford Van	5 years
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Note 8 - Fair Value Measurements

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2019.

	<u>Fair Value Measurements at June 30, 2019 Using</u>			
	<u>Assets Measured at Fair Value June 30, 2019</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Assets:				
Mutual Funds:				
Equity Mutual Fund	\$ 291,828	\$ 291,828	\$ -	\$ -
Total assets measured at fair value	<u>\$ 291,828</u>	<u>\$ 291,828</u>	<u>\$ -</u>	<u>\$ -</u>

Note 9 - Investment Income

All investment activity, such as interest, dividends and realized and unrealized capital gains are reflected in investment income as of June 30, 2019 as follows:

Interest and dividends	\$ 7,963
Net unrealized gains	<u>11,191</u>
Investment income	<u>\$ 19,154</u>

**REBUILDING TOGETHER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 10 - Board Designated as an Endowment

The Organization created a Board designated investment fund that was designed to function like an endowment. While the funds are not with donor restrictions, the Organization's by-laws and written investment spending policy limits withdrawals from the fund. It is Board policy to preserve the principal for long term purposes.

The Organization accounts for its endowment funds in accordance with FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds* now incorporated in FASB ASC 958-205. The Commonwealth of Pennsylvania has not yet adopted the provisions of UPMIFA, but the Organization is required by FASB ASC 958-205 to disclose certain matters associated with its endowment funds. Endowment funds subject to FASB ASC 958-205 include board designated net assets.

Return Objective, Risk Parameters and Spending Policy

The endowment fund is invested in a diversified mix of high quality fixed income securities, equities and corporate bonds, which are projected to produce above average real returns without exposing the portfolio to excess risk. The Organization's objective is to earn a reasonable, long-term, risk adjusted total rate of return to support its housing programs. The Organization has adopted investment policies that prioritize the safety of the investment principal above investment earnings or investment appreciation. Annual distributions from the fund can be between 0% and 4% and are at the sole discretion of the Board. Due care should be taken to preserve the principal of the endowment.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization utilizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends). The Organization established the investment allocation guideline, which allocates up to 50% to cash and cash equivalents, up to 50% to fixed income securities, and up to 70% to equities. The Organization closely monitors its investment allocation to determine its continued applicability based on the performance of the portfolio and market strategies.

Changes in endowment funds for the year ended June 30, 2019 are as follows:

Endowment net assets	
Balance at July 1, 2018	\$ 304,107
Contributions	3,350
Investment income/gains	18,365
Appropriation of endowment assets expenditure	-
Endowment net assets balance at June 30, 2019	<u>\$ 325,822</u>

Note 11 - Pension

The Organization has established a SEP-IRA retirement plan for the benefit of its employees who meet certain age and service requirements. Pension expense was \$12,752 for the year ended June 30, 2019.

**REBUILDING TOGETHER PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 12 – Net Assets with Donor Restrictions

	Balance <u>6/30/2018</u>	Additions	Released From <u>Restrictions</u>	Balance <u>6/30/2019</u>
Vo-Tech	\$ 66,927	\$ 280,000	\$ (334,455)	\$ 12,472
Block Build	58,979	145,303	(186,920)	17,362
Time Restricted	17,500	45,000	(32,500)	30,000
Asthma Reduction	91,964	68,836	(105,113)	55,687
	<u>\$ 235,370</u>	<u>\$ 539,139</u>	<u>\$ (658,988)</u>	<u>\$ 115,521</u>

The above amounts are restricted by the donor for use in future periods or programs.

Note 13 - Prior Year Information

Certain financial statements contained herein include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Note 14 - Availability and Liquidity

The following represents the Organization's current financial assets at June 30, 2019:

Cash	\$ 605,091
Grants receivable	<u>264,575</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 869,666</u>

The Organization has been able to maintain financial assets to meet approximately 5 months of operating expenses. As part of its liquidity plan, excess cash may in the future be invested in short-term investments, including money market accounts.

Note 15 - Evaluation of Subsequent Events

Management has evaluated subsequent events through November 21, 2019, the date which the financial statements were available to be issued.