Financial Statements

For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)

and
Report Thereon

RAFFA

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rebuilding Together, Inc.

We have audited the accompanying statement of financial position of Rebuilding Together, Inc. (the Organization) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's December 31, 2010 financial statements and, in our report dated September 29, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rebuilding Together, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
August 30, 2012

REBUILDING TOGETHER, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2011
(With Summarized Financial Information as of December 31, 2010)

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,245,334	$ 5,478,662
Accounts receivable	441,285	444,070
Pledges receivable, net of current portion	4,367,574	1,832,030
Prepaid expenses	152,977	131,147
Land held for sale	200,000	230,133
Other current assets	21,000	-
Total Current Assets	9,428,170	8,116,042
Investments	2,929,924	3,050,407
Long-term pledges receivable, net	3,298,890	6,652,243
Property and equipment, net	305,015	277,327
TOTAL ASSETS	$ 15,961,999	$ 18,096,019
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 366,856	$ 246,679
Capital lease obligations, current portion	6,061	10,139
Grants payable	275,143	199,556
Due to chapters	1,021,106	861,678
Deferred revenue	9,086	9,086
Deferred insurance liability	220,793	200,568
Total Current Liabilities	1,899,045	1,527,706
Deferred rent	162,989	131,406
Long-term capital lease obligation, net of current portion	27,563	-
Deferred compensation payable	265,577	239,160
TOTAL LIABILITIES	2,355,174	1,898,272
Net Assets		
Unrestricted		
Undesignated	1,041,087	1,850,043
Board designated		
Reserves	354,443	354,443
Quasi-endowment	370,895	370,895
Total Unrestricted Net Assets	1,766,425	2,575,381
Temporarily restricted	10,938,686	12,720,652
Permanently restricted	901,714	901,714
TOTAL NET ASSETS	13,606,825	16,197,747
TOTAL LIABILITIES AND NET ASSETS	$ 15,961,999	$ 18,096,019

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

REBUILDING TOGETHER, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
REVENUE AND SUPPORT					
Corporate contributions	$ 603,829	$ 4,770,473	$ -	$ 5,374,302	$ 5,496,414
Foundation contributions	639,454	1,541,358	-	2,180,812	572,659
Government contracts	1,240,438	-	-	1,240,438	1,185,069
Membership dues	739,193	-	-	739,193	603,220
Chapter fees	470,125	-	-	470,125	394,523
Individual contributions	299,788	34,483	-	334,271	215,273
Chapter insurance	297,984	-	-	297,984	311,094
Donated facilities, services and materials	106,735	43,504	-	150,239	10,413,238
National conference	107,246	-	-	107,246	126,234
Other income	28,906	-	-	28,906	45,622
Special events	28,689	-	-	28,689	42,406
Investment income	23,187	2,334	-	25,521	386,469
Net assets released from restrictions:					
Satisfaction of program restrictions	6,660,677	(6,660,677)	-	-	-
Satisfaction of time restrictions	1,513,441	(1,513,441)	-	-	-
TOTAL REVENUE AND SUPPORT	12,759,692	(1,781,966)	-	10,977,726	19,792,221
EXPENSES					
Program services	11,573,751	-	-	11,573,751	13,645,766
Supporting services:					
General and administrative	926,604	-	-	926,604	941,059
Fundraising	1,068,293	-	-	1,068,293	748,835
TOTAL EXPENSES	13,568,648	-	-	13,568,648	15,335,660
CHANGE IN NET ASSETS	(808,956)	(1,781,966)	-	(2,590,922)	4,456,561
NET ASSETS, BEGINNING OF YEAR	2,575,381	12,720,652	901,714	16,197,747	11,741,186
NET ASSETS, END OF YEAR	$ 1,766,425	$ 10,938,686	$ 901,714	$ 13,606,825	$ 16,197,747

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

REBUILDING TOGETHER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)

	Program Services	General and Administrative	Fundraising	2011 Total	2010 Total
Affiliate grants	$ 4,177,921	$ -	$ 168,500	$ 4,346,421	$ 3,917,398
Salaries	1,503,023	213,606	158,377	1,875,006	2,399,090
Donated facilities, services and materials	1,579,545	31,490	25,897	1,636,932	3,472,662
Payroll taxes and benefits	826,324	103,244	76,655	1,006,223	584,110
Living allowance	767,475	-	-	767,475	607,599
Travel	440,614	9,487	77,129	527,230	604,280
Consultants	306,320	17,024	194,404	517,748	522,206
Bookkeeping and audit	125,407	377,297	13,288	515,992	174,492
Rent	378,135	79,654	40,067	497,856	481,702
Video and promotional	212,759	392	63,632	276,783	555,983
Affiliate insurance	260,691	2,500	-	263,191	269,554
Meetings and seminars	229,716	2,380	7,196	239,292	234,739
Office equipment and maintenance	106,092	17,778	11,397	135,267	130,228
Special events	45,218	1,347	85,244	131,809	365,555
Rehabilitation projects	111,181	64	2,642	113,887	111,890
Web/database development	84,517	3,436	16,356	104,309	82,195
Miscellaneous	69,910	8,042	23,538	101,490	112,349
National conference	84,926	-	9,645	94,571	176,876
Depreciation and amortization	68,985	14,532	7,310	90,827	104,069
Telephone	69,092	5,641	11,613	86,346	75,619
Bad debt and decline in value of land	20,344	30,133	16,000	66,477	157,427
Direct mail	586	-	37,631	38,217	8,341
Printing and stationary	26,241	997	7,223	34,461	31,799
Brochures, manuals and newsletters	25,534	113	5,062	30,709	46,500
Insurance and legal	20,669	3,967	1,995	26,631	41,687
Postage and delivery	18,024	782	4,950	23,756	33,283
Office supplies	14,496	1,429	2,542	18,467	31,204
Interest expense	6	1,269	-	1,275	2,823
TOTAL EXPENSES	$ 11,573,751	$ 926,604	$ 1,068,293	$ 13,568,648	$ 15,335,660

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

REBUILDING TOGETHER, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)
Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,590,922)	$ 4,456,561
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	90,827	104,069
Net unrealized losses (gains) on investments	144,461	(257,797)
Net realized gains on investments	(100,405)	(56,131)
Impairment loss on land held for sale	30,133	113,867
Donated asset	(21,000)	-
Provision for present value of pledges	-	66,027
Provision for doubtful accounts	36,344	10,000
Change in assets and liabilities:		
Accounts receivable	2,785	(175,217)
Pledges receivable	781,465	(7,255,438)
Prepaid expenses	(21,830)	31,347
Accounts payable and accrued expenses	120,177	(27,529)
Grants payable	75,587	186,056
Due to chapters	159,428	393,487
Deferred revenue	-	(36,928)
Deferred insurance liability	20,225	21,025
Deferred rent	31,583	42,521
Deferred compensation payable	26,417	25,127
NET CASH USED IN OPERATING ACTIVITIES	(1,214,725)	(2,358,953)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,481,600	1,489,064
Purchases of investments	(1,405,173)	(1,505,623)
Purchases of property and equipment	(83,450)	(22,546)
NET CASH USED IN INVESTING ACTIVITIES	(7,023)	(39,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	(11,580)	(8,247)
NET CASH USED IN FINANCING ACTIVITIES	(11,580)	(8,247)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,233,328)	(2,406,305)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,478,662	7,884,967
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,245,334	$ 5,478,662
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 1,275	$ 1,504
Noncash investing and financing activities:		
Donated asset received	$ 21,000	$ -
Equipment acquired under capital lease	$ 35,065	$ -
Obligation incurred under capital lease	(35,065)	-
	$ -	$ -

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

1. Organization and Summary of Significant Accounting Policies

Organization

On July 11, 1988, Rebuilding Together, Inc. (the Organization) was incorporated in the District of Columbia, in order to provide an umbrella organization for the Organization's local chapters. The Organization's core mission is the repair, renovation and modification of homes occupied by low-income owners. These repairs and modifications are primarily handled by local chapters that recruit sponsors and volunteers to rehabilitate the homes of low-income homeowners, especially the elderly, veterans, the disabled and/or families with children.

The Organization gives national focus to Rebuilding Together and acts as a resource center and facilitator for start-up and established Rebuilding Together chapters. Although the Organization's role with respect to chapters evolves to meet changing needs, its principal functions are (a) to increase the visibility and recognition of the Rebuilding Together brand, (b) to provide technical assistance to chapters, (c) to provide opportunities for training and professional development to chapters, and (d) to ensure the Organization's financial stability and future sustainability. Presently, the Organization is actively engaged in the following areas: branding consistency, fundraising (through grants, national corporate sponsorships, and chapter support), national advocacy, arranging for insurance for chapters, new chapter support and training, establishing standards of excellence for chapters to provide consistency and quality of service delivery, and acting as an information clearinghouse and communication channel.

The Organization has 192 local chapters across the United States. Each local chapter is managed and governed autonomously and is its own legal entity. The Organization has no ownership or controlling interest in any of its local chapters. The combined revenue of the Organization and local chapters is approximately $52,000,000. Donations of materials and supplies and skilled and unskilled labor enabled the Organization and local chapters to deliver approximately $120,000,000 in market value work across the country in 2011.

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

The Organization considers all checking and savings accounts and highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents. Money market funds and other highly liquid investments that are part of the endowment portfolio or are board-designated net assets are considered long-term investments and are reported as investments in the accompanying statement of financial position.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments consist of equity securities, exchange-traded funds, money market funds, debt securities and certificates of deposit. Investments are recorded in the accompanying statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in money market funds held for investing purposes and investments that are part of the endowment portfolio are classified as long-term investments.

Fair Value of Financial Instruments

The Organization adopted the provisions of the *Fair Value Measurements and Disclosures* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) for financial assets and liabilities measured at fair value on a recurring basis. The ASC defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; and

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Organization's assets and liabilities that are measured at fair value on a recurring basis are presented in accordance with FASB ASC Topic *Fair Value Measurements and Disclosures* in Note 9.

Land Held for Sale

Land held for sale consists of property that was donated by an individual and is recorded at fair value. It is management's intention to sell the land when an appropriate offer is received and to use the proceeds to fund the Organization's programs.

Property and Equipment and Related and Depreciation and Amortization

Furniture and equipment are recorded at cost and depreciated over estimated useful lives of three to 40 years using the straight-line method. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining term of the lease or the useful life of the improvement. Donated property and equipment are recorded at their estimated fair value on the date of donation. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of property and equipment, the cost and accumulated depreciation or amortization are eliminated from the accounts and the resulting gain or loss is included in revenue or expense.

Classification of Net Assets

The Organization's net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations. A portion of the unrestricted net assets has been designated by the Board of Directors for specific projects or purposes.
- Temporarily restricted net assets represent funds restricted by donors for various programs or periods.
- Permanently restricted net assets represent funds in which the gift is to be held in perpetuity and only the investment earnings may be expended for the purposes designated by the donors.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

All contributions are considered 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 donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. The Organization recognizes contributions restricted by the donor as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the revenue is recognized.

Unrestricted contributions and grants are reported as revenue and support in the year in which payments are received and/or unconditional promises are made.

Membership dues and national conference registration fees are recorded as revenue and support in the year which the membership dues apply and the year in which conference is held.

The Organization has cost-reimbursable grants and contracts with U.S. government agencies. Revenue from these grants is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Direct and indirect expenses incurred, but not yet reimbursed, under these grants are reported as accounts receivable in the accompanying statement of financial position. Payments received, but not yet expended, for the purpose of the grant are reflected as deferred revenue in the accompanying statement of financial position.

Donated Facilities, Services and Materials

In-kind contributions are recognized as revenue and support and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor. In-kind contributions consist of donated public service announcements, advertising pages, contributed services, goods and facilities for the golf tournament auction, and donated products. In-kind contributions are received in support of the Organization's mission.

Grants to Chapters

The Organization awards grants to its chapters. These grants are conditional upon the availability of funds. Grants to chapters are recognized as expenses when the funds become available and the conditions have been met. Unconditional amounts awarded, but unpaid, as of the end of the year are recorded as grants payable in the accompanying financial statements.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

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

2. Pledges Receivable

Pledges receivable represent unconditional promises to give and are recorded at their net realizable value. As of December 31, 2011, the Organization's pledges receivable are as follows:

Due in less than one year	$ 4,395,667
Due in one to five years	3,348,333
Total Pledges Receivable	7,744,000
Less: Discount on Multiyear Pledges	(67,536)
Less: Allowance for Doubtful Accounts	(10,000)
Pledges Receivable, Net	$ 7,666,464

As of December 31, 2011, pledges receivable are shown at the present value of estimated future cash flows using discount rate rates that range from 0.50% to 4.25%. The discount on pledges has been computed using estimates based on available data for risk-free interest rates and the discounted prime rate adjusted for premium risk for the years in which outstanding pledges were received.

Continued

3. Investments

As of December 31, 2011, investments, at fair value, consisted of the following:

Equity securities	$ 1,907,919
Exchange-traded funds	404,307
Money market funds	258,819
Debt securities	250,923
Certificates of deposit	107,956
Total Investments	$ 2,929,924

A summary of investment income is as follows for the year ended December 31, 2011:

Net unrealized losses	$ (144,461)
Net realized gains	100,405
Interest and dividends	69,577
Total Investment Income	$ 25,551

Included in investment income in the accompanying statement of activities is $69,577 of interest earned on cash and cash equivalents for the year ended December 31, 2011. Included in miscellaneous expenses in the accompanying statement of functional expenses are investment management fees of $34,495 for the year ended December 31, 2011.

4. Property and Equipment and Related Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2011:

Furniture and equipment	$ 579,127
Leasehold improvements	79,913
Total Property and Equipment	659,040
Less: Accumulated Depreciation and Amortization	(354,025)
Property and Equipment, Net	$ 305,015

Depreciation and amortization expense totaled $90,827 for the year ended December 31, 2011.

Continued

5. Deferred Compensation Plan

The Organization established the Rebuilding Together Executive Deferred Compensation Plan (the Compensation Plan), effective January 1, 2001, for certain key employees. The Compensation Plan is intended to be an unfunded deferred compensation plan governed by Section 457(f) of the Internal Revenue Code. The Organization has established a rabbi trust to accumulate assets in order to meet obligations under the Compensation Plan. The Compensation Plan requires the Organization to make monthly contributions at a rate of 12% of each participant's monthly salary. Participants are fully vested at the earlier of the vesting date, as defined for each participant in the agreement (which began on December 31, 2009), or the participant's termination or death. The total deferred compensation expense of $26,417 is included in payroll taxes and benefits in the accompanying statement of functional expenses for the year ended December 31, 2011.

6. Program Services

For the year ended December 31, 2011, the Organization had expenditures for the following program services:

Affiliate relations	$ 5,136,954
Veterans' housing	3,720,430
Capacity Corps	1,422,854
Safe at Home	921,115
Gulf Coast operations	204,887
Green housing	167,511
Total Program Services	$ 11,573,751

7. Net Assets

Board-Designated Unrestricted Net Assets

The Organization's Board of Directors has resolved to set aside certain amounts for the expansion of the Organization's and local chapters' programs and for support of the insurance program. The Board of Directors has designated unrestricted net assets of $725,338, of which $370,895 is to remain invested intact, and the interest is to be used to award grants to the Organization's local chapters and to support building operations and new program development. The insurance program will permit the Organization to assume some of the risk in anticipation of higher deductibles for the insurance program.

Continued

7. Net Assets (continued)

Temporarily Restricted Net Assets

As of December 31, 2011, temporarily restricted net assets were restricted by time or were available for housing projects and other purposes, as stated below:

Time restrictions – Change the World, Start at Home	$ 5,427,135
Purpose restrictions:	
Veterans' housing	2,982,057
General mission/rehabilitation	2,302,929
Green housing	163,697
Gulf Coast operations	58,200
Total Purpose Restrictions	5,506,883
Total Temporarily Restricted Net Assets	$ 10,934,018

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. For the year ended December 31, 2011, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
Veterans' housing	$ 3,821,722
General mission/rehabilitation	2,244,390
Safe at Home	293,359
Green housing	143,963
Gulf Coast operations	105,033
Endowment spending for operations	52,210
Total Released from Purpose Restrictions	6,660,677
Lapse of time restrictions – Change the World, Start at Home	1,513,441
Total Released from Restrictions	$ 8,174,118

Continued

7. Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following as of December 31, 2011:

Spread the Spirit Fund	$ 228,547
Tagliabue Rebuild America Fund	215,159
Booz Allen Hamilton Exemplary Management Fund	100,000
Simon/Affiliate Development Fund	60,789
Whitaker Fund	51,550
Nordberg Fellowship	50,200
Program endowment	48,450
Fund for Predictable Excellence	40,229
Unity of Purpose Fund	35,800
George Michael and Pat Lackman Building Endowment	28,500
The Angel Fund	19,650
The Lois Beers Fellowship	15,675
The Carolyn L. Morgan Fund	5,165
Building endowment	2,000
Total Permanently Restricted Net Assets	$ 901,714

8. Endowment Funds

Endowment Funds

The Organization's endowment consists primarily of individual donor-restricted funds established for a variety of purposes. In addition, there are funds that are internally designated by the Board of Directors and held in reserve to support future years' operations, to provide a resource for unexpected downturns and to support the Organization's affiliate network. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization's Board of Directors has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the

Continued

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

As of December 31, 2011, the Organization's endowment had the following net asset composition:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 31,822	$ 901,714	$ 933,536
Board-designated quasi-endowment	370,895	-	-	370,895
Total Funds	$ 370,895	$ 31,822	$ 901,714	$ 1,304,431

8. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

For the year ended December 31, 2011, the endowment funds had the following activity:

	Board-Designated Quasi-Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 370,895	$ 86,366	$ 901,714	$ 1,358,975
Investment return:				
Investment income, net of fees	3,579	4,449	-	8,028
Net appreciation (realized and unrealized)	(5,456)	(6,783)	-	(12,239)
Total Investment Return	(1,887)	(2,334)	-	(4,211)
Appropriated	1,877	(52,210)	-	(50,333)
Endowment net assets, end of year	$ 370,895	$ 31,882	$ 901,714	$ 1,304,431

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2011.

Investment Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended, net of spending, to grow the endowment fund at the rate of inflation over a seven- to ten-year horizon. Actual returns in any given year may vary from this amount.

Continued

8. Endowment Funds (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the investment strategy emphasizes total return, in which investment returns are achieved through both capital appreciation (realized and unrealized), and current yield (interest and dividends). The Organization's current asset allocation for board-designated and endowment funds targets a composition of 10% fixed income and 90% equities.

Spending Policy

The Organization allocates the investment income generated by the endowment funds each year based on the endowment's purpose, which is based on the donors' requests. On an annual basis during the budget process, the Board of Directors determines the distribution of the return on board-designated endowment funds and any transfer of funds from the Organization's operating budget.

9. Fair Value Measurements

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of December 31, 2011:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Equity securities:				
Information technology	$ 325,024	$ 325,024	$ -	$ -
Financial	240,452	240,452	-	-
Health care	266,160	266,160	-	-
Consumer discretionary	240,988	240,988	-	-
Industrials	231,082	231,082	-	-
Energy	209,402	209,402	-	-
Consumer staples	146,249	146,249	-	-
Other	248,562	248,562	-	-
Total Equity Securities	1,907,919	1,907,919	-	-

Continued

9. Fair Value Measurements (continued)

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Exchange-traded funds:				
Fixed income	$ 219,037	$ 219,037	$ -	$ -
Natural resources	87,134	87,134	-	-
Real estate	98,136	98,136	-	-
Total Exchange-Traded Funds	404,307	404,307	-	-
Money market funds	258,819	258,819	-	-
Debt securities:				
U.S. Treasury securities	68,277	-	68,277	-
Residential mortgaged backed	174,614	-	174,614	-
Others	8,032	-	8,032	-
Total Debt Securities	250,923	-	250,923	-
Certificates of deposit	107,956	-	107,956	-
Total Investments	2,929,924	2,571,045	358,879	-
Land held for sale	200,000	-	-	200,000
Total Assets at Fair Value	$ 3,129,924	$ 5,022,537	$ 358,879	$ 200,000

The Organization used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Money market funds, equity securities and exchange-traded funds – Consist of funds that are traded on a major exchange. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

Debt securities and certificates of deposit – Consist of securities with fixed maturities that generally do not trade on a daily basis and are based on observable market information, rather than market quotes. Accordingly, the estimates of fair value for such fixed-maturity investments, as provided by the pricing service, are included in the amount disclosed in Level 2 of the fair value hierarchy (market valuation approach).

9. Fair Value Measurements (continued)

Land held for sale – Consists of property that was donated by an individual in December 2005. The land is valued based on an assessment by a local government, less the estimated cost to sell the property. The amount includes unobservable inputs. Inputs into the determination of fair value are based upon the best information in the circumstances and may require significant judgment by management.

A roll forward of the fair value measurements using unobservable inputs (Level 3) is as follows as of December 31, 2011:

Fair value, January 1, 2011	$ 230,133
Change in value	(30,133)
Fair value, December 31, 2011	$ 200,000

The change in value represents an unrealized loss that is included in general and administrative expenses in the accompanying statement of activities.

10. Donated Facilities, Services and Materials

The Organization records all donated facilities, services and materials at their fair value at the date of donation. The value of the donated facilities, services and materials included in the accompanying statements of activities and functional expenses are as follows for the year ended December 31, 2011:

Publicity and advertising	$ 84,752
Donated automobile	21,000
Contributed professional services	44,487
Total Donated Facilities, Services and Materials	$ 150,239

11. Commitments and Risks

Office Lease

The Organization leases office and storage space under a noncancelable operating lease that is scheduled to expire on November 30, 2018. Under the terms of the lease, the base rent increases annually on an incremental basis. The lease provides for a lease abatement equivalent to 50% of the first and second monthly fixed rent payments following the commencement date, totaling $35,623. Under GAAP, all rental payments, including fixed rent

Continued

11. Commitments and Risks (continued)

Office Lease (continued)

increases and rented abatements, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position. In addition to the base rent, the Organization pays for its proportionate share of real estate taxes and certain other operating costs. Rent expense totaled $497,856 for the year ended December 31, 2011.

As of December 31, 2011, future minimum lease payments under this lease are as follows:

For the Year Ending December 31,	
2012	$ 461,401
2013	473,803
2014	494,970
2015	507,315
2016	519,966
Thereafter	1,032,680
Total	$ 3,490,135

Capital Lease

The Organization entered into an agreement to lease office equipment. Under the lease agreement, payments are due each month, through October 3, 2016. As of December 31, 2011, the cost of the capitalized equipment and the related accumulated amortization amounted to $35,065 and $1,461, respectively. Future minimum lease payments under this capital lease totaled $40,527 as of December 31, 2011.

Concentration of Risks

The Organization maintains its cash and cash equivalents with a certain commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2011, the Organization had $1,845,898 composed of demand deposits (excluding noninterest-bearing transaction accounts, which are fully insured regardless of their balance), savings and money market accounts, and certificates of deposit, which exceeded the maximum limit insured by the FDIC by approximately $1,595,898. The Organization monitors the creditworthiness of this institution and has not experienced any credit losses on its cash and cash equivalents.

11. Commitments and Risks (continued)

Office of Management and Budget Circular A-133 Audit

The Organization has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2011, in compliance with Circular A-133, issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or pass-through agencies of the independent auditor's reports for the calendar year 2011, will not have a material effect on the Organization's financial position as of December 31, 2011, or its results of operations for the year then ended.

12. Chapter Insurance

The Organization provides an administrative service on behalf of its local chapters by processing individual chapter's general liability/volunteer insurance applications. The individual chapters are invoiced for their insurance premiums by the Organization, and the local chapters pay the Organization their insurance policy premiums and an administrative fee. Chapter insurance revenue is recorded when the Organization receives payment from the local chapters. The chapter insurance expense is recorded when the Organization pays the quarterly insurance bills to the appropriate vendors. For the year ended December 31, 2011, chapter insurance revenues and expenses totaled $297,984 (of which $34,793 represents administrative processing revenue), and $263,191, respectively.

13. Chapter Pass-Through

The Organization receives certain contributions on behalf of its local chapters. These contributions are designated by donors for specified local chapters. The total contributions received on behalf of the local chapters totaled $2,623,177 for the year ended December 31, 2011. The Organization does not have the variance power to redirect these funds to other grantees. Accordingly, the Organization's contributions are recorded as assets and liabilities in the accompanying financial statements. As of December 31, 2011, $1,021,106 is reflected as due to chapters in the accompanying statement of financial position, representing amounts not yet remitted to the chapters.

Continued

14. Retirement Plan

The Organization's employees are eligible to participate in the Rebuilding Together, Inc. Defined Contribution Employee Pension Plan (the Plan). Employees can make voluntary tax-deferred contributions within specified limits. Effective April 6, 2009, the Organization's contributions were decreased from 5% to 3% of each participant's salary. The Plan was established under the provisions of Internal Revenue Code Section 403(b). The Organization's contribution to the Plan was $107,631 for the year ended December 31, 2011, which is included in payroll taxes and benefits on the accompanying statement of functional expenses.

15. Income Taxes

The Organization is exempt from the payment of income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to tax only on its net unrelated business income. For the year ended December 31, 2011, no provision for income taxes was required, as the Organization had no significant net unrelated business income.

The Organization adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes.* These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2011, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2011, the statute of limitations for tax years 2008 through 2010 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2011, the Organization had no accrual for interest and/or penalties.

16. Summarized Prior Year Financial Information

The financial statements include certain 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was prepared.

Continued

17. Reclassification

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

18. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 30, 2012, the date the financial statements were available to be issued. There were no subsequent events identified through August 30, 2012, that were required to be disclosed in the financial statements.