Financial Statements

For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

and
Report Thereon

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rebuilding Together, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Rebuilding Together, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows 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

Our responsibility is to express an opinion on these financial statements based on our audits. 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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012, 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.

Continued

Other Matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
July 17, 2013

REBUILDING TOGETHER, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With Summarized Financial Information as of December 31, 2011)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,948,749	$ 4,245,334
Accounts receivable	363,214	441,285
Pledges receivable, current portion	8,986,683	4,367,574
Prepaid expenses	149,225	152,977
Land held for sale	200,000	200,000
Other current assets	-	21,000
Total Current Assets	11,647,871	9,428,170
Investments	3,391,361	2,929,924
Long-term pledges receivable, net	944,453	3,298,890
Property and equipment, net	246,542	305,015
TOTAL ASSETS	$ 16,230,227	$ 15,961,999
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 350,770	$ 366,856
Capital lease obligations, current portion	6,564	6,061
Grants payable	152,750	275,143
Due to chapters	662,059	1,021,106
Deferred revenue	9,086	9,086
Deferred insurance liability	251,500	220,793
Total Current Liabilities	1,432,729	1,899,045
Long-term capital lease obligation, net of current portion	20,999	27,563
Deferred rent	183,337	162,989
Deferred compensation payable	293,760	265,577
TOTAL LIABILITIES	1,930,825	2,355,174
Net Assets		
Unrestricted		
Undesignated	398,347	1,041,087
Board designated		
Reserves	354,443	354,443
Quasi-endowment	370,895	370,895
Total Unrestricted Net Assets	1,123,685	1,766,425
Temporarily restricted	12,274,003	10,938,686
Permanently restricted	901,714	901,714
TOTAL NET ASSETS	14,299,402	13,606,825
TOTAL LIABILITIES AND NET ASSETS	$ 16,230,227	$ 15,961,999

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

REBUILDING TOGETHER, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
REVENUE AND SUPPORT					
Donated facilities, services and materials	$ 3,995	$ 8,004,088	$ -	$ 8,008,083	$ 150,239
Corporate contributions	130,285	5,123,624	-	5,253,909	5,374,302
Foundation contributions	267,123	3,336,512	-	3,603,635	2,180,812
Membership dues	827,015	-	-	827,015	739,193
Government contracts	737,619	-	-	737,619	1,240,438
Chapter fees	632,500	-	-	632,500	470,125
Individual contributions	121,265	261,096	-	382,361	334,271
Investment income	267,601	59,479	-	327,080	25,521
Chapter insurance	286,391	-	-	286,391	297,984
National conference	134,912	-	-	134,912	107,246
Other income	7,025	14,029	-	21,054	28,906
Special events	20,915	-	-	20,915	28,689
Net assets released from restrictions:					
Satisfaction of program restrictions	7,529,726	(7,529,726)	-	-	-
Satisfaction of time restrictions	7,933,785	(7,933,785)	-	-	-
TOTAL REVENUE AND SUPPORT	18,900,157	1,335,317	-	20,235,474	10,977,726
EXPENSES					
Program services	17,918,123	-	-	17,918,123	11,573,751
Supporting services:					
General and administrative	810,164	-	-	810,164	926,604
Fundraising	814,610	-	-	814,610	1,068,293
TOTAL EXPENSES	19,542,897	-	-	19,542,897	13,568,648
CHANGE IN NET ASSETS	(642,740)	1,335,317	-	692,577	(2,590,922)
NET ASSETS, BEGINNING OF YEAR	1,766,425	10,938,686	901,714	13,606,825	16,197,747
NET ASSETS, END OF YEAR	$ 1,123,685	$ 12,274,003	$ 901,714	$ 14,299,402	$ 13,606,825

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

REBUILDING TOGETHER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Program Services					Supporting Services			
	Safe and Healthy Housing/ Affiliate Relations	Capacity Corps	Veterans Housing	Disaster Relief	Program Services	General and Administrative	Fundraising	2012 Total	2011 Total
Donated facilities, services and materials	$ 7,578,102	$ 2,265	$ 240	$ -	$ 7,580,607	$ 69	$ 2,532	$ 7,583,208	$ 1,636,932
Affiliate grants	2,167,579	-	1,754,572	70,000	3,992,151	8,700	176,500	4,177,351	4,346,421
Salaries	1,153,044	157,786	403,802	8,598	1,723,230	245,756	171,220	2,140,206	1,875,006
Volunteer stipends	-	740,650	-	-	740,650	-	-	740,650	1,006,223
Payroll taxes and benefits	426,151	215,252	148,640	3,164	793,207	72,958	63,602	929,767	767,475
Consultants	91,030	70	-	-	91,100	676,892	46,928	814,920	1,033,740
Rent	-	-	-	-	-	496,923	-	496,923	497,856
Travel	262,272	16,901	40,089	4,709	323,971	54,804	39,703	418,478	527,230
Special events	68,395	-	52,806	75,000	196,201	603	105,220	302,024	131,809
Meetings and seminars	90,542	151,950	1,189	2,055	245,736	39,542	6,368	291,646	239,292
Affiliate insurance	259,282	-	3,845	-	263,127	-	-	263,127	263,191
Video and promotional	184,505	938	28,080	4,897	218,420	-	32,780	251,200	276,783
National conference	150,406	1,728	1,435	-	153,569	432	13,667	167,668	94,571
Bad debt	31,231	-	-	-	31,231	127,444	-	158,675	66,477
Office equipment and maintenance	10,055	2,105	-	-	12,160	118,348	3,527	134,035	135,267
Web/database development	75,432	6,490	-	-	81,922	20,154	11,981	114,057	104,309
Rehabilitation projects	49,882	-	49,930	-	99,812	-	6,836	106,648	113,887
Telephone	21,547	1,297	616	-	23,460	57,184	1,727	82,371	86,346
Depreciation and amortization	-	-	-	-	-	81,616	-	81,616	90,827
Printing and stationery	30,298	2,525	1,225	27	34,075	9,066	14,092	57,233	34,461
Insurance and legal	104	-	-	-	104	29,693	7,114	36,911	26,631
Brochures, manuals and newsletters	17,326	852	73	-	18,251	678	10,680	29,609	30,709
Postage and delivery	10,357	1,371	716	95	12,539	3,135	4,599	20,273	23,756
Office supplies	6,536	916	65	-	7,517	8,660	780	16,957	18,467
Interest expense	-	-	-	-	-	2,471	711	3,182	1,275
Direct mail	-	-	-	-	-	-	1,704	1,704	38,217
Miscellaneous	23,383	19,297	1,381	1,490	45,551	72,274	4,633	122,458	101,490
General and administrative allocation	756,597	68,568	389,382	14,985	1,229,532	(1,317,238)	87,706	-	-
TOTAL EXPENSES	$ 13,464,056	$ 1,390,961	$ 2,878,086	$ 185,020	$ 17,918,123	$ 810,164	$ 814,610	$ 19,542,897	$ 13,568,648

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

REBUILDING TOGETHER, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)
Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 692,577	$ (2,590,922)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	81,616	90,827
Net unrealized losses (gains) on investments	(182,012)	144,461
Net realized gains on investments	(80,378)	(100,405)
Impairment loss on land held for sale	-	30,133
Donated asset	-	(21,000)
Provision for doubtful accounts	158,675	36,344
Change in assets and liabilities:		
Accounts receivable	78,071	2,785
Pledges receivable	(2,423,347)	781,465
Prepaid expenses	3,752	(21,830)
Other current assets	21,000	-
Accounts payable and accrued expenses	(16,086)	120,177
Grants payable	(122,393)	75,587
Due to chapters	(359,047)	159,428
Deferred insurance liability	30,707	20,225
Deferred rent	20,348	31,583
Deferred compensation payable	28,183	26,417
NET CASH USED IN OPERATING ACTIVITIES	(2,068,334)	(1,214,725)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,076,525	1,481,600
Purchases of investments	(1,275,572)	(1,405,173)
Purchases of property and equipment	(23,143)	(83,450)
NET CASH USED IN INVESTING ACTIVITIES	(222,190)	(7,023)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	(6,061)	(11,580)
NET CASH USED IN FINANCING ACTIVITIES	(6,061)	(11,580)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,296,585)	(1,233,328)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,245,334	5,478,662
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,948,749	$ 4,245,334
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 3,182	$ 1,275
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

Rebuilding Together, Inc. (the Organization) was incorporated on July 11, 1988 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 187 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 $40,000,000. Donations of materials and supplies and skilled and unskilled labor enabled the Organization and local chapters to deliver approximately $92,000,000 in market value work across the country in 2012.

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 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 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)

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.

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 (GAAP) 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.

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

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 8.

Continued

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

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 ten 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 the 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.

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.

Continued

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

Revenue Recognition (continued)

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.

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.

Continued

2. Pledges Receivable

Pledges receivable represent unconditional promises to give and are recorded at net realizable value. As of December 31, 2012, the Organization's pledges receivable are as follows:

Due in less than one year	$ 9,050,422
Due in one to five years	1,000,000
Total Pledges Receivable	10,050,422
Less: Discount on Multiyear Pledges	(109,286)
Less: Allowance for Doubtful Accounts	(10,000)
Pledges Receivable, Net	$ 9,931,136

As of December 31, 2012, pledges receivable are shown at the present value of estimated future cash flows using discount rate rates that range from 0.50% to 2.32%. 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.

3. Investments

As of December 31, 2012, investments, at fair value, consisted of the following:

Equity securities	$ 2,130,475
Money market funds	471,096
Exchange-traded funds	423,120
Debt securities	258,173
Certificates of deposit	108,497
Total Investments	$ 3,391,361

A summary of investment income is as follows for the year ended December 31, 2012:

Net unrealized gains	$ 182,012
Net realized gains	80,378
Interest and dividends	64,690
Total Investment Income	$ 327,080

Included in investment income in the accompanying statement of activities is $1,127 of interest earned on cash and cash equivalents for the year ended December 31, 2012. Included in miscellaneous expenses in the accompanying statement of functional expenses are investment management fees totaling of $36,055 for the year ended December 31, 2012.

Continued

4. Property and Equipment and Related Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2012:

Furniture and equipment	$ 579,126
Software	22,066
Leasehold improvements	79,913
Total Property and Equipment	681,105
Less: Accumulated Depreciation and Amortization	(434,563)
Property and Equipment, Net	$ 246,542

Depreciation and amortization expense totaled $81,616 for the year ended December 31, 2012.

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 $28,189 is included in payroll taxes and benefits in the accompanying statement of functional expenses for the year ended December 31, 2012.

6. 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

6. Net Assets (continued)

Temporarily Restricted Net Assets

As of December 31, 2012, temporarily restricted net assets were restricted by time or were available for housing projects and other purposes, as stated below:

Purpose restrictions:	
General mission/rehabilitation	$ 3,177,076
Veterans' housing	2,248,279
Disaster relief	616,777
Green housing	386,154
Safe at Home	267,399
Accumulated endowment fund earnings	66,402
Total Purpose Restrictions	6,762,087
Time restrictions – Change the World, Start at Home	5,511,916
Total Temporarily Restricted Net Assets	$ 12,274,003

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. For the year ended December 31, 2012, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
General mission/rehabilitation	$ 3,957,859
Veterans' housing	2,928,079
Safe at Home	265,801
Green housing	214,938
Disaster relief	138,150
Endowment spending for operations	24,899
Total Released from Purpose Restrictions	7,529,726
Lapse of time restrictions – Change the World, Start at Home	7,933,785
Total Released from Restrictions	$ 15,463,511

Continued

6. Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following as of December 31, 2012:

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

7. 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 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

Continued

7. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

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, 2012, the Organization's endowment had the following net asset composition:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 66,402	$ 901,714	$ 968,116
Board-designated quasi-endowment	370,895	-	-	370,895
Total Funds	$ 370,895	$ 66,402	$ 901,714	$ 1,339,011

Continued

7. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

For the year ended December 31, 2012, the endowment funds had the following activity:

	Board-Designated Quasi-Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 370,895	$ 31,822	$ 901,714	$ 1,304,431
Investment return:				
Investment income, net of fees	2,065	11,599	-	13,664
Net appreciation (realized and unrealized)	19,694	47,880	-	67,574
Total Investment Return	21,759	59,479	-	81,238
Appropriated	(21,759)	(24,899)	-	(46,658)
Endowment net assets, end of year	$ 370,895	$ 66,402	$ 901,714	$ 1,339,011

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, 2012.

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

7. 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.

8. Fair Value Measurements

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of December 31, 2012:

	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	$ 366,677	$ 366,677	$ -	$ -
Financial	312,892	312,892	-	-
Health care	269,842	269,842	-	-
Consumer discretionary	306,005	306,005	-	-
Industrials	275,382	275,382	-	-
Energy	184,125	184,125	-	-
Consumer staples	168,639	168,639	-	-
Utilities	74,431	74,431	-	-
Materials	63,483	63,483	-	-
Telecommunication services	33,897	33,897	-	-
Other	75,102	75,102	-	-
Total Equity Securities	2,130,475	2,130,475	-	-

Continued

8. 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 (continued):				
Money market funds	$ 471,096	$ 471,096	$ -	$ -
Exchange-traded funds:				
Fixed income	224,285	224,285	-	-
Real estate	111,334	111,334	-	-
Natural resources	87,501	87,501	-	-
Total Exchange-Traded Funds	423,120	423,120	-	-
Debt securities:				
Residential mortgaged backed	178,724	-	178,724	-
U.S. Treasury securities	79,449	-	79,449	-
Total Debt Securities	258,173	-	258,173	-
Certificates of deposit	108,497	-	108,497	-
Total Investments	3,391,361	3,024,691	366,670	-
Land held for sale	200,000	-	-	200,000
Total Assets at Fair Value	$ 3,591,361	$ 3,024,691	$ 366,670	$ 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).

Continued

8. 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.

During the year ended December 31, 2012, the fair value measurement using unobservable inputs (Level 3) did not change in value.

9. 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 functional expenses are as follows for the year ended December 31, 2012:

Publicity and advertising	$ 7,575,056
Contributed professional services	8,152
Total Donated Facilities, Services and Materials	$ 7,583,208

10. 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 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 $496,923 for the year ended December 31, 2012.

Continued

10. Commitments and Risks (continued)

Office Lease (continued)

As of December 31, 2012, future minimum lease payments under this lease are as follows:

For the Year Ending December 31,	
2013	$ 473,803
2014	494,970
2015	507,315
2016	519,966
2017	532,996
Thereafter	496,684
Total	$ 3,025,734

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, 2012, the cost of the capitalized equipment and the related accumulated amortization totaled $35,065 and $9,181, respectively. Future minimum lease payments under this capital lease totaled $27,563 as of December 31, 2012.

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, 2012, 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 2012, will not have a material effect on the Organization's financial position as of December 31, 2012, or its results of operations for the year then ended.

11. 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

Continued

11. Chapter Insurance (continued)

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, 2012, chapter insurance revenues and expenses totaled $286,391 (of which $23,264 represents administrative processing revenue), and $263,127, respectively.

12. 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 $944,142 for the year ended December 31, 2012. The Organization does not have the variance power to redirect these funds to other grantees. Accordingly, the contributions received on behalf of chapters have been recorded as assets and liabilities in the accompanying financial statements. As of December 31, 2012, $662,059 is reflected as due to chapters in the accompanying statement of financial position, representing amounts not yet remitted to the chapters.

13. 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 $115,532 for the year ended December 31, 2012, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

14. 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, 2012, 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, 2012,

Continued

14. Income Taxes (continued)

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, 2012, the statute of limitations for tax years 2009 through 2011 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, 2012, the Organization had no accrual for interest and/or penalties.

15. 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, 2011, from which the summarized information was prepared.

16. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 17, 2013, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.