



## **Financial Statements**

*For the Year Ended December 31, 2013*

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



**and  
Report Thereon**



**Reports Required in Accordance with Office of  
Management and Budget Circular A-133**

*For the Year Ended December 31, 2013*



**REBUILDING TOGETHER, INC.**

**TABLE OF CONTENTS**  
**For the Year Ended December 31, 2013**

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	<b>Page</b>
Independent Auditor's Report .....	1-2
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	6
Notes to Financial Statements .....	7-22
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	23-24
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	25-26
Schedule of Expenditures of Federal Awards .....	27
Notes to Schedule of Expenditures of Federal Awards .....	28
Schedule of Findings and Questioned Costs .....	29-30



*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, 2013, 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 audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2013, 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.

## **Other Matters**

### *Report on Summarized Comparative Information*

We have previously audited the Organization's 2012 financial statements, and our report dated July 17, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Report on Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Raffa, P.C.

Washington, DC  
August 7, 2014

**REBUILDING TOGETHER, INC.**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2013**

**(With Summarized Financial Information as of December 31, 2012)**

	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 459,683	\$ 1,948,749
Accounts receivable	424,817	363,214
Pledges receivable, current portion	2,325,306	8,986,683
Prepaid expenses	205,025	149,225
Land held for sale	200,000	200,000
Total Current Assets	3,614,831	11,647,871
Investments	4,365,792	3,391,361
Long-term pledges receivable, net	466,823	944,453
Property and equipment, net	182,536	246,542
<b>TOTAL ASSETS</b>	<b>\$ 8,629,982</b>	<b>\$ 16,230,227</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 506,820	\$ 350,770
Capital lease obligations, current portion	7,109	6,564
Grants payable	1,133,416	152,750
Due to chapters	727,895	662,059
Deferred revenue	9,086	9,086
Deferred insurance liability	270,100	251,500
Total Current Liabilities	2,654,426	1,432,729
Long-term capital lease obligation, net of current portion	13,890	20,999
Deferred rent	190,401	183,337
Deferred compensation payable	324,752	293,760
<b>TOTAL LIABILITIES</b>	<b>3,183,469</b>	<b>1,930,825</b>
Net Assets		
Unrestricted		
Undesignated (Deficit)	(402,579)	398,347
Board designated		
Reserves	354,443	354,443
Quasi-endowment	370,895	370,895
Total Unrestricted Net Assets	322,759	1,123,685
Temporarily restricted	4,222,040	12,274,003
Permanently restricted	901,714	901,714
<b>TOTAL NET ASSETS</b>	<b>5,446,513</b>	<b>14,299,402</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,629,982</b>	<b>\$ 16,230,227</b>

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

**REBUILDING TOGETHER, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2013**  
**(With Summarized Financial Information for the Year Ended December 31, 2012)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
<b>REVENUE AND SUPPORT</b>					
Donated goods and services	\$ 5,638,796	\$ -	\$ -	\$ 5,638,796	\$ 8,008,083
Corporate contributions	299,248	4,140,213	-	4,439,461	5,253,909
Foundation contributions	85,020	4,147,790	-	4,232,810	3,603,635
Membership dues	869,452	-	-	869,452	827,015
Government contracts	727,583	-	-	727,583	737,619
Investment income	403,847	103,077	-	506,924	327,080
Chapter fees	498,750	-	-	498,750	632,500
Individual contributions	217,652	155,316	-	372,968	382,361
Chapter insurance	301,787	-	-	301,787	286,391
National conference	86,302	5,889	-	92,191	134,912
Other income	25,773	31,590	-	57,363	21,054
Special events	-	-	-	-	20,915
Net assets released from restrictions:					
Satisfaction of program restrictions	11,123,922	(11,123,922)	-	-	-
Satisfaction of time restrictions	5,511,916	(5,511,916)	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>25,790,048</b>	<b>(8,051,963)</b>	<b>-</b>	<b>17,738,085</b>	<b>20,235,474</b>
<b>EXPENSES</b>					
Program services	25,093,441	-	-	25,093,441	17,918,123
Supporting services:					
General and administrative	634,137	-	-	634,137	810,164
Fundraising	863,396	-	-	863,396	814,610
<b>TOTAL EXPENSES</b>	<b>26,590,974</b>	<b>-</b>	<b>-</b>	<b>26,590,974</b>	<b>19,542,897</b>
<b>CHANGE IN NET ASSETS</b>	<b>(800,926)</b>	<b>(8,051,963)</b>	<b>-</b>	<b>(8,852,889)</b>	<b>692,577</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,123,685</b>	<b>12,274,003</b>	<b>901,714</b>	<b>14,299,402</b>	<b>13,606,825</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 322,759</b>	<b>\$ 4,222,040</b>	<b>\$ 901,714</b>	<b>\$ 5,446,513</b>	<b>\$ 14,299,402</b>

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

REBUILDING TOGETHER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2013  
(With Summarized Financial Information for the Year Ended December 31, 2012)

	Program Services						Supporting Services			2013 Total	2012 Total
	Safe and Healthy Housing/ Affiliate Relations	Disaster Relief	Veterans Housing	Capacity Corps	Green Housing	Safe at Home	Program Services	Fundraising	General and Administrative		
Donated goods and services	\$ 11,503,936	\$ 2,957	\$ -	\$ -	\$ -	\$ -	\$ 11,506,893	\$ -	\$ -	\$ 11,506,893	\$ 7,583,208
Affiliate grants	1,652,100	2,814,858	1,358,365	-	371,480	344,000	6,540,803	271,000	-	6,811,803	4,177,351
Salaries	984,280	154,286	215,484	128,814	87,526	68,628	1,639,018	143,344	409,368	2,191,730	2,140,206
Consultants	151,977	23,419	56,235	-	2,766	33,603	268,000	39,341	941,386	1,248,727	814,920
Payroll taxes and benefits	462,056	70,169	98,002	280,400	25,401	31,290	967,318	65,193	62,326	1,094,837	929,767
Living allowance	-	-	-	744,078	-	-	744,078	-	-	744,078	740,650
Rent/moving expenses	-	-	-	-	-	-	-	-	502,538	502,538	496,923
Travel	203,497	54,148	13,950	35,152	21,134	7,352	335,233	66,332	36,963	438,528	418,478
Rehabilitation projects	326,475	1,216	18,823	-	7,619	-	354,133	9,307	-	363,440	106,648
Video and promotional	137,090	43,919	11,623	9,882	15,698	7,539	225,751	44,042	549	270,342	251,200
Affiliate insurance	237,805	-	-	258	-	-	238,063	-	-	238,063	263,127
Meetings and seminars	75,758	2,460	60	107,197	12,196	3,742	201,413	7,324	20,489	229,226	291,646
Special events	51,116	60,195	53,933	-	-	262	165,506	51,561	1,151	218,218	302,024
National conference	173,416	125	-	-	-	6,546	180,087	975	-	181,062	167,668
Web/database development	39,642	-	-	3,563	1,800	-	45,005	28,773	21,260	95,038	114,057
Miscellaneous	4,504	1,078	62	8,610	-	-	14,254	6,989	70,507	91,750	122,458
Office equipment and maintenance	28,826	-	201	3,461	-	2,395	34,883	-	60,076	94,959	134,035
Depreciation and amortization	-	-	-	-	-	-	-	-	64,006	64,006	81,616
Telephone	1,795	279	302	350	279	290	3,295	284	50,086	53,665	82,371
Bad debt	-	-	-	-	-	-	-	-	47,097	47,097	158,675
Insurance and legal	-	-	-	-	-	-	-	5,773	24,128	29,901	36,911
Printing and stationary	10,693	635	28	2,571	14	411	14,352	7,087	7,437	28,876	57,233
Office supplies	6,025	45	41	1,479	455	108	8,153	312	10,435	18,900	16,957
Postage and delivery	5,061	252	268	1,672	256	121	7,630	6,024	1,398	15,052	20,273
Brochures, manuals and newsletters	6,055	-	-	1,559	-	1,747	9,361	439	175	9,975	29,609
Interest expense	-	-	-	-	-	-	-	248	2,022	2,270	3,182
Direct mail	-	-	-	-	-	-	-	-	-	-	1,704
General and administrative allocation	648,279	453,757	259,950	87,404	69,404	71,418	1,590,212	109,048	(1,699,260)	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 16,710,386</b>	<b>\$ 3,683,798</b>	<b>\$ 2,087,327</b>	<b>\$ 1,416,450</b>	<b>\$ 616,028</b>	<b>\$ 579,452</b>	<b>\$ 25,093,441</b>	<b>\$ 863,396</b>	<b>\$ 634,137</b>	<b>\$ 26,590,974</b>	<b>\$ 19,542,897</b>

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

**REBUILDING TOGETHER, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2013**

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

**Increase (Decrease) in Cash and Cash Equivalents**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (8,852,889)	\$ 692,577
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	64,006	81,616
Net unrealized losses (gains) on investments	387,136	(182,012)
Net realized gains on investments	(798,315)	(80,378)
Provision for doubtful accounts	47,097	158,675
Change in assets and liabilities:		
Accounts receivable	(61,603)	78,071
Pledges receivable	7,091,910	(2,423,347)
Prepaid expenses	(55,800)	3,752
Other current assets	-	21,000
Accounts payable and accrued expenses	156,050	(16,086)
Grants payable	980,666	(122,393)
Due to chapters	65,836	(359,047)
Deferred insurance liability	18,600	30,707
Deferred rent	7,064	20,348
Deferred compensation payable	30,992	28,183
	<u>(919,250)</u>	<u>(2,068,334)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	4,363,392	1,076,525
Purchases of investments	(4,926,644)	(1,275,572)
Purchases of property and equipment	-	(23,143)
	<u>(563,252)</u>	<u>(222,190)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligation	(6,564)	(6,061)
	<u>(6,564)</u>	<u>(6,061)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,489,066)	(2,296,585)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,948,749</u>	<u>4,245,334</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 459,683</u>	<u>\$ 1,948,749</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 2,270</u>	<u>\$ 3,182</u>

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



## REBUILDING TOGETHER, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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#### 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.

##### **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.

##### **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.

## REBUILDING TOGETHER, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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

##### **Investments**

Investments consist of investments in the Unified Managed Accounts (UMA) program of a financial institution through which the Organization invests in institutional shares of selected separate account managers and mutual funds. The UMA invests in fixed income and equity funds, a commodity fund, real estate securities and cash equivalents. The Organization also has investments in money market funds and certificates of deposits. 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 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.

## REBUILDING TOGETHER, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

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#### 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.

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

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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 Goods and Services**

Donated goods and services represent the value of public service announcements and donated advertising. Donations are recognized as revenue and support based on their fair value at the date of donation and is included in various programs in the accompanying statement of activities. Donated goods and services 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.

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013**

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2. Pledges Receivable

Pledges receivable represent unconditional promises to give and are recorded at net realizable value. As of December 31, 2013, the Organization's pledges receivable are as follows:

Due in less than one year	\$ 2,357,677
Due in one to five years	<u>500,000</u>
Total Pledges Receivable	2,857,677
Less: Discount on Multiyear Pledges	(55,548)
Less: Allowance for Doubtful Accounts	<u>(10,000)</u>
Pledges Receivable, Net	2,792,129
Less: Current Portion	<u>(2,325,306)</u>
Long-Term Portion	<u>\$ 446,823</u>

As of December 31, 2013, pledges receivable are shown at the present value of estimated future cash flows using a discount rate of 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, 2013, investments, at fair value, consisted of the following:

UMA Program funds:	
Fixed income funds	\$ 1,988,715
Equity funds	1,564,498
Commodities fund	189,931
Real estate securities	183,945
Cash equivalents	1,284
Money market funds	328,795
Certificates of deposit	<u>108,624</u>
Total Investments	<u>\$ 4,365,792</u>

A summary of investment income is as follows for the year ended December 31, 2013:

Net realized gains	\$ 798,315
Net unrealized losses	(387,136)
Interest and dividends	<u>95,745</u>
Total Investment Income	<u>\$ 506,924</u>

Continued

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013**

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3. Investments (continued)

Included in investment income in the accompanying statement of activities is \$127 of interest earned on cash and cash equivalents for the year ended December 31, 2013. Included in miscellaneous expenses in the accompanying statement of functional expenses are investment management fees totaling of \$34,603 for the year ended December 31, 2013.

4. Property and Equipment and Related Depreciation and Amortization

Property and equipment consisted of the following as of December 31, 2013:

Furniture and equipment	\$ 579,126
Software	22,066
Leasehold improvements	<u>79,913</u>
Total Property and Equipment	681,105
Less: Accumulated Depreciation and Amortization	<u>(498,569)</u>
Property and Equipment, Net	<u>\$ 182,536</u>

Depreciation and amortization expense totaled \$64,006 for the year ended December 31, 2013.

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 an investment account 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 \$30,992 is included in payroll taxes and benefits in the accompanying statement of functional expenses for the year ended December 31, 2013.

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

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

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6. Net Assets (continued)

**Board-Designated Unrestricted Net Assets (continued)**

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.

**Temporarily Restricted Net Assets**

As of December 31, 2013, 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	\$ 1,828,652
Veterans' housing	916,251
Disaster relief	824,723
Green housing	258,911
Safe at Home	206,370
Neighborhood stabilization	26,618
Accumulated endowment fund earnings	<u>160,515</u>
Total Temporarily Restricted Net Assets	<u>\$ 4,222,040</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. For the year ended December 31, 2013, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
General mission/rehabilitation	\$ 4,007,748
Disaster relief	3,683,800
Veterans' housing	2,182,302
Safe at Home	536,029
Green housing	485,343
Neighborhood stabilization	219,560
Endowment spending for operations	<u>9,140</u>
Total Released from Purpose Restrictions	11,123,922
Lapse of time restrictions – Change the World, Start at Home	<u>5,511,916</u>
Total Released from Restrictions	<u>\$ 16,635,838</u>

## REBUILDING TOGETHER, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2013

#### 6. Net Assets (continued)

##### **Permanently Restricted Net Assets**

Permanently restricted net assets consisted of the following as of December 31, 2013:

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	<u>2,000</u>
Total Permanently Restricted Net Assets	<u>\$ 901,714</u>

#### 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



REBUILDING TOGETHER, INC.

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013

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, 2013, the Organization's endowment had the following net asset composition:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 160,515	\$ 901,714	\$ 1,062,229
Board-designated quasi-endowment	<u>370,895</u>	<u>-</u>	<u>-</u>	<u>370,895</u>
Total Funds	<u>\$ 370,895</u>	<u>\$ 160,515</u>	<u>\$ 901,714</u>	<u>\$ 1,433,124</u>

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

7. Endowment Funds (continued)

**Interpretation of Relevant Law (continued)**

For the year ended December 31, 2013, the endowment funds had the following activity:

	<u>Board- Designated Quasi- Endowment</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 370,895	\$ 66,402	\$ 901,714	\$ 1,339,011
Investment return:				
Investment income	7,999	19,623	-	27,622
Net appreciation (realized and unrealized)	<u>34,399</u>	<u>83,630</u>	<u>-</u>	<u>118,029</u>
Total Investment Return	413,293	169,655	901,714	1,484,662
Appropriated	<u>(42,398)</u>	<u>(9,140)</u>	<u>-</u>	<u>(51,538)</u>
Endowment net assets, end of year	<u>\$ 370,895</u>	<u>\$ 160,515</u>	<u>\$ 901,714</u>	<u>\$ 1,433,124</u>

**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, 2013.

**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.

**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 50% fixed income and 50% equities.

Continued

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013**

7. Endowment Funds (continued)

**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, 2013:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
UMA Program Funds:				
Fixed income funds:				
U.S. taxable	\$ 1,486,132	\$ -	\$ 1,486,132	\$ -
High-yield	<u>502,583</u>	<u>-</u>	<u>502,583</u>	<u>-</u>
Total Fixed Income Funds	<u>1,988,715</u>	<u>-</u>	<u>1,988,715</u>	<u>-</u>
Equity funds:				
Large cap	542,195	-	542,195	-
Small – mid cap	430,392	-	430,392	-
International	367,287	-	367,287	-
Emerging markets	<u>224,624</u>	<u>-</u>	<u>224,624</u>	<u>-</u>
Total Equity Funds	<u>1,564,498</u>	<u>-</u>	<u>1,564,498</u>	<u>-</u>
Commodities fund	189,931	-	189,931	-
Real estate securities	183,945	-	183,945	-
Cash equivalents	<u>1,284</u>	<u>-</u>	<u>1,284</u>	<u>-</u>
Total UMA Program Funds	<u>3,928,373</u>	<u>-</u>	<u>3,928,373</u>	<u>-</u>

Continued

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013**

8. Fair Value Measurements (continued)

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets (continued):				
Investments (continued):				
Money market	\$ 328,795	\$ 328,795	\$ -	\$ -
Certificates of deposit	<u>108,624</u>	<u>-</u>	<u>108,624</u>	<u>-</u>
Total Investments	4,365,792	328,795	4,036,997	-
Land held for sale	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total Assets at Fair Value	<u>\$ 4,565,792</u>	<u>\$ 328,795</u>	<u>\$ 4,036,997</u>	<u>\$ 200,000</u>

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

*UMA Program funds* – Consists of investments primarily through the UMA Program of a financial institution as discussed in Note 3. The fair values of the UMA Program funds are provided by a financial institution based on the fair values of the underlying funds in which the program invests. The underlying funds are traded on a major exchange.

*Money market 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.

*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).

*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, 2013, the fair value of land held for sale, which was measured using unobservable inputs (Level 3), did not change in value.

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013**

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9. Donated Publicity and Advertising

The Organization records all donated facilities, services and materials at their fair value at the date of donation. The value of the donated publicity and advertising included in the accompanying statement of functional expenses for the year ended December 31, 2013 was \$11,506,893.

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 \$502,538 for the year ended December 31, 2013.

As of December 31, 2013, future minimum lease payments under this lease are as follows:

<u>For the Year Ending</u> <u>December 31,</u>	
2014	\$ 494,970
2015	507,315
2016	519,966
2017	532,996
2018	<u>496,684</u>
Total	<u>\$ 2,551,931</u>

**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, 2013, the cost of the capitalized equipment and the related accumulated amortization totaled \$35,065 and \$16,194, respectively.

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

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10. Commitments and Risks (continued)

**Capital Lease (continued)**

As of December 31, 2013, future minimum lease payments under this lease are as follows:

<u>For the Year Ending December 31,</u>	
2014	\$ 7,109
2015	7,699
2016	<u>6,191</u>
Total	<u>\$ 20,999</u>

**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, 2013, in compliance with the U.S. Office of Management and Budget (OMB) Circular A-133. 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 2013, will not have a material effect on the Organization's financial position as of December 31, 2013, 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 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, 2013, chapter insurance revenues and expenses totaled \$301,787 (of which \$63,724 represents administrative processing revenue), and \$238,063, 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 \$520,996 for the year ended December 31, 2013. 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

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2013**

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12. Chapter Pass-Through (continued)

as assets and liabilities in the accompanying financial statements. As of December 31, 2013, \$727,895 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 \$106,416 for the year ended December 31, 2013, 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, 2013, 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, 2013, 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, 2013, the statute of limitations for tax years 2010 through 2012 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, 2013, the Organization had no accrual for interest and/or penalties.

**REBUILDING TOGETHER, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2013**

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15. Liquidity

During the year ended December 31, 2013, the Organization had a net decrease in its unrestricted net assets of \$800,926. A large portion of this loss was specifically due to the increased need to rehabilitate and repair homes in areas affected by Hurricane Sandy. As a result, the Organization has an undesignated net asset deficit of \$402,579 as of December 31, 2013. As of 2014, a new leadership team is in place and has been focused on developing new revenue streams, controlling costs and framing a foundation for financial stability and sustainability for the Organization. Management's prime objective is to operate within a budget that provides resources to grow the Organization's mission. Positive financial results are expected to be achieved in the coming years through development of a business plan that provides new avenues of service delivery and accountability.

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, 2012, from which the summarized information was prepared.

17. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 7, 2014, 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.





Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Rebuilding Together, Inc.

**Report on the Financial Statements**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rebuilding Together, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 7, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Give these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Continued

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Raffa, P.C.

Washington, DC  
August 7, 2014



*Certified Public Accountants*

**REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Rebuilding Together, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Rebuilding Together, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

## ***Report on Internal Control Over Compliance***

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**Raffa, P.C.**

Washington, DC  
August 7, 2014

REBUILDING TOGETHER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013

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<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Agency or Pass-through Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
AmeriCorps National Direct Grant	10EDHDC001/003	94.006	\$ 715,572
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Healthy Homes	DCLHH0213-10	14.913	<u>12,011</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 727,583</u>

See accompanying notes to this schedule.

**REBUILDING TOGETHER, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013**

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1. Summary of Significant Accounting Policies

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred. Expenses are incurred using the cost accounting principles contained in U.S. Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*. Under those cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

REBUILDING TOGETHER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2013

A. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued:  Unmodified  Modified  
 Adverse  Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major program(s):

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Type of auditor's report issued on compliance for major program(s):

Unmodified  Modified  
 Adverse  Disclaimer

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Subpart B, Section 510?

Yes  No

Identification of Major Program(s):

<u>CFDA # / Grant Number</u>	<u>Title</u>
94.006/ 10EDHDC001/003	AmeriCorps National Direct Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee?  Yes  No

**REBUILDING TOGETHER, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2013**

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**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None required to be reported.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None required to be reported.