Audited Financial Statements

REBUILDING TOGETHER, INC.

December 31, 2017

Contents

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Independent Auditor's Report

To the Board of Directors
Rebuilding Together, Inc.

We have audited the accompanying financial statements of Rebuilding Together, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 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 2017 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, 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.

Prior Period Financial Statements

The financial statements as of and for the year ended December 31, 2016, were audited by other auditors whose report thereon, dated July 14, 2017, expressed an unmodified opinion on those statements.

Tate & Tryon

Washington, DC
May 18, 2018

Rebuilding Together, Inc.

Statements of Financial Position

December 31,	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 3,682,925**	$ 1,962,160
Accounts receivable	**244,342**	353,791
Pledges receivable	**3,019,305**	2,292,497
Note receivable	**4,582**	-
Prepaid expenses	**209,124**	195,620
Land held for sale	**-**	185,800
Total current assets	**7,160,278**	4,989,868
Property and equipment, net	**974,941**	468,243
Investments	**2,682,398**	2,384,845
Note receivable, less current portion	**72,831**	-
Pledges receivable, less current portion	**-**	100,000
Total assets	**$ 10,890,448**	$ 7,942,956
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	**$ 422,182**	$ 496,290
Capital lease obligations	**-**	3,592
Grants payable	**406,655**	99,000
Deferred revenue	**300,000**	90,196
Refundable advance	**-**	300,000
Deferred rent	**238,526**	52,077
Deferred insurance liability	**336,914**	320,664
Total current liabilities	**1,704,277**	1,361,819
Deferred rent, net of current portion	**683,231**	58,841
Deferred compensation obligation	**292,636**	428,550
Total liabilities	**2,680,144**	1,849,210
Net assets		
Unrestricted		
Undesignated	**(224,158)**	(112,396)
Board-designated		
Reserves	**354,443**	354,443
Quasi-endowment	**370,895**	370,895
Total board-designated	**725,338**	725,338
Total unrestricted net assets	**501,180**	612,942
Temporarily restricted	**6,847,639**	4,619,319
Permanently restricted	**861,485**	861,485
Total net assets	**8,210,304**	6,093,746
Total liabilities and net assets	**$ 10,890,448**	$ 7,942,956

See notes to the financial statements.

Rebuilding Together, Inc.

Statements of Activities

Year Ended December 31,	**2017**				**2016**			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenue and support								
Corporate contributions	$ 31,395	$ 9,520,633	$ -	$ 9,552,028	$ 1,246,750	$ 7,146,200	$ -	$ 8,392,950
Donated goods and services	3,115,643	-	-	3,115,643	1,875,270	-	-	1,875,270
Foundation contributions	107,845	1,616,804	-	1,724,649	200,725	284,260	-	484,985
Affiliate dues	910,360	-	-	910,360	928,166	-	-	928,166
Government contracts	505,149	-	-	505,149	541,367	-	-	541,367
Chapter insurance	419,264	-	-	419,264	317,308	-	-	317,308
Individual contributions	235,751	100,588	-	336,339	170,701	25,776	-	196,477
Other income	261,495	-	-	261,495	28,356	-	-	28,356
Investment income	158,763	84,552	-	243,315	119,899	87,525	-	207,424
Chapter fees	162,960	-	-	162,960	365,000	-	-	365,000
National conference	31,660	-	-	31,660	65,286	-	-	65,286
Net assets released from restrictions:								
Satisfaction of program restrictions	8,580,757	(8,580,757)	-	-	6,886,282	(6,886,282)	-	-
Satisfaction of time restrictions	513,500	(513,500)	-	-	194,400	(194,400)	-	-
Total revenue and support	15,034,542	2,228,320	-	17,262,862	12,939,510	463,079	-	13,402,589
Expense								
Program services	12,767,964			12,767,964	10,168,153		-	10,168,153
Supporting services								-
General and administrative	1,649,915			1,649,915	516,073		-	516,073
Fundraising	728,425			728,425	988,360		-	988,360
Total expense	15,146,304	-	-	15,146,304	11,672,586	-	-	11,672,586
Change in net assets	(111,762)	2,228,320	-	2,116,558	1,266,924	463,079	-	1,730,003
Net assets (deficit), beginning of year	612,942	4,619,319	861,485	6,093,746	(653,982)	4,156,240	861,485	4,363,743
Net assets, end of year	$ 501,180	$ 6,847,639	$ 861,485	$ 8,210,304	$ 612,942	$ 4,619,319	$ 861,485	$ 6,093,746

Rebuilding Together, Inc.

Statement of Functional Expense

Year Ended December 31, 2017

	Program Services					Supporting Services		
	Safe and Healthy Housing/Affiliate Relations	**Disaster Relief**	**Veterans Housing**	**Capacity Corps**	**Total Program Services**	**General and Administrative**	**Fundraising**	**Total**
Affiliate grants	$ 3,192,498	$ 152,000	$ 1,154,300	$ 30,570	$ 4,529,368	$ -	$ 13,000	**$ 4,542,368**
Donated goods and services	3,100,643	-	-	-	3,100,643	-	15,000	**3,115,643**
Salaries	846,371	7,779	20,715	122,095	996,960	740,865	360,392	**2,098,217**
Consultants	464,221	7,000	-	39,407	510,628	760,704	35,275	**1,306,607**
Payroll taxes and benefits	118,300	1,085	2,889	326,155	448,429	442,548	50,264	**941,241**
Rent/moving expenses	-	-	-	-	-	632,588	-	**632,588**
AmeriCorps Living Allowance	-	-	-	477,791	477,791	-	-	**477,791**
Rehabilitation projects	378,408	-	122	515	379,045	-	5,300	**384,345**
Travel	213,377	528	8,449	81,560	303,914	24,638	33,024	**361,576**
Affiliate insurance	243,487	-	-	-	243,487	29,549	-	**273,036**
Depreciation and amortization	-	-	-	-	-	203,863	-	**203,863**
National conference	156,593	-	-	1,044	157,637	42,429	657	**200,723**
Miscellaneous	4,080	-	-	2,741	6,821	130,395	8,860	**146,076**
Meetings and seminars	48,181	425	2,872	59,503	110,981	7,605	6,657	**125,243**
Special events	90,362	-	188	-	90,550	640	15,031	**106,221**
Video and promotional	78,968	808	680	2,000	82,456	622	6,387	**89,465**
Telephone	3,622	-	-	426	4,048	36,838	1,518	**42,404**
Office equipment and maintenance	587	-	1,100	961	2,648	27,469	7,738	**37,855**
Insurance and legal	200	-	-	-	200	15,540	5,057	**20,797**
Printing and stationary	4,859	-	-	-	4,859	6,158	3,671	**14,688**
Office supplies	1,365	-	68	1,444	2,877	6,406	51	**9,334**
Postage and delivery	669	-	-	125	794	7,104	408	**8,306**
Interest expense	2,937	-	-	-	2,937	1,566	-	**4,503**
Brochures, manuals and newsletters	-	-	-	-	-	3,125	289	**3,414**
General and administrative allocation	1,028,551	1,457	83,643	197,240	1,310,891	(1,470,737)	159,846	**-**
Total expenses	**$ 9,978,279**	**$ 171,082**	**$ 1,275,026**	**$ 1,343,577**	**$ 12,767,964**	**$ 1,649,915**	**$ 728,425**	**$ 15,146,304**

Rebuilding Together, Inc.

Statement of Functional Expense

Year Ended December 31, 2016

	Program Services					Supporting Services		
	Safe and Healthy Housing/Affiliate Relations	Disaster Relief	Veterans Housing	Capacity Corps	Total Program Services	General and Administrative	Fundraising	Total
Affiliate grants	$ 1,970,891	$ 70,000	$ 561,040	$ 15,000	$ 2,616,931	$ -	$ 62,000	**$ 2,678,931**
Salaries	1,058,931	5,571	25,174	151,407	1,241,083	481,244	343,202	**2,065,529**
Donated goods and services	1,859,049	-	-	-	1,859,049	16,224	-	**1,875,273**
Payroll taxes and benefits	468,798	2,391	12,115	274,840	758,144	196,592	143,150	**1,097,886**
Consultants	355,510	-	-	-	355,510	550,330	7,075	**912,915**
AmeriCorps Living Allowance	-	-	-	561,727	561,727	-	-	**561,727**
Rent/moving expenses	-	-	-	-	-	512,638	-	**512,638**
Travel	266,426	967	2,931	99,507	369,831	17,265	57,374	**444,470**
Rehabilitation projects	371,197	-	148	11	371,356	-	-	**371,356**
Affiliate insurance	264,102	-	-	-	264,102	-	-	**264,102**
Office equipment and maintenance	89,601	-	683	8,409	98,693	53,652	11,992	**164,337**
National conference	145,947	-	-	1,710	147,657	550	1,665	**149,872**
Meetings and seminars	46,885	250	1,019	40,644	88,798	30,313	4,066	**123,177**
Video and promotional	78,679	-	-	8,324	87,003	-	27,696	**114,699**
Depreciation and amortization	-	-	-	-	-	84,052	-	**84,052**
Special events	44,252	-	17	367	44,636	-	33,629	**78,265**
Insurance and legal	300	-	-	-	300	40,957	7,916	**49,173**
Telephone	2,412	617	617	718	4,364	32,109	1,076	**37,549**
Postage and delivery	31,362	-	674	428	32,464	4,288	587	**37,339**
Miscellaneous	12,060	-	18	3,624	15,702	13,357	395	**29,454**
Printing and stationary	5,860	-	-	48	5,908	2,709	-	**8,617**
Office supplies	2,139	-	93	54	2,286	5,851	99	**8,236**
Interest expense	-	-	-	-	-	2,739	-	**2,739**
Brochures, manuals and newsletters	-	-	-	120	120	-	107	**227**
Bad debt	-	-	-	-	-	23	-	**23**
General and administrative allocation	1,014,172	4,612	15,137	208,568	1,242,489	(1,528,820)	286,331	**-**
Total expenses	**$ 8,088,573**	**$ 84,408**	**$ 619,666**	**$ 1,375,506**	**$ 10,168,153**	**$ 516,073**	**$ 988,360**	**$ 11,672,586**

Statements of Cash Flows

Year Ended December 31,	2017	2016
Cash Flows From Operating Activities		
Change in net assets	**$ 2,116,558**	$ 1,730,003
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	**203,863**	84,052
Net realized and unrealized gains on investments	**(194,797)**	(152,799)
Loss on land held for sale	**88,800**	-
Provision for doubtful accounts	**-**	23
Changes in assets and liabilities:		
Accounts receivable	**109,449**	66,079
Pledges receivable	**(626,808)**	(1,716,897)
Prepaid expenses	**(13,504)**	102,646
Land held for sale	**97,000**	-
Accounts payable and accrued expenses	**(74,108)**	(21,711)
Grants payable	**307,655**	(137,520)
Due to Chapters	**-**	(999,567)
Deferred rent	**100,278**	(39,041)
Deferred revenue	**209,804**	90,196
Refundable advance	**(300,000)**	300,000
Deferred insurance liability	**16,250**	15,150
Deferred compensation obligation	**(135,914)**	36,499
Total adjustments	**(212,032)**	(2,372,890)
Net cash provided by (used in) operating activities	**1,904,526**	(642,887)
Cash Flows From Investing Activities		
Proceeds from sales of investments	**145,502**	1,320,453
Purchases of investments	**(248,258)**	(436,706)
Purchases of property and equipment	**-**	(398,651)
Proceeds from note receivable	**(77,413)**	-
Net cash (used in) provided by investing activities	**(180,169)**	485,096
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	**(3,592)**	(8,808)
Net increase (decrease) in cash and cash equivalents	**1,720,765**	(166,599)
Cash and cash equivalents, beginning of year	**1,962,160**	2,128,759
Cash and cash equivalents, end of year	**$ 3,682,925**	$ 1,962,160
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	**$ 1,555**	$ 2,739
Assets acquired under office lease agreement	**$ 710,561**	$ -

See notes to the financial statements.

A. 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 (1) to increase the visibility and recognition of the Rebuilding Together brand, to provide technical assistance to chapters, (2) to provide opportunities for training and professional development to chapters, and (3) 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 standard of excellence for chapters to provide consistency and quality of service delivery, and acting as an information clearinghouse and communication channel.

Basis of accounting: The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expense when the obligation is incurred.

Income tax status: The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and has been classified as not a private foundation its subject to tax only on its net unrelated business income. There was no such unrelated business income during the years ended December 31, 2017 and 2016.

Cash and cash equivalents: The Organization considers all highly liquid investments in debt instruments purchased with original maturity dates of three months or less to be cash equivalents. Money market funds in the investment portfolio are held for investment purposes and, as such, have not been included in cash and cash equivalents.

Accounts receivable: Accounts receivable primarily consists of dues and fees due from affiliates. Management periodically reviews the status of all accounts receivable balances for collectability, and provides for probable losses using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off. The Organization did not record an allowance for doubtful accounts at December 31, 2017 and 2016 as all receivables are deemed fully collectible.

Land held for sale: Land held for sale consists of property that was donated by an individual and was recorded at fair value. It was management's intention to sell the land when an appropriate offer was received and to use the proceeds to fund the Organization's programs. During the year ended December 31, 2017, the land was sold for $97,000. As a result of the sale, the Organization has recorded a loss on sale of $88,800 included in miscellaneous expense on the statement of functional expense for the year ended December 31, 2017.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Grants to affiliates: The Organization awards grants to its affiliated chapters. 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.

Refundable advance and deferred revenue: During the year ended December 31, 2016, the Organization received an advance from a third party for programmatic activities. The revenue will be recognized as programmatic activities take place. During the year ended December 31, 2017, the Organization reached an agreement with the third party to have the funds used for programmatic activities. As such, the amount is now recorded as deferred revenue on the statement of financial position.

Net assets: Net assets are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of each net asset group is as follows:

Unrestricted net assets consist of undesignated funds used for general operations and board-designated funds which are used for the expansion of the Organization's and local chapters' programs and for the support of the insurance program (see Note G).

Temporarily restricted net assets represent funds with donor-imposed stipulations (see Note G).

Permanently restricted net assets represent funds with donor-imposed stipulations requiring that the principal be invested in perpetuity and the investment income only be used for specified activities (see Note H).

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. Temporarily restricted contributions whose restrictions are met within the same period as the contributions are received are recognized as increases in unrestricted net assets.

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

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

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

A. Organization and Summary of Significant Accounting Policies – Continued

Donated goods and services: The Organization records all donated facilities, services and materials at their fair value at the date of donation. The value of donated publicity and advertising totaled $3,115,643 and $1,875,270 for the years ended December 31, 2017 and 2016, respectively.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain general and administrative expenses have been allocated among the program and supporting services benefited based upon staff time and effort.

Use of 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.

Reclassifications: Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation with no effect on the previously reported change in net assets. A summary of these reclassifications is presented below:

	Year ended December 31, 2016		
	Original Presentation	Reclassification	Current Presentation
Revenue			
Investment Income	$ 232,120	$ (24,696)	$ 207,424
Expense			
Safe and Healthy Housing/Affiliate Relations	$ 7,954,568	$ 134,005	$ 8,088,573
Green Housing	74,105	(74,105)	-
Safe at Home	59,900	(59,900)	-
General and administrative	540,769	(24,696)	516,073
Web/database development	119,208	(119,208)	-
Office equipment and maintenance	45,129	119,208	164,337
	$ 8,561,559	$ -	$ 8,561,559

Subsequent events: Subsequent events have been considered through May 18, 2018, the date the financial statements were available to be issued.

B. Credit Risk, Market Risk, and Concentrations

Credit risk: The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these cash balances.

Market risk: The Organization invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the accompanying financial statements.

Revenue concentration risk: The Organization received 61% and 46% of total contribution revenue from three donors for the years ended December 31, 2017 and 2016, respectively.

C. PLEDGES RECEIVABLE

Pledges receivable, including grants, consist of unconditional contributions which will be received in a future period. Amounts expected to be collected in more than one year are recorded at net realizable value. The Organization did not record an allowance for doubtful pledges at December 31, 2017 and 2016 as all receivables are deemed fully collectible within the next year.

Pledges receivable consist of the following at December 31,:

	2017	2016
Receivables in less than one year	$ 3,019,305	$ 2,292,497
Receivables in one to five years	-	100,000
	$ 3,019,305	**$ 2,392,497**

D. NOTE RECEIVABLE

In October 2017, the Organization entered into an agreement to lend $77,600 to a related party. Interest accrues yearly at 5.00%. Beginning December 2017, principal and interest payments of $417 are due monthly. On November 1, 2022, the unpaid balance will be due.

Year Ending December 31,	Amount
2018	$ 4,999
2019	4,999
2020	4,999
2021	4,999
2022	75,841
	95,837
Less: Interest	(18,424)
	$ 77,413

E. INVESTMENTS

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure the fair value of various assets and liabilities.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

E. Investments - Continued

Investments valued using Level 1 inputs include equities and mutual funds, the fair value of which were based on quoted prices for identical assets in active markets.

Investments recorded at cost include money market funds and a certificate of deposit. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments consisted of the following at December 31,:

	2017	2016
Investments, at fair value		
Equities	$ 958,988	$ 710,813
Mutual funds - equities	161,186	155,628
Mutual funds - fixed income	1,139,236	960,913
Investments, at cost		
Money market funds	313,929	448,531
Certificate of deposit	109,059	108,960
	$ 2,682,398	**$ 2,384,845**

Investment income consisted of the following for the years ended December 31,:

	2017	2016
Interest and dividends	$ 70,356	$ 79,321
Realized and unrealized gains on investments	194,797	152,799
Investment fees	(21,838)	(24,696)
	$ 243,315	**$ 207,424**

F. Property and Equipment

Property and equipment is stated at purchase cost. Purchases over $5,000 are capitalized and depreciated over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease period or useful life of the improvement. Depreciation is calculated using the straight-line method over the useful lives of the various classes of assets ranging from 3 to 10 years.

Property and equipment consists of the following at December 31,:

	2017	2016
Furniture and equipment	$ 530,897	$ 530,897
Software	572,455	572,455
Leasehold improvements	790,473	79,913
	1,893,825	1,183,265
Less: accumulated depreciation and amortization	(918,884)	(715,022)
	$ 974,941	**$ 468,243**

G. Net Assets

Unrestricted: Unrestricted net assets consist of undesignated funds used for general operations and board-designated funds. 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 the support of the insurance program (see Note I). At December 31, 2017 and 2016, the board-designated net assets totaled $725,338, of which $370,895 is to remain invested intact and the interest used to award grants to the Organization's local chapters, 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: Temporarily restricted net assets include those net assets whose use has been restricted either by an implied time restriction or by donors for a specified purpose.

Temporarily restricted net assets consisted of the following at December 31, :

	2017	2016
General Mission/Rehabilitation	$ 2,994,454	$ 2,652,714
Disaster Relief	1,804,946	10,000
Veterans' Housing	1,740,551	1,368,941
Accumulated endowment fund earnings	188,988	187,664
Time restricted	118,700	400,000
	$ 6,847,639	**$ 4,619,319**

G. Net Assets – Continued

Net assets are released from restrictions either as a result of the expiration of a time restriction or due to the satisfaction of a purpose restriction.

Net assets released from restrictions consisted of the following for the years ended December 31,:

	2017	2016
Satisfaction of purpose restrictions:		
General Mission/Rehabilitation	$ 5,483,568	$ 4,448,767
Veterans' Housing	2,161,055	1,682,452
Disaster Relief	602,906	314,084
Capacity Corps	250,000	125,000
Endowment Spending for Operations	83,228	40,974
Safe at Home	-	223,000
Green Housing	-	33,505
Conference	-	18,500
Total satisfaction of purpose restrictions	8,580,757	6,886,282
Lapse of time restrictions	513,500	194,400
	$ 9,094,257	**$ 7,080,682**

Permanently restricted: Permanently restricted net assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Spread the Spirit Fund	$ 228,547	$ 228,547
Tagliabue Rebuild America Fund	215,159	215,159
Booz Allen Hamilton Exemplary Management Fund	100,000	100,000
Simon/Affiliate Development Fund	60,789	60,789
Whitaker Fund	51,550	51,550
Nordberg Fellowship	50,200	50,200
Program Endowment	48,450	48,450
Unity of Purpose Fund	35,800	35,800
George Michael and Pat Lackman Building Endowment	28,500	28,500
The Angel Fund	19,650	19,650
The Lois Beers Fellowship	15,675	15,675
The Carolyn L. Morgan Fund	5,165	5,165
Building Endowment	2,000	2,000
	$ 861,485	**$ 861,485**

H. Endowment

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 designed 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 generally accepted accounting principles, 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 endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation/depreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return 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.

Spending Policy and How Investment Objectives Relate to 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 turn on Board-designated endowment funds and any transfer of funds from the Organization's operating budget.

H. ENDOWMENT – CONTINUED

To satisfy its long-term fate of return objectives, the investment strategy emphasizes total return, in which investment returns are achieved through both capital appreciation (realized and unrealized), and current year (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.

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, appropriations come first from temporarily restricted net assets not appropriated and then unrestricted net assets. There are no deficiencies of this nature that are reported in unrestricted net assets at December 31, 2017 and 2016.

Endowment funds consisted of the following at December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 188,988	$ 861,485	$ 1,050,473
Board designated quasi-endowment fund	370,895	-	-	370,895
Total funds	**$ 370,895**	**$ 188,988**	**$ 861,485**	**$ 1,421,368**

Endowment funds consisted of the following at December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 187,664	$ 861,485	$ 1,049,149
Board designated quasi-endowment fund	370,895	-	-	370,895
Total funds	**$ 370,895**	**$ 187,664**	**$ 861,485**	**$ 1,420,044**

H. Endowment – Continued

Changes in endowment net assets consisted of the following as of and for the year ended December 31, 2017:

	Quasi-Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 370,895	$ 187,664	$ 861,485	$ 1,420,044
Investment income				
Interest and dividends	10,526	24,449	-	34,975
Net appreciation (realized and unrealized)	29,143	67,692	-	96,835
Investment fees	(3,267)	(7,589)	-	(10,856)
Net investment income	36,402	84,552	-	120,954
Appropriations	(36,402)	(83,228)	-	(119,630)
Endowment net assets, end of year	**$ 370,895**	**$ 188,988**	**$ 861,485**	**$ 1,421,368**

Changes in endowment net assets consisted of the following as of and for the year ended December 31, 2016:

	Quasi-Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 370,895	$ 141,115	$ 861,485	$ 1,373,495
Investment income				
Interest and dividends	12,611	29,685	-	42,296
Net appreciation (realized and unrealized)	24,901	57,839	-	82,740
Investment fees	(3,652)	(8,875)	-	(12,527)
Net investment income	33,860	78,649	-	112,509
Appropriations	(33,860)	(32,100)	-	(65,960)
Endowment net assets, end of year	**$ 370,895**	**$ 187,664**	**$ 861,485**	**$ 1,420,044**

I. 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, 2017, chapter insurance revenues and expenses totaled $419,264 (of which $29,020 represents administrative processing revenue) and $273,036, respectively. For the year ended December 31, 2016, chapter insurance revenues and expenses totaled $317,308 (of which $53,206 represents administrative processing revenue) and $264,102, respectively.

I. CHAPTER INSURANCE - CONTINUED

The Organization created a national deferred insurance escrow fund to reduce the risks associated with construction related lawsuits over mold, faulty workmanship, lead paint, asbestos, etc. The Organization maintains this escrow account to retain insurance policies with higher deductibles. The deferred insurance fund is deemed to be an important risk-mitigation strategy by the Organization. For the years ended December 31, 2017 and 2016, deferred insurance fund totaled $$336,914 and $320,664, respectively.

J. RETIREMENT PLANS

Defined contribution retirement plan: The Organization's employees are eligible to participate in the Rebuilding Together, Inc. defined contribution pension plan (the Plan) which was established under the provisions of Internal Revenue Code Section 403(b). Employees can make voluntary tax-deferred contributions within specified limits. The Organization's contributions to the Plan are 5% of each participant's salary. The Organization's contributions to the Plan were $106,192 and $120,179 for the years ended December 31, 2017 and 2016, respectively, which is included in payroll taxes and benefits in the accompanying statements of functional expenses.

Deferred compensation plan: The Organization has established, under Section 457(f) of the Internal Revenue Code, a deferred compensation plan (the Plan) for certain key employees. At December 31, 2017, deferred compensation investments, included in investments, totaled $246,733 and its related liability totaled $292,636. At December 31, 2016, deferred compensation investments, included in investments, totaled $392,089 and its related liability totaled $428,550. During the year ended December 31, 2017, the Organization requested a transfer from investments that was improperly transferred from the deferred compensation investments. As such, the deferred compensation investments do not equal the corresponding liability. Subsequent to year end, the transfer was corrected and the deferred compensation investments equaled the corresponding liability.

K. COMMITMENTS AND CONTINGENCIES

Operating leases: On December 23, 2016, the Organization entered into a noncancelable lease for office and storage space beginning July 1, 2017 and expiring on June 30, 2030. Under the terms of the lease agreement the landlord has abated the payment of rent for the first twenty (20) months of the lease after the first month's rent payment upon execution of the lease. The abatement totaled $585,150. Rent expense is recognized on a straight-line basis over the lease terms, including any period during which the rent payments were abated. The excess of rent payments made over the straight-line rent expense is charged against deferred rent. In connection with the terms of the lease, the landlord provided an allowance to the Organization of up to $723,000 to pay for leasehold improvements. This amount has been recorded as leasehold improvements and a component of deferred rent in the statements of financial position. The leasehold improvements are amortized on a straight-line basis over the term of the lease.

The deferred rent liability totaled $921,757 and $110,918 at December 31, 2017 and 2016, respectively. Rent expense totaled $632,588 and $512,637 for the years ended December 31, 2017 and 2016, respectively.

K. Commitments and Contingencies - Continued

In addition, in October 2016, the Organization subleased their previous office space effective January 1, 2017 with rental payments of $6,000 monthly. Effective July 1, 2017, the rental payments increase to $15,945 monthly through November 30, 2018 which is the expiration date of the Organization's lease. During the year ended December 31, 2017, rental income totaled $116,014 and is included in other income on the statements of activities.

As of December 31, 2016, future minimum lease payments, net of the sublease, are as follows:

Year Ending December 31,	Office Space	Office Sublease	Net Commitments
2018	$ 679,530	$ (175,395)	$ 504,135
2019	366,564	-	366,564
2020	371,401	-	371,401
2021	378,539	-	378,539
2022	387,978	-	387,978
Thereafter	3,234,959	-	3,234,959
	$ 5,418,971	**$ (175,395)**	**$ 5,243,576**

Capital lease: The Organization also had agreements to lease office equipment. Under the lease agreement, payments were due monthly through December 2017. At December 31, 2017, the cost of the capitalized equipment and the related accumulated amortization totaled $8,114 and $8,114, respectively. At December 31, 2016, the cost of the capitalized equipment and the related accumulated amortization totaled $43,180 and $40,475, respectively. At December 31, 2017, payments totaling $3,592 were made fulfilling the lease obligation.

Federal awards: The Organization participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by the Federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

Hotel commitment: The Organization has entered into an agreement with a hotel providing for room accommodations for its 2019 National Conference. This agreement contains a clause whereby the Organization may be liable for liquidated damages in the event of cancellation or lower than anticipated attendance.

Employment agreement: The Organization has an employment agreement with its President and Chief Executive Officer expiring in January 2019. Under certain circumstances, the agreement stipulates that the Organization will be liable for severance and other payments.