Audited Financial Statements

REBUILDING TOGETHER, INC.

December 31, 2018

Contents

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&
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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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Accounting Standards Update 2016-14

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, the Organization adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Organization's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

Tate & Tryon

Washington, DC
June 13, 2019

Rebuilding Together, Inc.

Statements of Financial Position

December 31,	2018	2017
Assets		
Cash and cash equivalents	**$ 3,538,811**	$ 3,682,925
Accounts receivable, net	**389,200**	244,342
Pledges receivable, net	**3,339,588**	3,019,305
Prepaid expenses	**220,205**	209,124
Property and equipment, net	**916,553**	974,941
Investments	**2,561,506**	2,682,398
Note receivable	**-**	77,413
Total assets	**$ 10,965,863**	$ 10,890,448
Liabilities and Net Assets		
Accounts payable and accrued expenses	**$ 522,515**	$ 422,182
Grants payable	**125,560**	406,655
Deferred revenue	**-**	300,000
Deferred insurance liability	**336,914**	336,914
Deferred rent	**1,167,625**	921,757
Deferred compensation obligation	**146,378**	292,636
Total liabilities	**2,298,992**	2,680,144
Net assets		
Without donor restriction	**919,429**	501,180
With donor restriction	**7,747,442**	7,709,124
Total net assets	**8,666,871**	8,210,304
Total liabilities and net assets	**$ 10,965,863**	$ 10,890,448

Year Ended December 31,	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue and support						
Corporate contributions	$ 1,524,897	$ 10,403,480	$ 11,928,377	$ 31,395	$ 9,520,633	$ 9,552,028
Donated goods and services	4,325,780	-	4,325,780	3,115,643	-	3,115,643
Affiliate dues	1,116,674	-	1,116,674	910,360	-	910,360
Government contracts	591,081	-	591,081	505,149	-	505,149
Chapter fees	457,600	-	457,600	162,960	-	162,960
Chapter insurance	413,462	-	413,462	419,264	-	419,264
Individual contributions	348,360	17,603	365,963	235,751	100,588	336,339
Foundation contributions	30,300	141,000	171,300	107,845	1,616,804	1,724,649
Other income	139,061	-	139,061	261,495	-	261,495
National conference	93,460	-	93,460	31,660	-	31,660
Investment (loss) income	(65,982)	(23,482)	(89,464)	158,763	84,552	243,315
Net assets released from restrictions	10,500,283	(10,500,283)	-	9,094,257	(9,094,257)	-
Total revenue and support	19,474,976	38,318	19,513,294	15,034,542	2,228,320	17,262,862
Expense						
Program services	16,964,895		16,964,895	12,849,149		12,849,149
Supporting services						-
General and administrative	1,244,114		1,244,114	1,555,564		1,555,564
Fundraising	847,718		847,718	741,591		741,591
Total expense	19,056,727	-	19,056,727	15,146,304	-	15,146,304
Change in net assets	418,249	38,318	456,567	(111,762)	2,228,320	2,116,558
Net assets, beginning of year	501,180	7,709,124	8,210,304	612,942	5,480,804	6,093,746
Net assets, end of year	$ 919,429	$ 7,747,442	$ 8,666,871	$ 501,180	$ 7,709,124	$ 8,210,304

See notes to the financial statements.

Rebuilding Together, Inc.

Statement of Functional Expense

Year Ended December 31, 2018

	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	$ 3,735,102	$ 1,763,000	$ 1,121,100	$ 29,000	$ 6,648,202	$ -	$ 6,466	**$ 6,654,668**
Donated goods and services	4,325,780	-	-	-	4,325,780	-	-	**4,325,780**
Salaries and benefits	1,471,031	65,240	111,061	422,566	2,069,898	519,603	636,339	**3,225,840**
Occupancy and office expense	831,810	94,896	74,278	99,756	1,100,740	402,409	88,858	**1,592,007**
Special events and rehabilitation projects	884,159	843	51,379	2,624	939,005	4,238	8,512	**951,755**
Professional fees	321,917	32,085	165,501	41,112	560,615	311,439	66,589	**938,643**
AmeriCorps Living Allowance	-	-	-	501,583	501,583	5,114	37,766	**544,463**
Travel, training and meetings	195,672	3,857	7,685	110,827	318,041	-	-	**318,041**
Affiliate insurance	249,657	-	-	-	249,657	-	-	**249,657**
National conference	219,610	-	-	-	219,610	-	-	**219,610**
Video and promotional	30,075	156	1,438	95	31,764	1,311	3,188	**36,263**
Total expenses	**$ 12,264,813**	**$ 1,960,077**	**$ 1,532,442**	**$ 1,207,563**	**$ 16,964,895**	**$ 1,244,114**	**$ 847,718**	**$ 19,056,727**

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 and benefits	1,077,274	27,456	64,333	471,142	1,640,205	839,116	520,450	**2,999,771**
Professional fees	509,529	10,980	22,566	61,100	604,175	684,385	54,330	**1,342,890**
Occupancy and office expense	928,669	32,887	54,825	76,439	1,092,820	18,768	69,112	**1,180,700**
Travel, training and meetings	527,228	7	358	563	528,156	12,677	44,239	**585,072**
Special events and rehabilitation projects	-	-	-	477,791	477,791	145	20,357	**498,293**
AmeriCorps Living Allowance	214,247	1,734	13,145	142,162	371,288	-	-	**371,288**
Affiliate insurance	273,036	-	-	-	273,036	-	-	**273,036**
National conference	200,723	-	-	-	200,723	-	-	**200,723**
Video and promotional	29,797	831	158	158	30,944	473	5,103	**36,520**
Total expenses	**$ 10,053,644**	**$ 225,895**	**$ 1,309,685**	**$ 1,259,925**	**$ 12,849,149**	**$ 1,555,564**	**$ 741,591**	**$ 15,146,304**

See notes to the financial statements.

Statements of Cash Flows

Year Ended December 31,	2018	2017
Cash Flows From Operating Activities		
Change in net assets	**$ 456,567**	$ 2,116,558
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	**268,675**	203,863
Net realized and unrealized loss (gain) on investments	**203,164**	(194,797)
Loss on land held for sale	**-**	88,800
Provision for doubtful accounts	**25,600**	-
Provision for doubtful pledges	**25,800**	-
Changes in assets and liabilities:		
Accounts receivable	**(170,458)**	109,449
Pledges receivable	**(346,083)**	(626,808)
Prepaid expenses	**(11,081)**	(13,504)
Land held for sale	**-**	97,000
Accounts payable and accrued expenses	**100,333**	(74,108)
Grants payable	**(281,095)**	307,655
Due to Chapters		-
Deferred rent	**245,868**	100,278
Deferred revenue	**(300,000)**	209,804
Refundable advance	**-**	(300,000)
Deferred insurance liability	**-**	16,250
Deferred compensation obligation	**(146,258)**	(135,914)
Total adjustments	**(385,535)**	(212,032)
Net cash provided by operating activities	**71,032**	1,904,526
Cash Flows From Investing Activities		
Proceeds from sales of investments	**345,496**	145,502
Purchases of investments	**(427,768)**	(248,258)
Purchases of property and equipment	**(210,287)**	-
Proceeds from (issuance of) note receivable	**77,413**	(77,413)
Net cash used in investing activities	**(215,146)**	(180,169)
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	**-**	(3,592)
Net (decrease) increase in cash and cash equivalents	**(144,114)**	1,720,765
Cash and cash equivalents, beginning of year	**3,682,925**	1,962,160
Cash and cash equivalents, end of year	**$ 3,538,811**	$ 3,682,925
Supplemental Disclosure of Noncash Investing Activities		
Donated investments	**$ 232,933**	$ -

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, 2018 and 2017.

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. At December 31, 2017, the Organization did not record an allowance for doubtful accounts as all receivables were deemed fully collectible. At December 31, 2018, the Organization reviewed the outstanding balances and recorded an allowance totaling $25,600.

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 occupancy and office 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.

Deferred revenue: During the year ended December 31, 2016, the Organization received an advance from a third party for programmatic activities. The revenue was to 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 was recorded as deferred revenue on the statements of financial position. During the year ended December 31, 2018, those programmatic activities were performed and the revenue was recognized.

Revenue recognition: All contributions are considered available for use, unless specifically restricted by the donor. The Organization records contributions as 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Restricted contributions whose restrictions are met within the same period as the contributions are received are recognized as increases in net assets without donor restrictions.

Contributions and grants without donor restrictions 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.

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 $4,325,780 and $3,115,643 for the years ended December 31, 2018 and 2017, respectively.

Functional allocation of expenses: Certain costs are allocated among multiple program services or supporting services activities. Allocable costs include professional fees (except legal fees), occupancy, office expense, insurance, information technology, chief executive office salary and benefits, and marketing related to affiliate support. The costs are allocated among program services and supporting services activities based on employee effort and direct expenditures.

A. Organization and Summary of Significant Accounting Policies - Continued

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 2017 financial statements have been reclassified to conform to the 2018 presentation with no effect on the previously reported change in net assets. A summary of these reclassifications is presented below:

	Year Ended December 31, 2017		
	Original Presentation	Reclassification	Current Presentation
Expense			
Functional			
Safe and Healthy Housing/Affiliate Relations	$ 9,978,279	$ 75,365	$ 10,053,644
General and administrative	1,649,915	(94,351)	1,555,564
Veterans Housing	1,275,026	34,659	1,309,685
Capacity Corps	1,343,577	(83,652)	1,259,925
Fundraising	728,425	13,166	741,591
Disaster Relief	171,082	54,813	225,895
Natural			
Salaries and benefits	-	2,999,771	2,999,771
Professional fees	-	1,342,890	1,342,890
Occupancy and office expense	-	1,180,700	1,180,700
Travel, training and meetings	-	585,072	585,072
Special events and rehabilitation projects	-	498,293	498,293
AmeriCorps Living Allowance	477,791	(106,503)	371,288
Video and promotional	89,465	(52,945)	36,520
Salaries	2,098,217	(2,098,217)	-
Consultants	1,306,607	(1,306,607)	-
Payroll taxes and benefits	941,241	(941,241)	-
Rent/moving expenses	632,588	(632,588)	-
Rehabilitation projects	384,345	(384,345)	-
Travel	361,576	(361,576)	-
Depreciation and amortization	203,863	(203,863)	-
Miscellaneous	146,076	(146,076)	-
Meetings and seminars	125,243	(125,243)	-
Special events	106,221	(106,221)	-
Telephone	42,404	(42,404)	-
Office equipment and maintenance	37,855	(37,855)	-
Insurance and legal	20,797	(20,797)	-
Printing and stationary	14,688	(14,688)	-
Office supplies	9,334	(9,334)	-
Postage and delivery	8,306	(8,306)	-
Interest expense	4,503	(4,503)	-
Brochures, manuals and newsletters	3,414	(3,414)	-
	$ 22,160,838	$ -	$ 22,160,838

Subsequent events: Subsequent events have been considered through June 13, 2019, 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 50% and 61% of total contribution revenue from three donors for the years ended December 31, 2018 and 2017, 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. At December 31, 2017, the Organization did not record an allowance for doubtful pledges as all receivables were deemed fully collectible within the next year. At December 31, 2018, the Organization reviewed the outstanding balances and recorded an allowance totaling $25,800.

Pledges receivable consist of the following at December 31,:

	2018	2017
Receivables, due in less than one year	$ 3,365,388	$ 3,019,305
Less: allowance for doubtful pledges	(25,800)	-
	$ 3,339,588	**$ 3,019,305**

D. Note Receivable

In October 2017, the Organization entered into an agreement to lend $77,600 to a related party. Interest accrued yearly at 5.00%. Beginning December 2017, principal and interest payments of $417 were due monthly. At December 31, 2017, the Organization was owed $77,413. During the year ended December 31, 2018, the note receivable was repaid.

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.

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 valued using Level 2 include a mortgage pass-through certificate, the fair value of which was determined by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach to obtain pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair value of the asset is a reasonable approximation of the exit price for this investment.

Investments at recorded at cost include money market funds and real certificate of deposit. Investments 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, 2018:

	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Equities	$ 744,165	$ 744,165	$ -	$ -
Mutual funds - equities	173,776	173,776		
Mutual funds - fixed income	1,073,414	1,073,414		
Mortgage pass-through certificate	232,933		232,933	
	2,224,288	1,991,355	232,933	-
Investments, at cost				
Money market funds	228,049			
Certificate of deposit	109,169			
	$ 2,561,506			

E. Investments – Continued

Investments consisted of the following at December 31, 2017:

	Total	Level 1	Level 2	Level 3
Investments, at fair value				
Equities	$ 958,988	$ 958,988	$ -	$ -
Mutual funds - equities	161,186	161,186		
Mutual funds - fixed income	1,139,236	1,139,236		
	2,259,410	2,259,410	-	-
Investments, at cost				
Money market funds	313,929			
Certificate of deposit	109,059			
	$ 2,682,398			

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,:

	2018	2017
Furniture and equipment	$ 530,897	$ 530,897
Software	782,742	572,455
Leasehold improvements	790,473	790,473
	2,104,112	1,893,825
Less: accumulated depreciation and amortization	(1,187,559)	(918,884)
	$ 916,553	**$ 974,941**

G. Liquidity

The Organization invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. The following provides a summary of financial assets available for general expenditures at December 31, 2018:

Cash and cash equivalents	$ 3,538,811
Investments	2,561,506
Receivables	389,200
Pledges receivable due within one year	3,339,588
Subtotal financial assets	9,829,105
Less those unavailable for general expenditures within one year:	
Net assets with donor restrictions	(7,747,442)
Financial assets available to meet cash needs for general expenditures within one year	**$ 2,081,663**

The Organization's Board of Directors has designated a portion of its net assets without donor restriction as described in Note H. While board-designated net assets are invested to achieve long-term appreciation in addition to current income, such funds remain available and may be spent within one year at the discretion of the Board of Directors. Thus, they are included within the funds available for general expenditures total presented above.

H. Net Assets

Without donor restriction: Net assets without donor restriction 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 J). The board-designated quasi-endowment is used to award grants to the Organization's local chapters, to support building operations, and new program development.

	2018	**2017**
Undesignated	$ 226,813	$ (224,158)
Board-designated		
Reserves	338,453	354,443
Quasi-endowment	354,163	370,895
	$ 919,429	**$ 501,180**

H. NET ASSETS - CONTINUED

With donor restriction: Net assets with donor restrictions include those net assets whose use has been restricted either by an implied time restriction or by donors for a specified purpose. Net assets with donor restriction consisted of the following at December 31, :

	2018	2017
General Mission/Rehabilitation	$ 3,164,998	$ 2,994,454
Disaster Relief	1,948,005	1,804,946
Veterans' Housing	1,355,054	1,740,551
Time restricted	352,775	118,700
Endowment		
Spread the Spirit Fund	240,668	250,978
Tagliabue Rebuild America Fund	225,674	288,430
Booz Allen Hamilton Exemplary Management Fund	105,304	109,815
Program Endowment	62,763	64,949
Nordberg Fellowship	62,013	64,279
Simon/Affiliate Development Fund	60,789	74,088
Whitaker Fund	54,283	56,609
Unity of Purpose Fund	35,800	43,887
George Michael and Pat Lackman Building Endowment	28,500	44,706
The Angel Fund	20,693	21,579
The Lois Beers Fellowship	20,306	21,013
The Carolyn L. Morgan Fund	7,076	7,309
Building Endowment	2,741	2,831
Total donor-restricted endowment	926,610	1,050,473
	$ 7,747,442	**$ 7,709,124**

H. NET ASSETS - CONTINUED

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

	2018	2017
Satisfaction of purpose restrictions:		
General Mission/Rehabilitation	$ 4,780,528	$ 5,483,568
Veterans' Housing	2,907,736	2,161,055
Disaster Relief	2,323,319	602,906
Capacity Corps	300,000	250,000
Endowment	85,000	83,228
Total satisfaction of purpose restrictions	10,396,583	8,580,757
Lapse of time restrictions	103,700	513,500
	$ 10,500,283	**$ 9,094,257**

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.

I. 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 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 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 net assets with donor restrictions to be maintained in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 net assets with donor restriction to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

I. Endowment – Continued

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.

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 earnings (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. There are no deficiencies at December 31, 2018 and 2017.

I. Endowment – Continued

Endowment funds consisted of the following at December 31, 2018:

	Without Donor Restriction	Available for Specified Purpose	Held in Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 65,125	$ 861,485	$ 926,610
Board designated quasi-endowment fund	354,163	-	-	354,163
Total funds	**$ 354,163**	**$ 65,125**	**$ 861,485**	**$ 1,280,773**

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

	Without Donor Restriction	Available for Specified Purpose	Held in Perpetuity	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**

Changes in endowment net assets consisted of the following as of and for the year ended December 31, 2018:

	Without Donor Restriction	Available for Specified Purpose	Held in Perpetuity	Total
Endowment net assets, beginning of year	$ 370,895	$ 188,988	$ 861,485	$ 1,421,368
Investment loss				
Interest and dividends	12,278	28,518	-	40,796
Net depreciation (realized and unrealized)	(25,570)	(59,392)	-	(84,962)
Investment fees	(3,440)	(7,989)	-	(11,429)
Net investment loss	(16,732)	(38,863)	-	(55,595)
Appropriations	-	(85,000)	-	(85,000)
Endowment net assets, end of year	**$ 354,163**	**$ 65,125**	**$ 861,485**	**$ 1,280,773**

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

	Without Donor Restriction	Available for Specified Purpose	Held in Perpetuity	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**

J. 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, 2018, chapter insurance revenues and expenses totaled $413,462 (of which $36,080 represents administrative processing revenue) and $249,657, respectively. 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.

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 both years ended December 31, 2018 and 2017, deferred insurance fund totaled $336,914.

K. 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 $126,635 and $106,192 for the years ended December 31, 2018 and 2017, respectively, which is included in salaries 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, 2018, deferred compensation investments, included in investments, totaled $146,808 and its related liability totaled $146,378. At December 31, 2017, deferred compensation investments, included in investments, totaled $246,733 and its related liability totaled $292,636. 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 did not equal the corresponding liability. Subsequent to the year ended December 31, 2017, the transfer was corrected and the deferred compensation investments equaled the corresponding liability.

L. 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 $1,167,625 and $921,757 at December 31, 2018 and 2017, respectively. Rent expense totaled $1,478,769 and $1,170,473 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,		
2019	$	366,564
2020		375,569
2021		380,623
2022		387,978
2023		397,670
Thereafter		2,837,289
	$	**4,745,693**

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 2020 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 had an employment agreement with its President and Chief Executive Officer, which expired January 2019. As the date of our report, the agreement has not yet been amended. Under certain circumstances, the agreement stipulates that the Organization will be liable for severance and other payments.