



**REBUILDING TOGETHER SOUTH SOUND**  
**Tacoma, Washington**

**FINANCIAL STATEMENTS**  
**Years Ended August 31, 2016 and 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

January 9, 2017

To the Board of Directors  
Rebuilding Together South Sound  
Tacoma Place, Washington

I have audited the accompanying financial statements of the Rebuilding Together South Sound (a nonprofit organization) which comprise the statements of financial position as of August 31, 2016, and the related statements of activities and changes in net assets and cash flows, 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 error or fraud.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rebuilding Together South Sound as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matter**

The 2015 financial statements were reviewed by me and my report thereon, dated November 16, 2015, stated that I am not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

A handwritten signature in black ink that reads "Mary Jane Dubbs CPA". The signature is written in a cursive style.

Mary Jane Dubbs  
Certified Public Accountant  
University Place, Washington

**REBUILDING TOGETHER SOUTH SOUND  
STATEMENTS OF FINANCIAL POSITION  
August 31, 2016 and 2015**

	<u>2016</u> <u>(Audited)</u>	<u>2015</u> <u>(Unaudited)</u>
ASSETS		
Current Assets		
Cash and cash equivalents	60,728	72,231
Promises to give	45,328	5,050
Certificates of deposit	151,220	150,563
Prepaid expenses	23,336	1,750
	<u>280,612</u>	<u>229,594</u>
Other Assets		
Cash restricted for construction bond	<u>12,000</u>	<u>-</u>
TOTAL ASSETS	<u><u>292,612</u></u>	<u><u>229,594</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	-	207
Accrued payroll liabilities	-	4,577
Total Liabilities	<u>-</u>	<u>4,784</u>
Net Assets		
Unrestricted	<u>292,612</u>	<u>224,810</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>292,612</u></u>	<u><u>229,594</u></u>

**REBUILDING TOGETHER SOUTH SOUND**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended August 31, 2015 and 2014**

	<b>2016</b>	<b>2015</b>
	<b>(Audited)</b>	<b>(Unaudited)</b>
Unrestricted support and revenues		
Public contributions	365,158	430,963
Government grants	96,131	45,401
Interest income	698	317
Special events, net of direct costs of \$30,672 and \$47,102	<u>64,028</u>	<u>52,650</u>
Total support and revenues	526,015	529,331
Expenses		
Program services	408,934	464,969
Support services:		
General and administrative	29,999	31,480
National dues	11,000	10,000
Fundraising	<u>8,280</u>	<u>18,046</u>
Total support services	<u>49,279</u>	<u>59,526</u>
Total Expenses	<u>458,213</u>	<u>524,495</u>
Change in net assets	67,802	4,836
Net assets, beginning of year	<u>224,810</u>	<u>219,974</u>
Net assets, end of year	<u><u>292,612</u></u>	<u><u>224,810</u></u>

**REBUILDING TOGETHER SOUTH SOUND  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended August 31, 2016 and 2015**

	<b>2016 (Audited)</b>					<b>2015 (Unaudited)</b>				
	Program Services	Supporting Services			Total	Program Services	Supporting Services			Total
		General and administrativ	National Dues	Fundraising			General and administrative	National Dues	Fundraising	
Construction supplies	93,310	-	-	-	93,310	143,848	-	-	-	143,848
Construction labor	70,920	-	-	-	70,920	137,580	-	-	-	137,580
Salaries	157,712	11,285	-	5,643	174,640	111,051	6,959	-	11,793	129,803
Payroll taxes	14,271	1,021	-	511	15,803	11,157	699	-	1,185	13,041
Employee benefits	-	-	-	-	-	3,630	180	-	90	3,900
Occupancy and parking	18,341	1,312	-	656	20,309	16,178	1,094	-	2,302	19,574
Advertising and promotion	2,888	-	-	-	2,888	1,622	-	-	-	1,622
Education	-	1,776	-	-	1,776	-	2,449	-	-	2,449
Insurance	3,782	271	-	135	4,188	3,796	238	-	403	4,437
Meetings and conferences	2,382	172	-	-	2,554	1,861	8,255	-	-	10,116
Membership and affiliations	22,486	-	11,000	-	33,486	17,539	-	10,000	-	27,539
Miscellaneous	8,777	2,564	-	-	11,341	364	470	-	736	1,570
Office expenses	7,483	535	-	268	8,286	8,457	530	-	898	9,885
Postage	1,390	99	-	50	1,539	1,566	98	-	167	1,831
Professional services	-	6,000	-	889	6,889	-	5,700	-	141	5,841
Telephone	3,566	255	-	128	3,949	3,121	196	-	331	3,648
Travel	1,626	4,709	-	-	6,335	3,199	4,612	-	-	7,811
<b>TOTAL EXPENSES</b>	<b>408,934</b>	<b>29,999</b>	<b>11,000</b>	<b>8,280</b>	<b>458,213</b>	<b>464,969</b>	<b>31,480</b>	<b>10,000</b>	<b>18,046</b>	<b>524,495</b>

**REBUILDING TOGETHER SOUTH SOUND**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended August 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
	<b>(Audited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from support and revenue	415,800	357,436
Cash paid to suppliers and employees	(415,344)	(339,740)
Interest received	698	317
Net cash provided by operating activities	<u>1,154</u>	<u>18,013</u>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of certificates of deposits	<u>(657)</u>	<u>(44,291)</u>
Net cash used for investing activities	(657)	(44,291)
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Cash restricted for construction bond	<u>(12,000)</u>	<u>-</u>
Net cash used for financing activities	(12,000)	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(11,503)	(26,278)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>72,231</u>	<u>98,509</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>60,728</u></u>	<u><u>72,231</u></u>
<b>RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Increase in net assets	67,802	4,836
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
(Increase) Decrease in:		
Promises to give	(40,278)	13,205
Prepaid expenses	(21,586)	(1,750)
Increase (Decrease) in:		
Accounts payable	(207)	(33)
Accrued liabilities	(4,577)	1,755
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>1,154</u></u>	<u><u>18,013</u></u>



## **REBUILDING TOGETHER SOUTH SOUND NOTES TO FINANCIAL STATEMENTS**

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Nature of Activities

Rebuilding Together South Sound (the Organization) is a not-for-profit organization whose mission is to bring volunteers and communities together to improve the homes and lives of low-income homeowners. Rebuilding Together South Sound was established in 2001 and is part of the national Rebuilding Together organization. They are a volunteer, charitable group that repairs or rebuilds homes at no cost to low-income homeowners, particularly those who are elderly, disabled or families with no children.

#### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The organization has no restricted net assets.

#### Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Accounts Receivables

Accounts receivables are carried at cost. The Organization reviews its receivables on a regular basis and writes off any amount deemed uncollectible. The Organization considers all receivable to be fully collectible; therefore, no allowance for doubtful accounts is required.

#### Property and Equipment

The organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using the straight-line method based on an estimated useful life of 3 to 7 years.

#### Fair Values of Financial Instruments

The Organization's financial instruments at year end consist of cash, accounts receivable and accounts payable. The recorded values of these instruments approximated the fair values based on their short-term nature.

**REBUILDING TOGETHER SOUTH SOUND**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization had no unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's information returns are subject to possible examination by the taxing authorities until the expiration of related statutes of limitations on those tax returns, which is generally three years after the filing date.

NOTE B – CONCENTRATION AND RISKS

The Organization maintains its cash deposits in various financial institutions restricting balances at federally insured limits. At August 31, 2016 and 2015, the Organization had no uninsured cash balances.

NOTE C – RESTRICTED CASH

The Organization assigned certain savings account to a government agency to fulfill the security requirements for general contractors. The deposit will only be released as directed by the government agency with no other condition of release.

NOTE D – DONATED MATERIALS AND SERVICES

The Organization received contributions of materials and services from various individuals and companies. The contributions are used to improve homes of low-income homeowners, in accordance with the Organization's mission. For the year ended August 31, 2016 and 2015, the contributions received were:

	<u>2016</u>	<u>2015</u>
Construction supplies	21,811	70,005
Construction labor	70,920	137,580
Special event auction items	<u>7,180</u>	<u>24,299</u>
Total	<u>99,911</u>	<u>231,884</u>

**REBUILDING TOGETHER SOUTH SOUND  
NOTES TO FINANCIAL STATEMENTS**

NOTE D – DONATED MATERIALS AND SERVICES – (Continued)

In addition, many individuals volunteer their time and skills to perform a variety of tasks that assist in the Organization’s mission, but these services do not meet the criteria for recognition as contributed services. These volunteer services are essential to the delivery of program and activities. For the year ended August 31, 2016 and 2015, the estimated values of these services were \$29,247 and \$53,064, respectively.

NOTE E – AFFILIATION AGREEMENT

The Organization has a five-year affiliate agreement with Rebuilding Together, Inc. (the National Office) expiring on July 1, 2018. The Organization pays annual dues to the National Office in the amount of five percent (5%) of all cash receipts payable on September 15 of each year. The schedule of national dues for the term of affiliation is as follows:

<u>Year</u>	<u>Minimum</u>	<u>Maximum</u>
2013	\$750	\$10,000
2014	\$500	\$10,000
2015	\$500	\$11,000
2016	\$500	\$12,500
2017	\$500	\$14,000
2018	\$500	\$15,000

In addition, any cash grants from the National Office amounting to more than \$50,000 will be charged additional fee of five percent (5%), capped at \$5,000. The National Office will provide various programs and services to the Organization including strategic partnerships, marketing, national initiatives, advocacy, organizational development, connectivity, and technical assistance.

The Organization pays other various consulting, insurance and conference fees to the National Office. Total payments to the National Office for the year ended August 31, 2016 and 2015 were 33,633 and \$28,667, respectively.

NOTE F – OPERATING LEASE

On June 7, 2016, the Organization entered into a five year non-cancellable office lease agreement expiring in August, 2021. The lease requires base rent of \$1,500 monthly and includes automatic annual increases of six percent (6%). Future minimum obligations under the lease agreement will fall due on August 31:

2017	18,000
2018	19,080
2019	20,225
2020	21,438
2021	22,725
	<u>101,468</u>

**REBUILDING TOGETHER SOUTH SOUND**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE F – LEASES – (Continued)

Included in occupancy were rent expenses of \$18,000 and 18,000 for year ending August 31, 2016 and 2015, respectively.

NOTE G – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 9, 2017, which is the date the financial statements were available to be issued. There were no subsequent events that are material to the financial statements.