

Rebuilding Together Houston

Financial Statements – Modified Cash Basis
and Independent Auditors' Report
for the years ended December 31, 2007 and 2006

Independent Auditors' Report

To the Board of Directors of
Rebuilding Together Houston:

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of Rebuilding Together Houston as of December 31, 2007 and the related statements of revenue and expenses and changes in net assets – modified cash basis and of functional expenses – modified cash basis for the year then ended. These financial statements are the responsibility of the management of Rebuilding Together Houston. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Rebuilding Together Houston as of December 31, 2006, were audited by other auditors whose report dated September 27, 2007, expressed an unqualified opinion on those statements.

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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Rebuilding Together Houston as of December 31, 2007 and the revenue, expenses, and changes in net assets for the year then ended on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Rebuilding Together Houston taken as a whole. The accompanying supplemental schedule on page 8 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blazek & Vetterling

October 7, 2008

Rebuilding Together Houston

Statements of Assets, Liabilities and Net Assets – Modified Cash Basis as of December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 949,497	\$ 380,221
Certificate of deposit	95,628	95,628
Building, net of accumulated depreciation of \$135,606 in 2007 and \$121,149 for 2006	<u>148,981</u>	<u>163,438</u>
TOTAL ASSETS	<u>\$ 1,194,106</u>	<u>\$ 639,287</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Funds held for the Houston Independent School District <i>(Note 2)</i>	\$ 95,628	\$ 95,628
Contract advances	<u>538,387</u>	<u>204,000</u>
Total liabilities	<u>634,015</u>	<u>299,628</u>
Net assets:		
Rebuilding Together Houston Operations	411,110	176,221
Building	<u>148,981</u>	<u>163,438</u>
Total net assets	<u>560,091</u>	<u>339,659</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,194,106</u>	<u>\$ 639,287</u>

See accompanying notes to financial statements.

Rebuilding Together Houston

Statements of Revenue and Expenses and Changes in Net Assets – Modified Cash Basis
for the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUE:		
Grants (<i>Note 3</i>)	\$ 2,737,878	\$ 1,481,918
Contributions	644,057	523,892
Rental income	20,561	36,829
Interest	<u>32,792</u>	<u>13,253</u>
Total revenue	<u>3,435,288</u>	<u>2,055,892</u>
EXPENSES:		
Housing and neighborhood revitalization programs:		
Energy Efficiency Programs	1,564,997	748,103
Interior repair	841,412	552,354
Volunteer Home Repair Program	431,812	480,293
Roofs Over Houston	358,706	275,621
Safer Home Program	50,647	
Management and general	95,923	74,995
Fundraising	<u>75,359</u>	<u> </u>
Total expenses	<u>3,418,856</u>	<u>2,131,366</u>
CHANGES IN NET ASSETS	16,432	(75,474)
Net assets, beginning of year	<u>543,659</u>	<u>415,133</u>
Net assets, end of year	<u>\$ 560,091</u>	<u>\$ 339,659</u>

See accompanying notes to financial statements.

Rebuilding Together Houston

Statement of Functional Expenses for the year ended December 31, 2007

	PROGRAM SERVICES					SUPPORTING SERVICES			
	ENERGY EFFICIENCY	INTERIOR REPAIR	HOME REPAIR	VOLUNTEER ROOF'S OVER HOUSTON	SAFER HOME PROGRAM	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 239,942	\$ 74,657	\$ 123,582	\$ 70,005	\$ 35,371	\$ 543,557	\$ 75,068	\$ 66,204	\$ 684,829
Contractor fees	1,272,913	750,531		273,488		2,296,932			2,296,932
Construction supplies			266,917		7,589	274,506			274,506
Insurance	20,524	6,386	10,571	5,988	3,026	46,495			46,495
Occupancy	10,639	3,310	5,480	3,104	1,568	24,101	3,328	2,935	30,364
Travel	9,593	2,985	4,941	2,799	1,414	21,732	3,002	2,646	27,380
Supplies	7,267	2,261	3,743	2,120	1,072	16,463	2,274	2,005	20,742
Depreciation			14,457			14,457			14,457
Telephone	3,241	1,009	1,669	946	478	7,343	1,014	894	9,251
Other	878	273	452	256	129	1,988	11,237	675	13,900
Total	<u>\$ 1,564,997</u>	<u>\$ 841,412</u>	<u>\$ 431,812</u>	<u>\$ 358,706</u>	<u>\$ 50,647</u>	<u>\$3,247,574</u>	<u>\$ 95,923</u>	<u>\$ 75,359</u>	<u>\$3,418,856</u>

See accompanying notes to financial statements.

Rebuilding Together Houston

Statement of Functional Expenses for the year ended December 31, 2006

	PROGRAM SERVICES					SUPPORTING SERVICES		
	ENERGY EFFICIENCY	INTERIOR REPAIR	VOLUNTEER HOME REPAIR	ROOF'S OVER HOUSTON	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 130,143	\$ 73,612	\$ 119,917	\$ 73,612	\$ 397,284	\$ 49,764		\$ 447,048
Construction supplies			300,794		300,794			300,794
Contractor fees	592,727	453,509		176,776	1,223,012			1,223,012
Insurance	6,923	6,923	6,923	6,923	27,692	6,923		34,615
Occupancy	4,809	4,809	24,701	4,809	39,128	4,809		43,937
Travel	6,273	6,273	6,273	6,273	25,092	6,273		31,365
Supplies	4,478	4,478	4,478	4,478	17,912	4,478		22,390
Depreciation			14,457		14,457			14,457
Telephone	1,873	1,873	1,873	1,873	7,492	1,873		9,365
Other	877	877	877	877	3,508	875		4,383
Total	<u>\$ 748,103</u>	<u>\$ 552,354</u>	<u>\$ 480,293</u>	<u>\$ 275,621</u>	<u>\$2,056,371</u>	<u>\$ 74,995</u>	<u>\$</u>	<u>\$2,131,366</u>

See accompanying notes to financial statements.

Rebuilding Together Houston

Notes to Financial Statements for the years ended December 31, 2007 and 2006

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Rebuilding Together Houston (RTH) is a nonprofit corporation founded in 1982 that promotes private sector involvement in improving the quality of life for low-income seniors and disabled homeowners in Houston and Harris County. RTH's focus is the delivery of essential home repairs to improve the overall condition of the home, eliminate health and safety hazards in the home, and improve its energy efficiency. Exterior home repair is provided by volunteer crews sponsored by corporations, churches, schools and community organizations and is the core of RTH's mission. Low-income neighborhoods served by RTH include Acres Homes, North Side, Fifth Ward, Kashmere Gardens, Settegast, Third Ward, Sunnyside and communities outside loop 610 in east Harris County.

Tax status – Rebuilding Together Houston is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Basis of accounting – The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis, contributions, rental income, and interest are recognized when received rather than when earned. Expenditures are generally recognized when paid rather than when incurred. Consequently, RTH has not recognized pledges receivable from donors, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements.

Cash and cash equivalents – Cash equivalents are highly liquid financial instruments with original maturities of three months or less. At times, deposits exceed the federally insured limit of \$100,000 per depositor per institution.

Grant revenue is recognized when the related services are provided. Amounts received in advance are recorded as contract advances.

Contribution revenue is recognized when cash is received.

Building consists of a warehouse and is depreciated using the straight-line method over 20 years. Purchases of office furnishings and equipment are charged to expense as paid. Depreciation expense was \$14,457 for 2007 and 2006.

Rental income consists of rentals received for renting a portion of Rebuilding Together Houston's warehouse to a third party. Rental income is recognized when received.

Building materials are recognized as expenditures when paid rather than when used. Therefore, no amounts are recorded as inventory as of December 31, 2007 and 2006.

Estimates – The preparation of financial statements in conformity with modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, revenues and expenses during the reporting period and disclosures in the financial statements. Actual results could differ materially from those estimates.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

NOTE 2 – FUNDS HELD FOR THE HOUSTON INDEPENDENT SCHOOL DISTRICT

RTH serves as the fiscal agent for the Character Education Project implemented by the Houston Independent School District. All funds for this project were received from private foundations and corporate sponsors. Under a written agreement with the Houston Independent School District, RTH uses the interest income earned on the funds to offset expenses related to administering the project.

NOTE 3 – CONCENTRATION OF GRANTS

Rebuilding Together Houston receives the majority of its funding from a limited number of corporations. These grants include the following:

	<u>2007</u>	<u>2006</u>
Reliant Energy Retail Services, Inc.	\$ 1,034,116	\$ 725,738
CenterPoint Energy Houston Electric, LLC	878,916	
Harris County Housing Finance Corporation	558,376	756,180
Houston Housing Finance Corporation	175,338	
Federal Home Loan Bank	76,439	
Other	<u>14,693</u>	<u> </u>
Total	<u>\$ 2,737,878</u>	<u>\$ 1,481,918</u>

Rebuilding Together Houston

Supplemental Schedule of Value of Programs Delivered for the years ended December 31, 2007 and 2006

The deemed value of programs delivered is as follows:

	<u>2007</u>	<u>2006</u>
Cash disbursements:		
Energy Efficiency Program	\$ 1,564,997	\$ 748,103
Interior repair	841,412	552,354
Volunteer Home Repair Program	417,355	465,836
Roofs Over Houston	358,706	275,621
Safer Home Program	50,647	
Management and general	95,923	74,995
Fundraising	<u>75,359</u>	<u> </u>
Total cash disbursements	<u>3,404,399</u>	<u>2,116,909</u>
In-kind expenses:		
Volunteer labor for Volunteer Home Repair Program (VHRP) (Note 1)	1,354,896	1,244,760
In-kind contributions (Note 2)	<u>120,450</u>	<u>88,545</u>
Total in-kind expenses	<u>1,475,346</u>	<u>1,333,305</u>
Total value of programs delivered	<u>\$ 4,879,745</u>	<u>\$ 3,450,214</u>

NOTE 1 – The Volunteer Home Repair Program (VHRP) facilitated exterior home repairs by volunteers of 232 houses in 2007. On average, each VHRP house repair project utilized a 20-member crew which worked two Saturdays: 15 hours per crew member and 300 hours per house. Valued at \$18.77 per hour, the labor component in the 2007 VHRP was valued at \$1,306,392 (# of houses 232 x # of hours 300 x \$18.77 per hour = \$1,306,392). The Safer Home Program facilitated completion of 31 wheelchair ramps in 2007. On average each ramp utilized a 5-member crew working 9 hours and a skilled leader working 12 hours: 9 hours per ramp/team member and 45 hours per house. Valued at \$18.77 per hour, the labor component in the 2007 SHP was valued at \$26,184 (# of ramps 31 x # of hours 45 x \$18.77 per hour = \$26,184). Skilled leader 12 hours per ramp x \$60 per hour (# of hours 372 x \$60.00 per hour = \$22,320). Total volunteer value at \$1,354,896.

VHRP facilitated exterior home repairs by volunteers of 230 houses in 2006. Valued at \$18.04 per hour, the labor component in this program in 2006 was valued at \$1,244,760 (# of houses 230 x # of hours 300 x \$18.04 per hour = \$1,244,760).

NOTE 2 – Rebuilding Together Houston received other in-kind contributions as follows:

	<u>2007</u>	<u>2006</u>
Office space	\$ 85,250	\$ 24,045
Professional services	20,000	34,500
Donated materials	<u> </u>	<u>30,000</u>
Other	15,200	
Total	<u>\$ 120,450</u>	<u>\$ 88,545</u>