

REBUILDING TOGETHER DC ALEXANDRIA

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Rebuilding Together DC Alexandria

Opinion

We have audited the accompanying financial statements of **Rebuilding Together DC Alexandria** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Rebuilding Together DC Alexandria** as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Rebuilding Together DC Alexandria** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Rebuilding Together DC Alexandria's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

The Board of Directors
Rebuilding Together DC Alexandria

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Rebuilding Together DC Alexandria's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Rebuilding Together DC Alexandria's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kositzka, Wicks and Company

Alexandria, Virginia
January 6, 2023

Rebuilding Together DC Alexandria

Statements of Financial Position

June 30,

2022

2021

Assets

Current assets

Cash and cash equivalents	\$ 276,125	\$ 399,566
Restricted cash - Housing funds	443,838	331,921
Total cash and cash equivalents	<u>719,963</u>	<u>731,487</u>
Investments	624,080	639,708
Accounts receivable	141,001	117,133
Property, available for sale	-	172,835
Prepaid expenses	10,514	3,636
Total current assets	<u>1,495,558</u>	<u>1,664,799</u>

Other assets

Deposits	-	5,323
Property and equipment, net	17,833	26,344
Total other assets	<u>17,833</u>	<u>31,667</u>
Total assets	<u>\$ 1,513,391</u>	<u>\$ 1,696,466</u>

Liabilities

Current liabilities

Accounts payable	\$ 65,621	\$ 80,023
Payroll liabilities	34,619	34,072
Refundable advances - general	111,504	147,750
Refundable advances - Housing Trust Fund	158,418	199,197
Refundable advances - HOME	122,733	122,928
Refundable advances - CDBG	376,637	356,085
SBA Paycheck Protection Program loan	-	119,700
Total liabilities	<u>869,532</u>	<u>1,059,755</u>

Net assets

Without donor restrictions and total	643,859	636,711
Total liabilities and net assets	<u>\$ 1,513,391</u>	<u>\$ 1,696,466</u>

The accompanying independent auditor's report and notes are an integral part of these financial statements.

Rebuilding Together DC Alexandria

Statement of Activities for the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions – corporate and foundations	\$ 871,977	\$ -	\$ 871,977
Contributions – individuals and churches	385,075	-	385,075
Government grants	913,722	-	913,722
Management fee income	16,000	-	16,000
Investment loss, net	(115,790)	-	(115,790)
In-kind donations	195,285	-	195,285
Other income	36,263	-	36,263
	<u>2,302,532</u>	<u>-</u>	<u>2,302,532</u>
Expenses			
Program services			
Safe and Healthy Homes	1,673,160	-	1,673,160
Home of Your Own	10,753	-	10,753
Community Strong	107,443	-	107,443
Supporting services			-
General and administrative	297,570	-	297,570
Fundraising	206,458	-	206,458
	<u>2,295,384</u>	<u>-</u>	<u>2,295,384</u>
Change in net assets	7,148	-	7,148
Net assets, beginning of year	636,711	-	636,711
Net assets, end of year	<u>\$ 643,859</u>	<u>\$ -</u>	<u>\$ 643,859</u>

The accompanying independent auditor's report and notes are an integral part of these financial statements.

Rebuilding Together DC Alexandria

Statement of Activities for the year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions – corporate and foundations	\$ 1,048,871	\$ -	\$ 1,048,871
Contributions – individuals and churches	211,686	-	211,686
Government grants	320,565	-	320,565
Management fee income	42,500	-	42,500
Investment income, net	150,439	-	150,439
In-kind donations	55,940	-	55,940
Special events income, net of \$308 expenses	1,998	-	1,998
Net assets released from restrictions	15,000	(15,000)	-
	<u>1,846,999</u>	<u>(15,000)</u>	<u>1,831,999</u>
Expenses			
Program services			
Safe and Healthy Homes	1,388,898	-	1,388,898
Home of Your Own	41,367	-	41,367
Community Strong	61,074	-	61,074
Supporting services			
General and administrative	170,400	-	170,400
Fundraising	169,859	-	169,859
	<u>1,831,598</u>	<u>-</u>	<u>1,831,598</u>
Change in net assets	15,401	(15,000)	401
Net assets, beginning of year	621,310	15,000	636,310
Net assets, end of year	<u>\$ 636,711</u>	<u>\$ -</u>	<u>\$ 636,711</u>

The accompanying independent auditor's report and notes are an integral part of these financial statements.

Rebuilding Together DC Alexandria

Statement of Functional Expenses for the year ended June 30, 2022

	Program services				Supporting services		Total
	Safe and Healthy Homes	Home of Your Own	Community Strong	Total Program	General and administrative	Fundraising	
Salary and related							
Salaries and wages	\$ 280,191	\$ 6,401	\$ 43,623	\$ 330,215	\$ 98,038	\$ 181,634	\$ 609,887
Payroll taxes	20,741	474	3,229	24,444	7,257	13,445	45,146
Employee benefits	17,277	395	2,690	20,362	6,045	11,200	37,607
Other expenses							
Accounting fees	9,273	-	-	9,273	23,671	-	32,944
Building supplies	359,798	387	21,655	381,840	8,183	-	390,023
Contract labor	657,310	1,898	28,054	687,262	925	-	688,187
Depreciation and amortization	-	-	-	-	10,413	-	10,413
Insurance	18,866	-	-	18,866	19,894	-	38,760
Licenses and fees	210	-	-	210	1,471	-	1,681
Meals	188	-	84	272	605	63	940
Membership	19,370	-	-	19,370	50	-	19,420
Miscellaneous	(153)	-	-	(153)	3,203	-	3,050
Occupancy	27,124	1,000	7,036	35,160	16,669	-	51,829
Office expenses	8,539	-	-	8,539	6,425	-	14,964
Postage and delivery	4,850	-	-	4,850	3,944	-	8,794
Printing and copying	13,089	-	-	13,089	2,536	-	15,625
Promotion	2,083	-	948	3,031	(128)	114	3,017
Professional development	-	-	-	-	4,758	-	4,758
Professional fees	-	-	-	-	36,000	-	36,000
Public relations and advertising	28,317	-	54	28,371	1,891	-	30,262
Technology support	9,966	-	-	9,966	3,451	-	13,417
Telephone	1,092	-	-	1,092	1,398	-	2,490
Travel	2,226	-	70	2,296	1,770	2	4,068
Website	19,828	-	-	19,828	16,989	-	36,817
	<u>1,500,185</u>	<u>10,555</u>	<u>107,443</u>	<u>1,618,183</u>	<u>275,458</u>	<u>206,458</u>	<u>2,100,099</u>
In-kind donations							
In-kind supplies/materials	34,268	91	-	34,359	3,710	-	38,069
In-kind services/labor/rent	138,707	107	-	138,814	18,402	-	157,216
	<u>172,975</u>	<u>198</u>	<u>-</u>	<u>173,173</u>	<u>22,112</u>	<u>-</u>	<u>195,285</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 1,673,160</u>	<u>\$ 10,753</u>	<u>\$ 107,443</u>	<u>\$ 1,791,356</u>	<u>\$ 297,570</u>	<u>\$ 206,458</u>	<u>\$ 2,295,384</u>

The accompanying independent auditor's report and notes are an integral part of these financial statements.

Rebuilding Together DC Alexandria

Statement of Functional Expenses for the year ended June 30, 2021

	Program services				Supporting services		Cost of direct benefit to donors	Total
	Safe and Healthy Homes	Home of Your Own	Community Strong	Total Program	General and administrative	Fundraising		
Salary and related								
Salaries and wages	\$ 319,082	\$ 22,560	\$ 4,750	\$ 346,392	\$ 91,027	\$ 139,159	\$ -	\$ 576,578
Payroll taxes	19,620	1,387	292	21,299	5,597	8,557	-	35,453
Employee benefits	17,872	1,264	266	19,402	5,099	7,794	-	32,295
Other expenses								
Accounting fees	4,400	-	-	4,400	12,881	-	-	17,281
Building supplies	244,747	6,857	29,440	281,044	354	-	-	281,398
Contract labor	571,972	6,539	19,550	598,061	950	-	-	599,011
Cost of direct benefit to donors	-	-	-	-	-	-	308	308
Depreciation and amortization	5,562	393	83	6,038	1,586	2,426	-	10,050
Insurance	16,657	1,178	248	18,083	4,752	7,265	-	30,100
Licenses and fees	1,665	-	-	1,665	75	-	-	1,740
Meals	87	-	-	87	461	-	-	548
Membership	15,076	-	4,733	19,809	-	-	-	19,809
Miscellaneous	24	-	290	314	1,974	-	-	2,288
Occupancy	52,114	388	622	53,124	-	-	-	53,124
Office expenses	7,303	-	-	7,303	2,718	1,479	-	11,500
Postage and delivery	6,155	-	-	6,155	2,629	4	-	8,788
Printing and copying	7,016	-	-	7,016	2,707	-	-	9,723
Promotion	79	-	-	79	865	2,049	-	2,993
Professional development	899	511	-	1,410	8,670	48	-	10,128
Professional fees	33,500	-	-	33,500	7,000	-	-	40,500
Public relations and advertising	12,702	-	800	13,502	2,178	278	-	15,958
Telephone	1,883	-	-	1,883	280	200	-	2,363
Travel	1,052	-	-	1,052	126	22	-	1,200
Website	6,796	23	-	6,819	5,433	578	-	12,830
	1,346,263	41,100	61,074	1,448,437	157,362	169,859	308	1,775,966
In-kind donations								
In-kind supplies/materials	8,678	-	-	8,678	-	-	-	8,678
In-kind services/labor/rent	33,957	267	-	34,224	13,038	-	-	47,262
	42,635	267	-	42,902	13,038	-	-	55,940
Total expenses	1,388,898	41,367	61,074	1,491,339	170,400	169,859	308	1,831,906
Less expenses included with revenues on the statement of activities								
Cost of direct benefit to donors	-	-	-	-	-	-	(308)	(308)
Total expenses included in the expense section on the statement of activities	\$ 1,388,898	\$ 41,367	\$ 61,074	\$ 1,491,339	\$ 170,400	\$ 169,859	\$ -	\$ 1,831,598

The accompanying independent auditor's report and notes are an integral part of these financial statements.

Rebuilding Together DC Alexandria

Statements of Cash Flows

for the years ended June 30,

2022

2021

Cash flows from operating activities

Change in net assets	\$	7,148	\$	401
Adjustments to reconcile change in net assets to net cash from operating activities				
Depreciation and amortization		10,413		10,050
Loss on sale of properties		47,035		166,505
Realized and unrealized (gain) loss on investments		142,236		(127,069)
Receipt of donated securities		(2,779)		(3,664)
SBA Paycheck Protection Program loan forgiveness		(119,700)		-
(Increase) decrease in operating assets				
Accounts receivable		(23,868)		(91,953)
Pledges receivable		-		(10,180)
Prepaid expenses		(6,878)		578
Deposits		5,323		2,560
Increase (decrease) in operating liabilities				
Accounts payable		(14,402)		63,161
Payroll liabilities		547		34,072
Refundable advances - general		(36,246)		(402,000)
Refundable advances - Housing Trust Fund		(40,779)		(142,320)
Refundable advances - HOME		(195)		(775)
Refundable advances - CDBG		20,552		(28,631)
Proceeds from sale of property		497,208		861,841
Purchase of property, available for sale and improvements		(371,408)		(629,618)
Net cash provided by (used in) operating activities		<u>114,207</u>		<u>(297,042)</u>

Cash flows from investing activities

Purchase of property and equipment		(1,902)		(3,900)
Proceeds from sale of investments		(100,000)		407,000
Purchase of investments and net reinvestments		(23,829)		(22,792)
Net cash provided by (used in) investing activities		<u>(125,731)</u>		<u>380,308</u>

Cash flows from financing activities

SBA Paycheck Protection Program loan proceeds		-		119,700
Net cash provided by financing activities		<u>-</u>		<u>119,700</u>

Net change in cash, restricted cash and cash equivalents

		(11,524)		202,966
Cash, restricted cash and cash equivalents, beginning of year		731,487		528,521
Cash, restricted cash and cash equivalents, end of the year	\$	<u>719,963</u>	\$	<u>731,487</u>

Supplemental disclosure of cash flow information

Cash paid for interest	\$	-	\$	-
Income taxes paid	\$	-	\$	-

The accompanying independent auditor's report and notes are an integral part of these financial statements.

Rebuilding Together DC Alexandria

Notes to Financial Statements June 30, 2022 and 2021

1. Organization

Rebuilding Together DC Alexandria (the Organization) is a nonprofit organization, incorporated in Commonwealth of Virginia on September 5, 1986. The purpose of the Organization is to enhance the quality of life of low income persons in the City of Alexandria, Virginia, by enhancing their safety, security, and independence. In 2018, the Organization expanded their program into DC by assuming an affiliate location. Activity for the DC program commenced during the year ended June 30, 2019. The Organization's programs continue to focus on a National Rebuilding Day, as well as other year-round projects, to repair and revitalize homes, neighborhoods, and communities. Rebuilding Together DC Alexandria is supported primarily by voluntary contributions of time and money; and funding from corporations, individuals, labor organizations, foundations, civic organizations, churches and synagogues, and grants from local jurisdictions.

2. Summary of significant accounting policies

Basis of accounting

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2022 and 2021, the Organization had no net assets with donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, restricted cash and cash equivalents

The Organization maintains cash in bank accounts which may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. FDIC insurance is \$250,000 per depositor, per insured bank.

Cash received from federal funds and other housing grants are held in separate bank accounts and reported as restricted cash on the accompanying statements of financial position.

Pledges and accounts receivable

Unconditional promises to give are recognized as revenue in the period pledged. Conditional promises to give are recognized as revenue when the donor imposed conditions on which they depend are substantially met.

See independent auditor's report.

Rebuilding Together DC Alexandria

Notes to Financial Statements June 30, 2022 and 2021

All receivable balances (receivables for grants and contributions) as of June 30, 2022 and 2021 are due within one year. As a result, receivables are measured at net realizable value which approximates fair market value. Allowances for receivables are determined by management based on an assessment of their collectability. Management considers past history, current economic conditions, and overall viability of the third party. Based on this assessment, the Organization considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and equipment

Property is recorded at cost as of the date of acquisition, or fair market value at the date of donation for donated assets. The Organization capitalizes purchases over \$500. Depreciation is calculated using the straight-line method over estimated useful lives of five to seven years.

Website

Website costs are recorded in accordance with generally accepted accounting principles, costs incurred to plan the website were expensed as incurred while costs incurred to develop the infrastructure and graphics of the website were capitalized. All costs to operate the site are expensed as incurred. The capitalized costs were amortized over 36 months and are included in property and equipment on the statements of financial position.

Support and revenue recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

The Organization receives management fee income which is accounted for as an exchange transaction. Accordingly, revenues are recognized over time as they are earned and expenses are recorded when incurred. Revenue from exchange transactions also consists of an exchange portion of tickets sold for the Organization's special event. No in-person event occurred during the years ended June 30, 2022 and 2021, and thus no exchange portion exists. All remaining sources of support and revenue are contributions.

Refundable advances

General

Refundable advances consist of contributions received that are conditional upon the occurrence of a specific event or performance of services. Refundable advances as of June 30, 2022 consisted of \$111,504 for monthly projects. Refundable advances as of June 30, 2021 consisted of \$147,750 for National Rebuilding Day events.

Housing funds

Rebuilding Together DC Alexandria receives revenues in the form of cash contributions and grants from the federal and local state governments, other organizations and individuals for specified programs. Refundable advances have been recorded to the extent that amounts received are in excess of grant expense, and to the extent of conditional contributions received before the condition has been met. In accordance with HOME, CDBG and Housing Trust Fund grant regulations, proceeds from the sale of refurbished homes are to be retained by the Organization and used toward the purchase of future home purchases. Proceeds are treated as additional grant proceeds in the year received and deferred until the sale of the property.

See independent auditor's report.

Rebuilding Together DC Alexandria

Notes to Financial Statements June 30, 2022 and 2021

Refundable advances – HOME, Refundable advances – Housing Trust Fund, and Refundable advances – CDBG on the statements of financial position are reduced by amounts incurred for management fees by the Organization and any resulting gain or loss from the sale of individual refurbished homes.

In-kind donations

Contributed nonfinancial assets include donated professional services, donated materials, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 7). The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, and general and administrative; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$9,499 for 2022 and is included in public relations and advertising expenses on the statement of functional expenses. There were no advertising expenses for 2021.

Functional classification of expenses

The costs of providing the programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates of the use of resources and service efforts during the year. Salaries, payroll taxes, employee benefits, insurance, depreciation and amortization, and occupancy have been allocated across functional areas based on an estimate of time spent by personnel.

Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, restricted cash, prepaid expenses, pledges and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable, payroll tax liability, and refundable advances. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

Income taxes

Rebuilding Together DC Alexandria is exempt from federal income tax as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income for the years ended June 30, 2022 and 2021.

The Organization is subject to taxation in the U.S. and a small number of state and local jurisdictions. The material jurisdictions subject to potential examination by taxing authorities include the U.S., Virginia, and the District of Columbia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2019 through 2022.

See independent auditor's report.

Rebuilding Together DC Alexandria

Notes to Financial Statements June 30, 2022 and 2021

Recently adopted accounting pronouncements

The Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021 with a retroactive application. The Organization adopted the standard on July 1, 2021 with no impact on net assets. Additional disclosures have been provided as appropriate under the new standard.

Upcoming accounting pronouncements

The Financial Accounting Standards Board (FASB) issued ASU 2016-02, which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Organization adopted the standard on its effective date, which for the Organization was July 1, 2022. The Organization has not evaluated the impact of this statement.

The FASB has issued Accounting Standards Update (ASU) 2016-13 which adopts the current expected credit loss (CECL) model. The CECL model requires a financial asset or a group of financial assets (including trade receivables, contract assets, lease receivables, financial guarantees, loans and loan commitments, and held-to-maturity debt securities) measured at amortized cost basis to be presented at the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets, as well as the increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022 and the Organization plans to adopt this standard on its effective date, July 1, 2023. Management is assessing the impact that the standard will have on the financial statements.

3. Investments and fair value measurements

Investment income (loss) for the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
Interest	\$ 160	\$ 155
Dividends	14,395	16,786
Capital gains distributions	15,989	13,709
Investment fees	(6,877)	(10,944)
Realized and unrealized gain (loss) on investments	(139,457)	130,733
	<u>\$ (115,790)</u>	<u>\$ 150,439</u>

Rebuilding Together DC Alexandria classifies its investment into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

See independent auditor's report.

Rebuilding Together DC Alexandria

Notes to Financial Statements June 30, 2022 and 2021

Investments for the year ended June 30, 2022 consisted of the following:

	Level 1	Level 2	Level 3	Total assets at fair value
Cash and money funds	\$ 18,700	\$ -	\$ -	\$ 18,700
Mutual funds:				
Large growth fund	190,422	-	-	190,422
Mid growth fund	34,951	-	-	34,951
International value fund	101,583	-	-	101,583
Large cap value fund	30,270	-	-	30,270
Fixed income	243,758	-	-	243,758
Equities	4,396	-	-	4,396
	<u>\$ 624,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 624,080</u>

Investments for the year ended June 30, 2021 consisted of the following:

	Level 1	Level 2	Level 3	Total assets at fair value
Cash and money funds	\$ 14,879	\$ -	\$ -	\$ 14,879
Mutual funds:				
Large growth fund	217,028	-	-	217,028
Mid growth fund	52,957	-	-	52,957
International value fund	58,342	-	-	58,342
Large cap value fund	33,062	-	-	33,062
Fixed income	262,070	-	-	262,070
Equities	1,370	-	-	1,370
	<u>\$ 639,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 639,708</u>

4. Property, available for sale

Home Investment Partnership (HOME)

In July 2013, the Organization was the subrecipient of a \$500,000 grant from the Department of Housing and Urban Development through the City of Alexandria's Home Investment Partnership (HOME) for the acquisition, rehabilitation and sale of foreclosed homes to qualified buyers.

In accordance with HOME Investment Partnership terms of agreement, the proceeds and losses from sales are added to or reduced from the refundable advances – HOME grant for the purchase of future foreclosed homes. During the fiscal years ended June 30, 2022 and 2021, no properties were purchased.

Community Development Block Grant (CDBG)

In May 2019, the Organization was loaned \$500,000 in CDBG funds to be used for Alexandria Neighborhood Stabilization Program property acquisitions with all sales proceeds to be repaid to the City upon sales of the acquired homes. For the fiscal year ended June 30, 2021, one home was purchased for \$180,703 in February 2021 and later sold in June 2021 generating proceeds of \$173,304. The grant funds are held as a refundable advance - CDBG on the accompanying statements of financial position. For the fiscal year ended June 30, 2022, one home was purchased in August 2021 for \$206,722. In June 2022, it was sold for \$186,245. Loss on sale of property is recorded as a reduction of Refundable advances – CDBG on the statements of financial position.

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Housing Trust Fund (HTF)

In June 2018, the Organization received \$300,000 in grant proceeds from the City of Alexandria's Housing Trust Fund to continue the Alexandria Neighborhood Stabilization Program. For the fiscal year ended June 30, 2021, two homes were purchased in August 2020 and May 2021. Four homes were sold in fiscal year 2021, generating proceeds of \$688,497. For the fiscal year ended June 30, 2022 one home was purchased for \$175,327 in July 2021, and sold for proceeds of \$160,496 in November 2021. A home which was purchased during fiscal year 2021 was sold in September 2021 for \$150,467. Loss on sale of property is recorded as a reduction of Refundable advances - Housing Trust Fund on the statements of financial position.

There was no property available for sale as of June 30, 2022. Subsequent to year-end, two homes were purchased for \$291,405 and \$227,037 in July 2022 and August 2022, respectively.

Property, available for sale, consisted of the following at June 30, 2021:

	<u>Gross purchase price</u>	<u>Capitalized improvements</u>	<u>Total cost</u>	<u>Purchase date</u>
<i>Housing Trust Fund:</i>				
75 S. Reynolds St #214	\$ 167,835	\$ 5,000	\$ 172,835	May 24
	<u>\$ 167,835</u>	<u>\$ 5,000</u>	<u>\$ 172,835</u>	

5. Property and equipment

A summary of property and equipment for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>Useful life</u>
Computer equipment	\$ 23,096	\$ 21,194	5 - 7 years
Leasehold improvements	2,729	2,729	5 years
Vehicles and equipment	48,289	48,289	5 years
Website	16,000	16,000	3 years
	<u>90,114</u>	<u>88,212</u>	
Accumulated depreciation and amortization	<u>(72,281)</u>	<u>(61,868)</u>	
	<u>\$ 17,833</u>	<u>\$ 26,344</u>	

Depreciation and amortization for the years ending June 30, 2022 and 2021 was \$10,413 and \$10,050, respectively.

6. Building lease

Rebuilding Together DC Alexandria leases office space in Alexandria, VA. The original lease terminated on January 31, 2016 and has been periodically renewed. In July 2021, the lease was renewed through December 2021. In December 2021, the Organization moved to another location in Alexandria. The lease agreement runs through December 2024.

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In October 2021, the Organization entered into an agreement to lease space within a church in Washington, D.C. beginning December 2021 through November 30, 2023.

Rent and storage expense for the years ended June 30, 2022 and 2021, totaled \$51,829 and \$53,124, respectively.

Future minimum payments are as follows for the fiscal years ending June 30:

2023	\$	53,838
2024		48,092
2025		21,864
	\$	<u>123,794</u>

7. In-kind donations

The Organization receives various types of in-kind support. The Organization records the value of donated services and skilled labor in the financial statements, which is in accordance with U.S. generally accepted accounting principles. These hours were recorded at market rates valued by the professional service or skilled laborer. As a result of the COVID-19 pandemic, the Organization experienced a significant reduction in volunteer labor as housing projects were delayed during the year ended June 30, 2021.

A summary of in-kind donations received for the year ended June 30, 2022 are as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Total</u>
Donated labor	\$ 138,738	\$ -	\$ 138,738
Donated professional services	76	91	167
Donated media services	-	18,311	18,311
Donated supplies and materials	34,359	3,710	38,069
	<u>\$ 173,173</u>	<u>\$ 22,112</u>	<u>\$ 195,285</u>

A summary of in-kind donations received for the year ended June 30, 2021 are as follows:

	<u>Program</u>	<u>General and administrative</u>	<u>Total</u>
Donated labor	\$ 34,224	\$ 12,633	\$ 46,857
Donated professional services	-	405	405
Donated supplies and materials	8,678	-	8,678
	<u>\$ 42,902</u>	<u>\$ 13,038</u>	<u>\$ 55,940</u>

Donated labor is provided by construction companies who provide discounts for labor performed, and by skilled professionals who participate in National Rebuilding Day. The labor is recognized at fair value based on rates the companies or individuals charge.

Donated professional services consist of donated legal services who advise on various administrative legal matters. Donated legal services are recognized at fair value based on current rates charged at the law firm.

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Donated media services consist of donated air time on a local television broadcasting channel. Donated media services are recognized at fair value based on the estimated publicity value.

Donated supplies and materials consists of discounts provided by construction companies for materials used. Donated supplies and materials are valued according to rates charged by the company.

The Organization also receives support from un-skilled volunteers whose contributions are not reflected in the financial statements or in the table above. In 2022, the support received is estimated to be valued at \$30.80 an hour in Virginia, and \$50.48 an hour in D.C. In 2021, the support received is estimated to be valued at \$29.14 an hour in Virginia, and \$48.67 an hour in D.C. In 2022, the Organization received un-skilled volunteer hours of 1,174 in D.C. and 903 hours in Virginia, resulting in a contributions of approximately \$59,275 and \$27,824 from D.C. and Virginia volunteers, respectively. In 2021, the Organization received un-skilled volunteer hours of 3.5 in D.C. and 13 hours in Virginia, resulting in contributions of approximately \$379 and \$170 from D.C. and Virginia volunteers, respectively. These hours were valued according to the national Rebuilding Together organization recommendation for un-skilled volunteers.

8. Line of credit

During 2018, the Organization established a line of credit agreement with a bank of \$100,000. At June 30, 2022 and 2021, there was no outstanding balance. The line bears interest at the bank's prime lending rate which was 5.75 percent at June 30, 2022 and 2021, respectively. The line is reviewed annually and is due on demand.

9. Related party transactions

Rebuilding Together DC Alexandria is an affiliate of Rebuilding Together National. As an affiliate, the Organization is required to make certain payments to the National office which include \$18,920 and \$18,930, respectively for the years ended June 30, 2022 and 2021 for membership fees which are included in membership in the statements of functional expenses.

10. Liquidity and availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 276,125	\$ 399,566
Pledges and accounts receivable	141,001	117,133
Investments	624,080	639,708
	<u>\$ 1,041,206</u>	<u>\$ 1,156,407</u>

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11. SBA Paycheck Protection Program loan

Under the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” funds were appropriated for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment. In February 2021, the Organization received PPP funds of \$119,700. As the proceeds were not fully expended prior to June 30, 2021, the funds were included with current liabilities on the statement of financial position as of June 30, 2021. In October 2021, the loan was forgiven in full and is included with government grants on the statement of activities for the year ended June 30, 2022.

The Organization also qualified for the Employee Retention Credit. Payroll taxes credited in the approximate amount of \$33,000 are recognized as other income on the statement of activities for the year ended June 30, 2022.

12. Subsequent events

The Organization assessed events occurring subsequent to June 30, 2022 through January 6, 2023, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. As disclosed in Note 4, the Organization purchased two properties subsequent to year-end. No other events have occurred that would require adjustment to or disclosure in the financial statements.