

COMMUNITY REBUILDERS

FINANCIAL STATEMENTS

For the years ended
December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

July 30, 2019

To the Board of Directors
Community Rebuilders
Grand Rapids, Michigan

We have audited the accompanying financial statements of Community Rebuilders (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Rebuilders as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, Community Rebuilders, adopted ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Community Rebuilders as of December 31, 2017 were audited by other auditors whose report, dated June 22, 2018, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019, on our consideration of Community Rebuilders internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rebuilders' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Rebuilders internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

COMMUNITY REBUILDERS

For the years ended December 31, 2018 and 2017

ASSETS

| | 2018 | 2017 |
|-----------------------------------|---------------------|---------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 5,344,624 | \$ 456,471 |
| Accounts receivable | 575,437 | 347,859 |
| Inventory | 6,148 | 6,148 |
| Prepaid expenses | 46,603 | 22,384 |
| Total Current Assets | 5,972,812 | 832,862 |
| Property and Equipment | | |
| Land | 48,712 | 48,712 |
| Computers and equipment | 7,576 | 7,576 |
| Autos and trucks | 21,915 | 21,915 |
| Leasehold improvements | 224,920 | 224,920 |
| Buildings | 1,362,690 | 1,284,433 |
| | 1,665,813 | 1,587,556 |
| Accumulated depreciation | (1,167,175) | (1,118,882) |
| Net Property and Equipment | 498,638 | 468,674 |
| Total Assets | \$ 6,471,450 | \$ 1,301,536 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| Current Liabilities | | |
| Line of credit | \$ 125,000 | \$ 125,000 |
| Accounts payable | 53,497 | 53,999 |
| Security deposits | 25,644 | 23,325 |
| Accrued expenses | 6,074 | 2,121 |
| Payroll liabilities | 43,089 | 30,755 |
| Deferred revenue | 76,034 | 14,825 |
| Current portion of long-term debt | 32,176 | 34,771 |
| Total Current Liabilities | 361,514 | 284,796 |
| Long-Term Liabilities | | |
| Long-term debt | 260,420 | 213,153 |
| Total Liabilities | 621,934 | 497,949 |
| Net Assets | | |
| Without donor restrictions | 5,595,129 | 562,142 |
| With donor restrictions | 254,387 | 241,445 |
| Total Net Assets | 5,849,516 | 803,587 |
| Total Liabilities and Net Assets | \$ 6,471,450 | \$ 1,301,536 |

STATEMENTS OF ACTIVITIES

COMMUNITY REBUILDERS

For the year ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Revenue and Support | | | |
| Grant revenue | \$ 10,801,525 | \$ - | \$ 10,801,525 |
| Program revenue | 172,130 | - | 172,130 |
| Rental revenue | 419,721 | - | 419,721 |
| Contributions | 192,224 | 39,518 | 231,742 |
| Miscellaneous | 119,126 | - | 119,126 |
| Interest income | 811 | - | 811 |
| Net assets released from restriction | 26,576 | (26,576) | - |
| Total Revenue and Support | 11,732,113 | 12,942 | 11,745,055 |
| Expenses | | | |
| Program expenses | 6,279,356 | - | 6,279,356 |
| Management and general | 419,770 | - | 419,770 |
| Total Expenses | 6,699,126 | - | 6,699,126 |
| Change in Net Assets | 5,032,987 | 12,942 | 5,045,929 |
| Net Assets , beginning of year | 562,142 | 241,445 | 803,587 |
| Net Assets , end of year | \$ 5,595,129 | \$ 254,387 | \$ 5,849,516 |

STATEMENTS OF ACTIVITIES (Continued)

COMMUNITY REBUILDERS

For the year ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|---------------------------------------|------------------------------------|-------------------|
| Grant Revenue and Other | | | |
| Grant revenue | \$ 5,595,549 | \$ - | \$ 5,595,549 |
| Program revenue | 139,515 | - | 139,515 |
| Rental revenue | 400,258 | - | 400,258 |
| Contributions | 62,971 | 275,569 | 338,540 |
| Miscellaneous | 8,087 | - | 8,087 |
| Interest income | 237 | - | 237 |
| Net assets released from restriction | 41,951 | (41,951) | - |
| Total Grant Revenue and Other | 6,248,568 | 233,618 | 6,482,186 |
| Expenses | | | |
| Program expenses | 5,820,808 | - | 5,820,808 |
| Management and general | 341,747 | - | 341,747 |
| Total Expenses | 6,162,555 | - | 6,162,555 |
| Change in Net Assets | 86,013 | 233,618 | 319,631 |
| Net Assets , beginning of year | 476,129 | 7,827 | 483,956 |
| Net Assets , end of year | \$ 562,142 | \$ 241,445 | \$ 803,587 |

STATEMENTS OF FUNCTIONAL EXPENSES

COMMUNITY REBUILDERS

For the year ended December 31, 2018

| | Program Services | | | | | | | | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|------------------|-------------------|
| | Housing Solutions | Keys First | LOFT | HEROS | Shelter plus Care | Rental | HOPWA | United Way | Veterans per Diem |
| Salary and wages | \$ 209,833 | \$ 232,009 | \$ 38,233 | \$ 29,239 | \$ 239,999 | \$ 116,911 | \$ 51,426 | \$ 60,572 | \$ 95,973 |
| Payroll taxes | 17,182 | 20,116 | 3,244 | 3,514 | 20,206 | 8,215 | 3,997 | 5,370 | 9,078 |
| Employee insurance | 23,460 | 34,700 | 4,006 | 2,812 | 37,120 | 12,196 | 6,359 | 10,743 | 10,764 |
| Retirement contributions | 5,484 | 6,321 | 931 | 862 | 6,315 | 2,783 | 1,386 | 1,721 | 2,389 |
| | 255,959 | 293,146 | 46,414 | 36,427 | 303,640 | 140,105 | 63,168 | 78,406 | 118,204 |
| Occupancy | 6,001 | 7,053 | 2,000 | 1,814 | 9,081 | 319 | 1,652 | 445 | 20,920 |
| Housing assistance | 251,893 | 264,954 | 79,320 | 94,097 | 1,043,275 | - | 80,512 | - | 142,080 |
| Credit and collections | 4,587 | - | 2,200 | 1,245 | 5,500 | 3,300 | - | - | 363 |
| Bank and interest charges | - | - | - | - | - | 15,294 | - | 7 | 2,576 |
| Subcontractors | - | 181,112 | - | - | - | - | - | - | - |
| Communications | 9,477 | 11,124 | 2,206 | 1,966 | 13,621 | 3,046 | 3,176 | 4,593 | 16,991 |
| Outreach and marketing | 226 | 289 | 44 | 36 | 360 | 26 | 73 | 105 | 462 |
| Property maintenance | - | - | - | - | - | 125,300 | - | - | - |
| Office supplies | 6,985 | 6,202 | 5,046 | 573 | 7,815 | 6,197 | 2,429 | 3,945 | 7,592 |
| Insurance | 927 | 1,134 | 168 | 136 | 1,176 | 20,335 | 290 | 382 | 1,724 |
| Professional services | 453 | 550 | 84 | 67 | 674 | 1,667 | 142 | 258 | 5,345 |
| Training and recruitment | 1,716 | 2,565 | 2 | 757 | 1,975 | 1,501 | 2,219 | 538 | 2,465 |
| Program services | 4,496 | 16,794 | 1,303 | 3,866 | 1,353 | 3,034 | 3,242 | 2,992 | 25,302 |
| Other operating expenses | - | - | - | - | - | 669 | - | - | (9,917) |
| Depreciation | - | - | - | - | - | 48,293 | - | - | - |
| Total Expenses | \$ 542,720 | \$ 784,923 | \$ 138,787 | \$ 140,984 | \$ 1,388,470 | \$ 369,086 | \$ 156,903 | \$ 91,671 | \$ 334,107 |

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

COMMUNITY REBUILDERS
For the year ended December 31, 2018

| | Program Services | | | | | | | Other Programs | GRCF After Hub |
|---------------------------|--|-----------------------------|-------------------|-------------------|--------------------|-------------------|------------------|----------------|----------------|
| | Supportive Services for Veteran Families | Health Care - Homeless Vets | PSH Connections | RRH Youth | HOME/Kent Together | | | | |
| Salary and wages | \$ 152,883 | \$ 127,372 | \$ 36,356 | \$ 78,114 | \$ 101,165 | \$ - | \$ - | \$ 28,207 | |
| Payroll taxes | 12,402 | 10,876 | 2,985 | 8,586 | 8,939 | - | - | 3,423 | |
| Employee insurance | 27,138 | 24,237 | 3,539 | 21,632 | 25,900 | - | - | 751 | |
| Retirement contributions | 4,127 | 3,227 | 919 | 2,086 | 2,757 | - | - | 757 | |
| | 196,550 | 165,712 | 43,799 | 110,418 | 138,761 | - | - | 33,138 | |
| Occupancy | 11,763 | 16,839 | 1,401 | 4,161 | - | - | - | - | |
| Housing assistance | 100,451 | 81,307 | 160,971 | 131,886 | 358,476 | - | - | - | |
| Credit and collections | - | - | - | - | - | - | - | - | |
| Bank and interest charges | - | 2,392 | - | - | - | - | - | - | |
| Subcontractors | - | - | - | 330,041 | - | - | - | - | |
| Communications | 13,092 | 12,581 | 2,529 | 8,049 | - | 702 | - | - | |
| Outreach and marketing | 316 | 339 | 66 | 175 | - | - | - | - | |
| Property maintenance | - | - | - | - | - | - | - | - | |
| Office supplies | 8,209 | 5,430 | 1,327 | 2,910 | - | 179 | - | - | |
| Insurance | 1,234 | 1,225 | 252 | 465 | - | 331 | - | - | |
| Professional services | 596 | 3,707 | 119 | 305 | - | - | - | - | |
| Training and recruitment | - | 2,134 | 303 | 428 | - | - | - | - | |
| Program services | 9,242 | 23,226 | 4,452 | 7,720 | - | 144,735 | - | - | |
| Other operating expenses | - | - | - | - | - | - | - | - | |
| Depreciation | - | - | - | - | - | - | - | - | |
| Total Expenses | \$ 341,453 | \$ 314,892 | \$ 215,219 | \$ 596,558 | \$ 497,237 | \$ 145,947 | \$ 33,138 | | |

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

COMMUNITY REBUILDERS

For the year ended December 31, 2018

| | Program Services | | Total Program Expenses | Supporting Services Management and General | | Total 2018 |
|---------------------------|-------------------|------------------|------------------------|--|----------------|---------------------|
| | ESG | First Step | | | | |
| Salary and wages | \$ 38,656 | \$ 11,877 | \$ 1,648,825 | \$ | 207,926 | \$ 1,856,751 |
| Payroll taxes | 3,581 | 499 | 142,213 | | 15,668 | 157,881 |
| Employee insurance | 15,178 | 1,822 | 262,357 | | 49,202 | 311,559 |
| Retirement contributions | 1,249 | 212 | 43,526 | | 5,416 | 48,942 |
| | 58,664 | 14,410 | 2,096,921 | | 278,212 | 2,375,133 |
| Occupancy | 4,792 | 383 | 88,624 | | 12,617 | 101,241 |
| Housing assistance | 71,801 | - | 2,861,023 | | - | 2,861,023 |
| Credit and collections | - | - | 17,195 | | - | 17,195 |
| Bank and interest charges | - | - | 20,269 | | 4,377 | 24,646 |
| Subcontractors | - | - | 511,153 | | - | 511,153 |
| Communications | 356 | 451 | 103,960 | | 10,263 | 114,223 |
| Outreach and marketing | - | - | 2,517 | | 2,218 | 4,735 |
| Property maintenance | - | - | 125,300 | | - | 125,300 |
| Office supplies | 100 | 143 | 65,082 | | 13,246 | 78,328 |
| Insurance | - | 340 | 30,119 | | 764 | 30,883 |
| Professional services | - | 80 | 14,047 | | 29,269 | 43,316 |
| Training and recruitment | - | - | 16,603 | | 37,353 | 53,956 |
| Program services | 35,740 | 1 | 287,498 | | 5,567 | 293,065 |
| Other operating expenses | - | - | (9,248) | | 25,884 | 16,636 |
| Depreciation | - | - | 48,293 | | - | 48,293 |
| Total Expenses | \$ 171,453 | \$ 15,808 | \$ 6,279,356 | \$ | 419,770 | \$ 6,699,126 |

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

COMMUNITY REBUILDERS
For the year ended December 31, 2017

| | Housing Solutions | Keys First | LOFT | HEROS | Program Services | | | | United Way | Veterans per Diem |
|---------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | | | | | Shelter plus Care | Rental | HOPWA | | | |
| Salary and wages | \$ 167,350 | \$ 192,273 | \$ 30,320 | \$ 25,727 | \$ 186,951 | \$ 89,388 | \$ 40,402 | \$ 31,827 | \$ 95,891 | |
| Payroll taxes | 15,509 | 15,689 | 2,837 | 2,360 | 17,078 | 5,483 | 3,458 | 3,044 | 9,467 | |
| Employee insurance | 25,833 | 27,885 | 4,624 | 4,408 | 32,410 | 10,242 | 5,481 | 7,787 | 18,853 | |
| Retirement contributions | 4,334 | 5,276 | 877 | 875 | 5,566 | 2,110 | 1,004 | 891 | 2,644 | |
| | 213,026 | 241,123 | 38,658 | 33,370 | 242,005 | 107,223 | 50,345 | 43,549 | 126,855 | |
| Occupancy | 6,192 | 8,280 | 1,277 | 1,281 | 8,220 | 2,223 | 1,646 | - | 13,441 | |
| Housing assistance | 242,933 | 274,761 | 76,923 | 82,111 | 988,402 | - | 61,810 | - | 217,233 | |
| Credit and collections | 5,476 | - | 2,508 | 5,506 | 12,156 | 3,600 | - | - | 19,664 | |
| Bank and interest charges | - | - | - | - | - | 15,826 | - | 14 | 2,088 | |
| Subcontractors | - | 248,014 | - | - | - | - | - | - | - | |
| Communications | 9,954 | 12,543 | 2,424 | 2,093 | 11,881 | 5,707 | 3,213 | 723 | 11,950 | |
| Outreach and marketing | - | 382 | 45 | 45 | 505 | - | 86 | 82 | 348 | |
| Property maintenance | - | - | - | - | - | 122,949 | - | - | - | |
| Office supplies | 11,657 | 7,961 | 792 | 816 | 6,308 | 3,117 | 815 | 1,245 | 5,927 | |
| Insurance | 619 | 844 | 100 | 103 | 670 | 22,471 | 175 | 67 | 734 | |
| Professional services | 509 | 660 | 73 | 75 | 734 | 587 | 144 | 108 | 4,051 | |
| Training and recruitment | 1,059 | 6,293 | 140 | 184 | 2,323 | 511 | 107 | 385 | 1,050 | |
| Program services | 6,905 | 22,856 | 231 | 3,639 | 1,097 | 2,444 | 2,461 | 1,310 | 35,585 | |
| Other operating expenses | - | - | - | - | 730 | 819 | - | - | - | |
| Depreciation | - | - | - | - | - | 49,141 | - | - | - | |
| Total Expenses | \$ 498,330 | \$ 823,717 | \$ 123,171 | \$ 129,223 | \$ 1,275,031 | \$ 336,618 | \$ 120,802 | \$ 47,483 | \$ 438,926 | |

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

COMMUNITY REBUILDERS
For the year ended December 31, 2017

| | Program Services | | | | | | Total Program Expenses |
|---------------------------|---|--------------------------------|--------------------|-------------------|------------------------|-------------------|------------------------------|
| | Supportive Services for Veteran Families | Health Care - Homeless Vets | PSH Connections | RRH Youth | HOME/ Kent Together | Other Programs | |
| Salary and wages | \$ 141,887 | \$ 94,792 | \$ 29,359 | \$ 145,463 | \$ 96,578 | \$ 14,840 | \$ 1,383,048 |
| Payroll taxes | 10,787 | 7,873 | 2,427 | 12,955 | 8,317 | 1,907 | 119,191 |
| Employee insurance | 33,708 | 19,293 | 4,406 | 27,287 | 19,244 | 212 | 241,673 |
| Retirement contributions | 4,040 | 2,282 | 785 | 4,612 | 2,745 | 338 | 38,379 |
| | 190,422 | 124,240 | 36,977 | 190,317 | 126,884 | 17,297 | 1,782,291 |
| Occupancy | 12,412 | 11,184 | 1,596 | 4,084 | - | - | 71,836 |
| Housing assistance | 116,560 | 137,528 | 167,053 | 457,807 | 63,973 | 34,080 | 2,921,174 |
| Credit and collections | - | - | - | - | - | - | 48,910 |
| Bank and interest charges | - | 2,050 | - | - | - | - | 19,978 |
| Subcontractors | - | - | - | 188,227 | - | - | 436,241 |
| Communications | 10,223 | 9,633 | 2,386 | 5,616 | - | 407 | 88,753 |
| Outreach and marketing | 407 | 294 | 109 | 309 | - | - | 2,612 |
| Property maintenance | - | - | - | - | - | - | 122,949 |
| Office supplies | 5,865 | 13,043 | 835 | 3,406 | - | 2,503 | 64,290 |
| Insurance | 724 | 582 | 181 | 429 | - | - | 27,699 |
| Professional services | 647 | 3,119 | 155 | 429 | - | - | 11,291 |
| Training and recruitment | 3,918 | 1,042 | 210 | - | - | - | 17,222 |
| Program services | 7,039 | 44,687 | 261 | 13,164 | - | 12,916 | 154,595 |
| Other operating expenses | - | 277 | - | - | - | - | 1,826 |
| Depreciation | - | - | - | - | - | - | 49,141 |
| Total Expenses | \$ 348,217 | \$ 347,679 | \$ 209,763 | \$ 863,788 | \$ 190,857 | \$ 67,203 | \$ 5,820,808 |

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

COMMUNITY REBUILDERS

For the year ended December 31, 2017

| | Supporting Services Management and General | Total 2017 |
|---------------------------|--|---------------------|
| Salary and wages | \$ 149,729 | \$ 1,532,777 |
| Payroll taxes | 13,432 | 132,623 |
| Employee insurance | 27,789 | 269,462 |
| Retirement contributions | 4,692 | 43,071 |
| | 195,642 | 1,977,933 |
| Occupancy | 7,940 | 79,776 |
| Housing assistance | - | 2,921,174 |
| Credit and collections | 3,512 | 52,422 |
| Bank and interest charges | 5,680 | 25,658 |
| Subcontractors | - | 436,241 |
| Communications | 6,117 | 94,870 |
| Outreach and marketing | 1,308 | 3,920 |
| Property maintenance | - | 122,949 |
| Office supplies | 30,952 | 95,242 |
| Insurance | 757 | 28,456 |
| Professional services | 28,215 | 39,506 |
| Training and recruitment | 30,197 | 47,419 |
| Program services | 20,763 | 175,358 |
| Other operating expenses | 10,251 | 12,077 |
| Depreciation | 413 | 49,554 |
| Total Expenses | \$ 341,747 | \$ 6,162,555 |

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

COMMUNITY REBUILDERS

For the years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|-------------------|
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Change in net assets | \$ 5,045,929 | \$ 319,631 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used for Operating Activities | | |
| Depreciation expense | 48,293 | 49,554 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (227,578) | 57,149 |
| Inventory | - | 18,442 |
| Prepaid expenses | (24,219) | (735) |
| Accounts payable | (502) | 25,201 |
| Security deposits | 2,319 | 1,410 |
| Accrued expenses | 16,287 | 3,880 |
| Deferred revenue | 61,209 | 14,825 |
| Net Cash Provided by Operating Activities | 4,921,738 | 489,357 |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (78,257) | - |
| Net Cash Used for Investing Activities | (78,257) | - |
| Cash Flows from Financing Activities | | |
| Cash received from line of credit | - | 175,000 |
| Repayments of line of credit | - | (225,000) |
| Repayments of long-term debt | (2,595) | (36,204) |
| Proceeds from long-term debt | 47,267 | - |
| Net Cash Provided (Used for) Financing Activities | 44,672 | (86,204) |
| Beginning Cash and Cash Equivalents | 456,471 | 53,318 |
| Ending Cash and Cash Equivalents | <u>\$ 5,344,624</u> | <u>\$ 456,471</u> |
| Supplemental Cash Flow Information | | |
| Cash paid for interest | \$ 21,676 | \$ 23,740 |

Note A – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The accompanying financial statements present the financial position, results of operations and cash flows of Community Rebuilders (the “Organization”). The Organization’s mission is to provide housing opportunities and support services to households with a housing crisis in Kent County. The Organization utilizes a housing first approach focused on rapidly re-housing homeless households by providing access to affordable housing with support. The provision of rent assistance and housing stabilization services such as strengths-based case management, help with employment, connecting with mainstream resources like TANF and SSI/SSDI, budget counseling, and childcare assistance etc. are utilized to assist households to obtain housing and remain stably housed. The Organization prevents households from becoming homeless through the provision of rent assistance, paying back rent and effective case management and homeless prevention planning.

The Organization operates the following programs:

Housing Solutions Project - this project serves individuals and families who have a severe and persistent disabling condition who are also experiencing long-term or recurring homelessness. This project successfully links these households to permanent housing and the necessary support to end their homelessness and promote their improved health and wellbeing. Persons in this project have complex needs. This project reduces and removes barriers for households with mental and physical health issues, substance use issues, poor credit or financial history or past involvement with the criminal justice system. This project relies upon strong and direct referral linkages and relationships to mental and physical health providers, outreach programs and crisis response systems. Housing is provided primarily in the private rental market. The project participant contributes 30% of their income towards rent with the remainder being paid with project funds.

Keys First Project - this project is designed to help families quickly exit homelessness and return to permanent housing. Assistance is offered without preconditions – such as employment, income absence of criminal history, or sobriety. The resources provided are tailored to the unique needs of each household. The services emphasize each individual’s self-determination and strengths and promote long-term housing stability and self-sufficiency.

LOFT Project - this project serves individuals who have a severe and persistent disabling condition who are also experiencing long-term or recurring homelessness. This project successfully links these households to permanent housing and the necessary support to end their homelessness and promote their improved health and wellbeing. Persons in this project have complex needs. This project reduces and removes barriers for households with mental and physical health issues, substance use issues, poor credit or financial history or past involvement with the criminal justice system. This project relies upon strong and direct referral linkages and relationships to mental and physical health providers, outreach programs and crisis response systems. Housing is provided primarily in the private rental market. The project participant contributes 30% of their income towards rent with the remainder being paid with project funds.

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

HEROS - this project serves Veterans who have a severe and persistent disabling condition who are also experiencing long-term or recurring homelessness. This project successfully links these households to permanent housing and the necessary support to end their homeless and promote their improved health and wellbeing. Persons in this project have complex needs. This project reduces and removes barriers for households with mental and physical health issues, substance use issues, poor credit or financial history or past involvement with the criminal justice system. This project relies upon strong and direct referral linkages and relationships to mental and physical health providers, outreach programs and crisis response systems. Housing is provided primarily in the private rental market. The project participant contributes 30% of their income towards rent with the remainder being paid with project funds.

Shelter Plus Care - this project serves persons experiencing homelessness who have a severe and persistent disabling condition. Although, not required, most of the participants are also experiencing long term or recurring homelessness. This project successfully links these households to permanent housing and the necessary support to end their homelessness and promote their improved health and wellbeing. Persons in this project have complex needs. This project reduces and removes barriers for households with mental and physical health issues, substance use issues, poor credit or financial history or past involvement with the criminal justice system. This project relies upon strong and direct referral linkages and relationships to mental and physical health providers, outreach programs and crisis response systems. Housing is provided primarily in the private rental market. The project participant contributes 30% of their income towards rent with the remainder being paid with project funds.

Rental Program - This program expands opportunities for tenancy in the rental market by providing affordable rental units. The units are rented at or below fair market rent to individuals and families who are working to rebuild their rental histories and secure rental housing despite poverty, past evictions and poor credit histories.

Housing Opportunities for Persons Living with Aids/ HIV Related Illnesses (HOPWA) - this project provides housing assistance and supports low-income households living with HIV/AIDS. Assistance and services are provided to promote safe, stable housing that provides the essential foundation for successful management of HIV.

United Way Allocation - this project supports services that emphasize people's self-determination and strengths and promote housing stability. These services value the capacity, skills, knowledge, connections and potential in individuals and communities. These services, called Strengths-Based, produce results of long-term housing stability and increased self-sufficiency for program participants.

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

VA Homeless Veterans per Diem Program, Veteran Heights - this project serves homeless Veterans that have been offered and accepted a permanent housing intervention and are not able to immediately enter the permanent housing. A short-term stay of generally less than 90 days in transitional housing is provided. Additional supports and case management are provided to promote an individualized goal and action plan that is focused on the needs of the Veteran and the move to permanent housing.

Supportive Services for Veteran Families Program - this program provides a broad range of services and housing assistance to very low-income Veterans and their families to deliver effective and efficient homelessness prevention and rapid-re-housing assistance. Five key areas of service include: 1. Outreach, engagement and admission, 2. Assessment and housing plan, 3. Participant services non-financial, 4. Participant services, financial and 5. Landlord supports.

Health Care for Homeless Veterans, Veteran Residential Services - this program provides housing and supports to Veterans who are at imminent risk of homelessness or currently experiencing homelessness. Participants are able to move from the streets and places unfit for human habitation into a transitional home that is safe and supportive of their health recovery needs and promotes their move to permanent housing within 60-90 days.

PSH Connections - this project serves individuals and families who have a severe and persistent disabling condition who are also experiencing homelessness. This project successfully links these households to permanent housing and the necessary supports to end their homelessness and promote their improved health and wellbeing. All households in this program are also receiving behavioral health services funded by Network 180.

Rapid Rehousing Youth Collaborative - this project is designed to help youth age 18-24 quickly exit homelessness and return to permanent housing. Assistance is offered without preconditions – such as employment, income, absence of criminal history, or sobriety. The resources provided are tailored to the unique needs of each youth. The youth are assisted to secure housing and based on each youth's unique needs, preferences and financial resources services are provided to help the youth maintain housing and increase their income and wellbeing. These services value the capacity, skills, knowledge, connections and potential of each youth and community. Rental assistance and services are typically not longer than 3-12 months.

HOME/Kent Together - this project makes housing affordable for persons at imminent risk of homelessness or currently homeless by providing short-term rental voucher assistance and supportive services to promote increased income and long-term housing stability.

NOTES TO FINANCIAL STATEMENTS

COMMUNITY REBUILDERS

For the years ended December 31, 2018 and 2017

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

GRCF - After Hub Program - this project is a public/private partnership that promotes the health and wellbeing of Veterans by using two national programs, Healthy Minds, Healthy Bodies and the Mindful Resilience Veterans Yoga Project. This project builds the communities capacity to meet the social and physical needs of Veterans through trainings and education. Veterans are assisted to build new skills and networks that support reintegration into the community after military service.

Emergency Solutions Grant Program - this program engages homeless individuals and families in rapid rehousing services. Assistance is offered without preconditions – such as employment, income, absence of criminal history, or sobriety. The resources provided are tailored to the unique needs of each household. Households are assisted to first secure housing and based on each family's unique needs, preferences and financial resources services are provided.

Net Assets

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the agency. These net assets may be used at the discretion of the Agency's management and the board of directors.

Net assets with donor restrictions – net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 vary from the estimates that were used.

NOTES TO FINANCIAL STATEMENTS

COMMUNITY REBUILDERS

For the years ended December 31, 2018 and 2017

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposits in banks, institutional money market funds and cash on hand. For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except that such assets held in endowment are generally classified as noncurrent. The Organization maintains cash balances in checking and savings accounts. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, the Organization may have cash in a bank checking or savings account in excess of the federally insured limit.

Concentration of Funding

The Organization receives virtually all of its funding from the U.S. Federal, state and local governments. Loss of this funding would result in a substantial reduction in program services.

Inventory

Inventory consists of donated furniture and household goods recorded at fair market value of the items at the time of donation. These items will be distributed to program participants.

Property and Equipment

Property and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of donation. The Organization follows a capitalization policy of \$5,000 in determining assets to be depreciated. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

| | |
|-------------------------|--------------|
| Computers and equipment | 3 years |
| Autos and trucks | 5 years |
| Leasehold improvements | 5-27.5 years |
| Buildings | 27.5 years |

Accounts Receivable

Accounts receivable includes amounts due from grant programs, contributions and rents due from tenants and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through the provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off. The Organization has established an allowance of \$10,036 and \$1,228 for uncollectible rents for the years ended December 31, 2018 and 2017, respectively.

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized as revenue when promises to give are received. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. Revenues from rental income and other charges to residents are recognized in the month earned.

Grant Revenue Recognition/Deferred Revenue

Revenue from government grants qualifies as “exchange transaction” type revenue. Accordingly, government grants are recognized as revenue in the period in which expenditures are made. Grant proceeds received in advance of expenditures are recorded as deferred revenue in the statement of financial position.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through July 30, 2019, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

COMMUNITY REBUILDERS

For the years ended December 31, 2018 and 2017

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. All expenses are allocated by direct invoices and program related expenses.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Note B – Liquidity and Availability

The following represents the Organization's financial assets at December 31, 2018:

| | <u>2018</u> |
|--|---------------------|
| Financial assets: | |
| Cash and cash equivalents | \$ 5,344,624 |
| Accounts receivable, net | <u>575,437</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 5,920,061</u> |

NOTES TO FINANCIAL STATEMENTS

COMMUNITY REBUILDERS

For the years ended December 31, 2018 and 2017

Note B – Liquidity and Availability (Continued)

Community Rebuilders regularly monitors the availability of resources to meet operating needs and other contractual commitments. The majority of the Organization's funds are received through direct reimbursement grants from the federal government and other funding sources, these funds are accessible as needed through reimbursement request and draws, with funds being available within a 24– 48 hour period. To accompany grant funds, the Organization regularly receives general contributions along with the utilization of its own rental program that is used to supplement grant funds. Together with these funding sources, the Organization has access to a \$250,000 line of credit. In addition, all other receivables from funding sources and program participants are n/30.

Note C – Retirement Plan

The Organization provides a simplified employee pension plan for all eligible employees. The Organization's retirement plan contribution is equal to 3% of an eligible employee's salary. Total retirement plan expense was \$48,942 and \$43,071 in 2018 and 2017, respectively.

Note D – Line of Credit

The Organization has a \$250,000 line of credit with a bank. The outstanding balance on the line of credit was \$125,000 for the years ended December 31, 2018 and 2017 respectively. The line requires monthly interest payments at a rate of .75% above the prime rate (5.5% at December 31, 2018) but not lower than 4.50%. The line of credit is secured by all assets of the Organization and matures in October of 2019.

Note E – Operating Leases

During 2015, the Organization renewed their agreement to lease office space. The building lease is a five year operating lease and requires monthly payments of \$3,882. The terms of the lease require the base rent to be adjusted on the first day of each subsequent 12-month period by the lesser of the percentage change in the Consumer Price Index or 3%. This lease expires in December 2020.

During 2015, the Organization renewed their agreement to lease additional office space. The lease is an operating lease which may be terminated at the end of any calendar year by giving 60 days prior written notice and requires monthly payments \$1,226.

During 2017, the Organization entered into an agreement to lease space from a church to use for housing clients. The lease is an operating lease which may be terminated at any time by giving 60 days prior written notice and requires monthly payments of \$1,250. The terms of the lease require the base rent to be adjusted on the first day of each subsequent 12-month period by the lesser of the percentage change in the Consumer Price Index or 3%. This lease expires in October 2022.

NOTES TO FINANCIAL STATEMENTS

COMMUNITY REBUILDERS

For the years ended December 31, 2018 and 2017

Note E – Operating Leases (Continued)

The Organization leases copy machines under an operating lease which required monthly payments of \$859 and expired in November 2018. In November 2018, the Organization started a new copier lease that requires monthly payments of \$791 and expired in November 2023. Subsequent to year end the Organization signed a new operating lease requiring monthly payments of \$904 which expires in January 2024.

The future minimum lease obligations in effect at December 31, 2018 are as follows:

| | | |
|-------------------|----|--------|
| December 31, 2019 | \$ | 88,496 |
| 2020 | | 59,885 |
| 2021 | | 10,853 |
| 2022 | | 10,853 |
| 2023 | | 10,853 |

Total lease expense was \$88,185 and \$78,159 for the years ended December 31, 2018 and 2017 respectively.

Note F – Long Term Debt

The Organization's long-term debt consists of the following:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Note payable to a bank, collateralized by a real estate mortgage, due in monthly installments of \$4,000 including interest at 5.70% per annum, with a final balloon payment in October, 2023 | \$ 292,596 | \$ 247,924 |
| Less: current portion | (32,176) | (34,771) |
| Net long-term debt | <u>\$ 260,420</u> | <u>\$ 213,153</u> |

Future scheduled maturities of long-term debt are as follows:

| Years ending in December 31: | |
|------------------------------|-------------------|
| 2019 | \$ 32,176 |
| 2020 | 34,059 |
| 2021 | 36,052 |
| 2022 | <u>190,309</u> |
| Total | <u>\$ 292,596</u> |

NOTES TO FINANCIAL STATEMENTS

COMMUNITY REBUILDERS

For the years ended December 31, 2018 and 2017

Note G – Contingencies

In the normal course of its activities, the Organization is a party to various legal actions and is subject to certain asserted and un-asserted claims and assessments. The actual costs to the Organization, if any, in the event of an unfavorable outcome, and net of any applicable insurance recoveries, cannot be reasonably estimated at this time. Therefore, no liability has been recorded in the accompanying statement of financial position.

Note H – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

| | 2018 | 2017 |
|--------------------------|-------------------|-------------------|
| GRCF - After Hub Program | \$ 227,429 | \$ 227,429 |
| Veteran programs | 26,958 | 14,016 |
| Total | <u>\$ 254,387</u> | <u>\$ 241,445</u> |

Note I – Donated Goods and Services

The Organization received gifts in-kind, such as materials, supplies and services, from private donors and corporate entities. Gifts in-kind are recorded as revenue and inventory or program expense at the fair market value at the time the donations are received. The value of in kind received were \$142,247 and \$18,552 for the years ended December 31, 2018 and 2017, respectively.

Note J – Subsequent Events

Subsequent to year end the Organization repaid all of the outstanding debt (see Note F).