

Rebuilding Together Silicon Valley

(a not-for-profit corporation)

Financial Statements
and
Independent Auditors' Report

For the 11-Month Period
Ended
June 30, 2023



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For the 11-Month Period Ended June 30, 2023

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Independent Auditors' Report

To the Board of Directors
Rebuilding Together Silicon Valley
San Jose, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rebuilding Together Silicon Valley, a not-for-profit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the 11-month period ended June 30, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rebuilding Together Silicon Valley as of June 30, 2023 and the changes in its net assets and its cash flows for the 11-month period ended June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rebuilding Together Silicon Valley and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Silicon Valley's ability to continue as a going concern for one year after the date that the financial statements are issued.



Auditors' 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 auditors' 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 GAAS 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 Silicon Valley'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 Silicon Valley'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.



Report on 2022 Financial Statements

The financial statements of Rebuilding Together Silicon Valley for the year ended July 31, 2022, before the restatement described in Note 13, were audited by another auditor whose report dated December 22, 2022 expressed an unmodified opinion on those statements. As part of our audit of the financial statements for the 11-month period ended June 30, 2023, we also audited the adjustments described in Note 13 that were applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of Rebuilding Together Silicon Valley's 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 Rebuilding Together Silicon Valley's 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 of Rebuilding Together Silicon Valley's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BryMar".

Watsonville, CA
December 19, 2023

**Rebuilding Together Silicon Valley
Statement of Financial Position**

June 30, 2023

	2023
ASSETS	
Current assets	
Cash and cash equivalents	\$ 332,693
Investments	733,004
Contributions and grants receivable	1,166,662
Prepaid expenses	31,071
Building supplies inventory	6,332
Total current assets	2,269,762
Deposits	4,464
Right-of-use asset	86,421
Property and equipment, net	30,128
Total assets	\$ 2,390,775
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 9,943
Accrued liabilities	117,136
Lease liability	91,651
Total liabilities	218,730
Net assets	
Without donor restrictions	
Undesignated	1,041,620
Board designated reserve	960,425
Total without donor restrictions	2,002,045
With donor restrictions	170,000
Total net assets	2,172,045
Total liabilities and net assets	\$ 2,390,775

See independent auditors' report and accompanying notes to financial statements.

Rebuilding Together Silicon Valley
Statement of Activities and Changes in Net Assets

For the 11-Month Period Ended June 30, 2023

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Sponsorship	\$ 312,888	\$ -	\$ 312,888
Government grants	1,945,061	-	1,945,061
Contributions	332,931	325,000	657,931
Nonfinancial contributions	41,454	-	41,454
Special events (net)	166,969	-	166,969
	<hr/>	<hr/>	<hr/>
Total revenue and support	2,799,303	325,000	3,124,303
Restrictions satisfied by payments	155,000	(155,000)	-
	<hr/>	<hr/>	<hr/>
Total revenues and support with restrictions satisfied by payments	2,954,303	170,000	3,124,303
EXPENSES			
Program services	2,433,870	-	2,433,870
Management and general expenses	339,422	-	339,422
Fundraising	140,332	-	140,332
	<hr/>	<hr/>	<hr/>
Total expenses	2,913,624	-	2,913,624
OTHER INCOME (EXPENSES)			
Interest and dividend income	24,595	-	24,595
Investment gain (loss)	(2,681)	-	(2,681)
Miscellaneous income	1,543	-	1,543
	<hr/>	<hr/>	<hr/>
Total other income	23,457	-	23,457
	<hr/>	<hr/>	<hr/>
Total change in net assets	64,136	170,000	234,136
Net assets, beginning of period	1,937,909	-	1,937,909
	<hr/>	<hr/>	<hr/>
Net assets, end of period	<u>\$ 2,002,045</u>	<u>\$ 170,000</u>	<u>\$ 2,172,045</u>

See independent auditors' report and accompanying notes to financial statements.

**Rebuilding Together Silicon Valley
Statement of Functional Expense**

For the 11-Month Period Ended June 30, 2023

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Wages and salaries	\$ 679,642	\$ 206,847	\$ 98,499	\$ 984,988
Payroll taxes and fringe benefits	119,649	36,415	17,341	173,405
Compensation and related expenses	799,291	243,262	115,840	1,158,393
Program materials and supplies	1,335,906	-	-	1,335,906
Rent and facility expenses	27,074	9,533	1,526	38,133
Insurance	21,747	1,195	956	23,898
Marketing	8,002	165	82	8,249
Payroll fees	17,207	5,237	2,493	24,937
Office expenses	5,318	313	2,140	7,771
Office equipments	26,083	1,433	1,147	28,663
Printing and reproductions	2,210	63	6,173	8,446
Professional fees	-	67,465	-	67,465
Training and staff development	19,192	1,220	1,078	21,490
Travel	15,788	831	-	16,619
Staff appreciation	-	3,327	-	3,327
Volunteer program expenses	27,493	-	-	27,493
Volunteer appreciation	3,188	-	3,742	6,930
Fundraising committee	-	-	854	854
Bad debt expenses	27,500	-	-	27,500
Depreciation	97,871	5,378	4,301	107,550
Total expenses	<u>\$ 2,433,870</u>	<u>\$ 339,422</u>	<u>\$ 140,332</u>	<u>\$ 2,913,624</u>

See independent auditors' report and accompanying notes to financial statements.

Rebuilding Together Silicon Valley Statement of Cash Flows

For the 11-Month Period Ended June 30, 2023

	2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 234,136
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation and amortization	14,484
Bad debt expense	27,500
Donated securities	1,145
(Increase) decrease in operating assets:	
Contributions and grants receivable	(778,462)
Prepays	(12,557)
Building supplies inventory	(1,542)
Right-of-use asset	(86,421)
Increase (decrease) in operating liabilities:	
Accounts payable	2,272
Accrued liabilities	19,753
Lease liability	91,651
Net cash provided by (used in) operating activities	(488,041)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investments	422,453
Acquisition of investments	(212,397)
Net cash provided by (used in) investing activities	210,056
Net increase (decrease) in cash and cash equivalents	(277,985)
Cash and cash equivalents, beginning of period	610,678
Cash and cash equivalents, end of period	\$ 332,693
SUPPLEMENTAL CASH FLOW DISCLOSURES	
Noncash contributions	\$ 41,454
In-kind expenses	\$ 41,454

See independent auditors' report and accompanying notes to financial statements.

Rebuilding Together Silicon Valley

Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

NOTE 1 - NATURE OF OPERATIONS

Repairing homes, revitalizing communities, rebuilding lives is the mission of Rebuilding Together Silicon Valley (the Organization). Since 1991, the Organization has transformed the lives of our neighbors in need by improving the safety and health of their homes and revitalizing our community. The Organization provides facility repairs and maintenance activities for nonprofit organizations, to allow them to focus on serving clients rather than paying for repairs.

Annually, volunteers gather to complete safety repairs and accessibility modifications and improvements to preserve affordable homeownership and restore safe living environments. All work is provided at no cost to the owner, with materials provided through donations and funds from area government, businesses, organizations, faith communities and private individuals. Since inception, over 59,834 local volunteers have repaired and transformed over 5,102 homes and non-profit community facilities in the Silicon Valley community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenue and support are recorded when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

The Organization elected to change its accounting period and fiscal year end to June 30 from July 31.

Basis of presentation

The Organization presents information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions consist of net assets that are for use in general operations and are not subject to donor (or certain grantor) restrictions. The governing board has designated \$960,425 from net assets without donor restrictions.

Net assets with donor restrictions represent contributions whose use has imposed restrictions. The 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. 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 has been fulfilled, or both.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of reporting cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of 90 days or less at the date of purchase to be cash equivalents. The carrying amount in the Statement of Financial Position approximates fair value.

Rebuilding Together Silicon Valley

Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

Contributions and grants receivable

All receivables are deemed collectible by management. Based on management's assessment of the grantors having outstanding balances and their past history, they concluded that losses on balances outstanding at year-end are unlikely. Management believes that all receivables will be collected within one year; therefore, no allowance for doubtful accounts has been recorded.

Investment

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair value of financial instruments

Financial instruments included in the Organization's Statements of Financial Position for the 11-month period ended June 30, 2023 include cash and cash equivalents, accounts payable and accrued expenses, for which the carrying amounts represent a reasonable estimate of the corresponding fair values.

Property and equipment

Property and equipment exceeding \$2,000 are recorded at cost if purchased or at estimated fair market value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	3-5 years
Vehicles	5 years
Leasehold improvements	5 years

Prepays and other current assets

Prepaid expenses consist of dues and subscription and prepaid insurance that are paid in advance of when due and are expected to be realized within one year.

Building supplies inventory

Building supplies inventory materials for repair and rebuilding projects and is stated at the lower of cost or market.

Accounts payable

Accounts payable consist of amounts due for expenses incurred but not paid until the subsequent year.

Accrued liabilities

Accrued liabilities consist of payroll and vacation expenses earned but not yet paid as of June 30, 2023.

Rebuilding Together Silicon Valley

Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

Leases

The Organization adopted Leases (Topic 842 - see Changing Standards note) on August 1, 2022 and has elected to use ASU 2016-11 to adopt the standard with a cumulative-effect adjustment to net assets.

The Organization elects to not recognize a lease liability or right-of-use asset for leases with a remaining lease term of 12 months or less.

Right-of-use assets

A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over its lease term. Right-of-use assets are subject to evaluation of potential impairment.

Lease liabilities

At the commencement date of the lease, the Organization recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Organization uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

Revenue recognition

Contribution revenue - The Organization records contributions, including unconditional promises to give as revenue at their fair value in the period the contribution or pledge is received. All contributed support is recognized as revenue without donor restrictions when received or un-conditionally promised. The Organization reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

The Organization receives a substantial portion of its operating funds from government grants and contracts. The grants are reimbursed either on a cost reimbursable basis or on a fee for service basis. These funds are considered earned and reported as revenue when expenses are incurred for cost reimbursable grants and when services are provided for fee for service grants.

Grants are recognized as revenue over the period specified in the related grant agreements and classified as net assets without donor restrictions. Donor restricted contributions will be classified as net assets with donor restrictions if the restrictions are not fulfilled in the same year the contribution was recognized.

The Organization receives services donated by members of the community. These services do not meet the criteria for recognition as contributed services under GAAP.

Rebuilding Together Silicon Valley

Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

Nonfinancial contributions

The Organization records nonfinancial support including contributed assets and professional services. Contributed professional services are recognized if the services received (a) create or enhance a nonfinancial asset or (b) require specialized skills, provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized as nonfinancial asset donations at their fair market value. The amounts reflected in the accompanying financial statements as nonfinancial contributions are offset by like amounts included in expense.

Functional expense allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses applicable to more than one program are allocated based on usage and management's estimates.

Marketing

Advertising expenses to promote various program offerings are expensed as incurred. Marketing expenses for the 11-month period ended June 30, 2023 were \$8,249.

Tax exempt status

The Organization is exempt from Federal and State income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701d of the California Revenue and Taxation Code, respectively. The Organization has no unrelated business income for the 11-month period ended June 30, 2023. Accordingly, no provision is made for income taxes in these financial statements.

GAAP requires an organization to recognize the tax benefit or liability associated with a tax position taken for the tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and accordingly, they will not recognize any liability for unrecognized tax benefits. For the 11-month period ended June 30, 2023, there were no tax related interest or penalties recorded or included in the financial statements. The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California.

Recent accounting standards

Leases - In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the statement of financial position for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The effective date was January 1, 2021, however, in June 2020, FASB issued ASU 2020-05 which pushed out the effective date out by one year. The new standard was effective for the Organization on August 1, 2022. The Organization has adopted the lease standard as of the effective date.

Rebuilding Together Silicon Valley

Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

NOTE 3 - INVESTMENTS

Organization reports investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

The basis for the carrying value of investments is from information provided by broker managed accounts. Fair value measurements of investment instruments are based on open actively traded securities markets as reported by investment account broker statements.

The three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little to no market activity and that are significant to the fair value of the assets or liabilities.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The Organization invests in mutual funds and publicly traded stock with financial institutions. The investments are recognized at fair value as of June 30, 2023:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 3)
Equity Securities	\$ 464,921	\$ 464,921	\$ -	\$ -
Mutual Funds	268,083	268,083	-	-
	\$ 733,004	\$ 733,004	\$ -	\$ -

Rebuilding Together Silicon Valley
Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

NOTE 4 - PROPERTY AND EQUIPMENT

As of June 30, 2023, the value of the property and equipment and related accumulated depreciation and amortization is as follows:

	<u>2023</u>
Equipment	\$ 61,821
Vehicles	51,210
Software	5,723
Leashold improvements	22,142
Less: accumulated depreciation and amortization	<u>(110,768)</u>
	<u>\$ 30,128</u>

Depreciation and amortization expense for the 11-month period ended June 30, 2023 was \$14,484.

NOTE 5 - NONFINANCIAL CONTRIBUTIONS

The Organization received donated services from a variety of unpaid volunteers. The value of this contributed time is reflected in the accompanying financial statements since the services do not require a specialized skill. During the 11-month period ended June 30, 2023, approximately 10,631 hours with an estimated value of \$338,066. These values were computed using an hourly rate of \$31.80 based upon the average hourly earnings of volunteer time as determined by the Independence Sector.

During the 11-month period ended June 30, 2023, the Organization recognized the following nonfinancial contributions within the statement of activities:

	<u>2023</u>
Gift cards	\$ 6,000
Computer services	7,219
Marketing	3,000
House labor	9,500
Program equipment	7,335
Program materials	<u>8,400</u>
	<u>\$ 41,454</u>

Gift cards

Contributed gift cards are valued at fair market value at the date of donation.

Computer services

Contributed computer services are valued at the fair market rate per hour for the services.

Marketing

Contributed marketing services are valued at fair market value of the services provided.

House labor

Contributed house labor is valued at the fair market rate per hour for labor services.

Rebuilding Together Silicon Valley

Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

Program equipment

Contributed program equipment is valued at fair market value at the time of donation.

Program materials

Contributed materials are valued at fair market value at the time of donation.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are required to be disbursed by explicit grant requirement. The net assets with donor restriction held for the 11-month period ended June 30, 2023 consisted of the following:

	<u>August 1, 2022</u>	<u>Increases</u>	<u>Releases</u>	<u>June 30, 2023</u>
Time restricted	\$ -	\$ 310,000	\$ 155,000	\$ 155,000
Specified project	-	15,000	-	15,000
	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 155,000</u>	<u>\$ 170,000</u>

NOTE 7 - LIQUIDITY AND AVAILABLTLITY

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

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The following table reflects the Organization's financial assets for the 11-month period ended June 30, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions greater than one year and special project outside of the Organization's core programs.

Rebuilding Together Silicon Valley

Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

	<u>2023</u>
Cash and cash equivalents	\$ 332,693
Investments	733,004
Contributions and grants receivable	1,166,662
Less: donor restricted financial assets	<u>(155,000)</u>
	<u>\$ 2,077,359</u>

NOTE 8 - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates all expenses based on a time allocation of the employees per month and this is done for all expense other than grant expense. Grant expense is directly allocated to grant making. Facility related expenses are allocated based on estimated use of square footage.

NOTE 9 - RELATED PARTY

The Organization is an affiliate of Rebuilding Together. Within the Partnership Agreement, the Organization is required to contribute a percentage of its annual monetary income each year to the national organization as due. The dues owed for the 11-month period ended June 30, 2023 was \$20,000. In addition, the Organization made payments in the 11-month period ended June 30, 2023, totaling \$40,754 for insurance, software annual fees and AmeriCorps program fees. The Organization received \$15,000 in grants from the national organization as well as a \$170,000 grant in receivables for the 11-month period ended June 30, 2023.

NOTE 10 - CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, and receivables. The Organization maintains cash with commercial banks and other major financial institutions. At times, the Organization has a nightly sweep that re-allocate the funds when the account balances excess of the Federal Deposit Insurance ("FDIC") limits of \$250,000.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from Organization members, local donors and governments.

For the 11-month period ended June 30, 2023, there were two contributors that provided more than 10% of support and revenue, excluding nonfinancial contributions.

NOTE 11 - LEASE

The Organization leased building space at 1710 S. 7th Street. The term of the lease began February 1, 2014 and ending April 30, 2019 with an option to extend for additional 60 months. At the end of the lease, it was extended to April 30, 2024. An interest rate of 2.31% was used to calculate the right-of-use asset.

Rebuilding Together Silicon Valley Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

Below are the carrying amounts of lease liabilities and the movements during the period:

	Building
August 1, 2022	\$ 179,487
Amortization	(93,066)
June 30, 2023	\$ 86,421

The table below reconciles the fixed components of the undiscounted cash flows for each of the first five years and the total remaining years to the lease liabilities recorded on the balance for the 11-month period ended June 30, 2023. Amounts due for the 11-month period ended June 30, 2023 are as follows:

2024	\$ 92,447
Thereafter	-
Total lease payments	92,447
Less: interest	(796)
Present Value of lease liability	\$ 91,651

Prior to the adoption of ASU 2016-02, in accordance with GAAP, the Organization recognized the rent expense straight-line over the life of the leases. The future minimum obligation for the leases as of July 31, 2022 was as follows:

2023	\$ 108,512
2024	83,202
Thereafter	-
Total lease payments	\$ 191,714

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that costs incurred against the grants may not comply with the established criteria that govern them. The Organization's management does not anticipate any questioned costs for the contracts and grants administered during the period.

The COVID-19 outbreak in the United States has resulted in economic uncertainties. The Organization's income is made up of contributions and grants, as such, other financial impact could occur, though such potential impact is unknown at this time.

Rebuilding Together Silicon Valley

Notes to Financial Statements

For the 11-Month Period Ended June 30, 2023

NOTE 13 - PRIOR PERIOD ADJUSTEMENT

During the 11-month period ended June 30, 2023, management reviewed and adjusted contribution and grants receivable balance of prior year. As a result, the Organization has restated the net assets for the year ended July 31, 2022 to reflect the correct net balance for that year; adjustment related to net assets are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - July 31, 2022	\$ 1,852,910	\$ -	\$ 1,852,910
Add: Understatement of Net Assets	85,000	-	85,000
Net Assets - July 31, 2022 as Restated	\$ 1,937,910	\$ -	\$ 1,937,910

The following illustrates the adjustment in the Statements of Financial Position as of July 31, 2022:

	Previously Reported	Adjustment	Restated
Contribution and grants receivable	\$ 330,700	\$ 85,000	\$ 415,700
Total current assets	1,908,887	85,000	1,993,887
Total Assets	\$ 1,957,964	\$ 85,000	\$ 2,042,964

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the date the financial statements were available to be issued. The Organization recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

Management evaluates events occurring subsequent to June 30, 2023 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the independent auditors' report which is the date the financial statements were available to be issued.

No subsequent events require disclosure or recognition.

Supplementary Information



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Rebuilding Together Silicon Valley
San Jose, California

We have audited, in accordance with the 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, the financial statements of Rebuilding Together Silicon Valley, a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2023, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the 11-month period then ended, and the related notes to the financial statements, and have issued our report dated December 19, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rebuilding Together Silicon Valley's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rebuilding Together Silicon Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of Rebuilding Together Silicon Valley's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rebuilding Together Silicon Valley financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned cost as items 2023-001.

Rebuilding Together Silicon Valley's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Rebuilding Together Silicon Valley's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Rebuilding Together Silicon Valley's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rebuilding Together Silicon Valley's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rebuilding Together Silicon Valley's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "BryMar".

Watsonville, CA
December 19, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Rebuilding Together Silicon Valley
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Rebuilding Together Silicon Valley's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Rebuilding Together Silicon Valley's major federal programs for the 11-month period ended June 30, 2023. The Rebuilding Together Silicon Valley's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Rebuilding Together Silicon Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the 11-month period ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 Silicon Valley and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on compliance for each major federal program. Our audit does not provide a legal determination of Rebuilding Together Silicon Valley's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rebuilding Together Silicon Valley's federal programs.



Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion Rebuilding Together Silicon Valley's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Rebuilding Together Silicon Valley's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Rebuilding Together Silicon Valley's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Rebuilding Together Silicon Valley's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Rebuilding Together Silicon Valley's internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "BryMar".

Watsonville, CA
December 19, 2023

**Rebuilding Together Silicon Valley
Schedule of Expenditures of Federal Awards**

For the 11-Month Period Ending June 30, 2023

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Grantor	Name of Grant - Grant ID No.	Federal Expenditures(\$)
Department of Housing and Urban Development				
Rebuilding Housing Repair				
Rebuilding Housing Repair 8/1/2022 – 6/30/2023	14.218	City of San Jose	N/A	\$ 1,033,226
Rebuilding Housing Repair 8/1/2022 – 6/30/2023	14.218	County of Santa Clara	N/A	348,468
Rebuilding Housing Repair & Rehabilitation Program 8/1/2022 – 6/30/2023	14.218	City of Cupertino	N/A	62,300
Rebuilding Housing Repair 8/1/2022 – 6/30/2023	14.218	City of Milpitas	N/A	229,181
Rebuilding Housing Repair 8/1/2022 – 6/30/2023	14.218	City of Gilroy	N/A	136,235
Rebuilding Minor Repair 8/1/2022– 6/30/2023	14.218	City of Santa Clara	N/A	95,650
Total Department of Housing and Urban Development				1,905,061 *
Total Expenditures of Federal Awards				\$ 1,905,061

*Tested as a major program

N/A - Not Available

Note 1: Basis of Presentation - The above schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2: Summary of Significant Accounting Policies - Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: De Minimus - Rebuilding Together Silicon Valley does not elect to use the 10% de minimus cost rate.

**Rebuilding Together Silicon Valley
Schedule of Findings and Questioned Costs**

For the 11-Month Period Ending June 30, 2023

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Types of auditors’ report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) No

Identification of major federal programs :

**Federal Assistance Listing Name of Federal Program or Cluster
Number**

14.218 Rebuilding Housing Repair \$1,905,061

Dollar threshold used to distinguish between type A and type B program \$750,000

Auditee qualified as low-risk auditee? Yes

**Rebuilding Together Silicon Valley
Schedule of Findings and Questioned Costs**

For the 11-Month Period Ending June 30, 2023

Section II – Financial Statement Findings

Finding Number: 2023-001

Finding: Ineffective internal controls over financial reporting

Type of Finding: Material Weakness

Award year: July 1, 2022 – June 30, 2023

Criteria:

The Organization has implemented controls to monitor and report proper Revenue to ensure the incomes disclosed on the financial statements are accurate and reported in accordance with Generally Accepted Accounting Principles.

Condition:

We noted that the Organization did not recognize revenue in the correct fiscal year, causing revenue to be understated. Audit adjustments were proposed, some of which were material, and posted to the financial statements by management.

Cause:

We noted the Organization did not have proper internal control policies and procedures in place to identify and report all grants funding received during the fiscal year.

Effect:

The total revenue and support received was inaccurate and incomplete.

Recommendation:

We recommend the Organization establish policies and procedures to review and improve internal control procedures to identify and correct weaknesses that are resulting in revenue reporting errors.

Views of Responsible Officials and Planned Corrective Actions:

Management concurs with the recommendation. Management has implemented policies and procedures in Accounting Procedure Manual to ensure all revenue would be properly included.

Section III – Federal Awards Findings and Questioned Costs

No matters were reported.

**Rebuilding Together Silicon Valley
Corrective Action Plan
2 CFR § 200.511(c)**

For the 11-Month Period Ending June 30, 2023

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	Management concurs with the recommendation. Management has implemented policies and procedures in Accounting Procedure Manual to ensure revenue would be recorded properly.	December 2023	Deanne Everton deanne@rtsv.org