

HOME REPAIR RESOURCE CENTER
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011

HOME REPAIR RESOURCE CENTER

JUNE 30, 2011

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September 6, 2011

Board of Directors
Home Repair Resource Center
Cleveland Heights, Ohio

Independent Auditors' Report

We have audited the accompanying statement of financial position of Home Repair Resource Center (a not-for-profit corporation) as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home Repair Resource Center as of June 30, 2011 and the results of its activities and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Koester, DiSalvo and Fried

HOME REPAIR RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current Assets	
Cash and cash equivalents	\$ 341,140
Grants receivable	36,550
Accounts receivable	776
Prepaid expenses	1,420
Total Current Assets	<u>379,886</u>
Property and Equipment	
Vehicles	18,201
Office equipment	3,910
Building	61,500
Building improvements	207,834
Less: accumulated depreciation	<u>(155,579)</u>
Net Property and Equipment	135,866
Other Assets	
Certificates of Deposit-Richey	168,200
Money market funds-Woodbridge	26,397
Land	41,000
Rehab house- 3795 Berkeley	<u>100,000</u>
Total Other Assets	<u>335,597</u>
TOTAL ASSETS	<u>\$ 851,349</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 3,775
Line of Credit-HITH	109,516
Loans due clients	<u>26,817</u>
Total Current Liabilities	140,108
Long-Term Liabilities	
Total Liabilities	140,108
Net Assets	
Unrestricted	343,316
Temporarily restricted	173,328
Permanently restricted	<u>194,597</u>
Total Net Assets	<u>711,241</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 851,349</u>

The Accompanying Notes are an Integral Part of These Financial Statements

HOME REPAIR RESOURCE CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 388,183	\$ -	\$ 388,183
Contributions	96,332	-	75	96,407
Home in the Heights	8,000	-	-	8,000
Program revenue	30,677	-	-	30,677
Interest income	351	9,262	12	9,625
Fundraising	2,784	-	-	2,784
Released from restrictions	<u>442,945</u>	<u>(442,945)</u>	<u>-</u>	<u>-</u>
 Total Revenue and Support	 581,089	 (45,500)	 87	 535,676
Expenses				
Financial Assistance Program / Project Repair / Library	286,993	-	-	286,993
Homeowner Counseling/ Foreclosure	154,296	-	-	154,296
Home in the Heights/ Rehab	48,189	-	-	48,189
Home How to	13,432	-	-	13,432
Total Program Expenses	<u>502,910</u>	<u>-</u>	<u>-</u>	<u>502,910</u>
 Management expenses	 12,318	 -	 -	 12,318
Fundraising expenses	<u>16,242</u>	<u>-</u>	<u>-</u>	<u>16,242</u>
 Total Expenses	 <u>531,470</u>	 <u>-</u>	 <u>-</u>	 <u>531,470</u>
 Increase (Decrease) in Net Assets	 49,619	 (45,500)	 87	 4,206
 Net Assets at Beginning of Year	 <u>293,697</u>	 <u>218,828</u>	 <u>194,510</u>	 <u>707,035</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 343,316</u>	 <u>\$ 173,328</u>	 <u>\$ 194,597</u>	 <u>\$ 711,241</u>

The Accompanying Notes are an Integral Part of These Financial Statements

HOME REPAIR RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

Expenses	Financial Assistance / Project Repair / <u>Library</u>	Homeowner Counseling/ <u>Forclosure</u>	Home in the Heights/ <u>Rehab</u>	Home <u>How-to</u>	Management <u>Expenses</u>	Fundraising <u>Expenses</u>	<u>Total</u>
Advertising	\$ -	\$ 265	\$ 422	\$ -	\$ -	\$ 336	\$ 1,022
Bank charges	-	-	-	-	708	-	708
Contract labor	170	-	4,000	-	-	-	4,170
Data processing	910	600	54	23	29	18	1,635
Depreciation	5,403	1,310	290	720	340	40	8,102
Dues	383	1,277	-	-	442	-	2,103
Feasibility study leave	14,773	7,148	-	1,906	-	-	23,827
Insurance	4,388	667	733	441	157	20	6,406
Health insurance	19,137	14,088	1,322	30	622	273	35,472
Interest expense	-	-	3,480	-	-	-	3,480
Loan defaults	2,466	-	-	-	-	-	2,466
Maintenance	2,909	621	5,414	287	510	16	9,757
Miscellaneous	80	41	887	5	61	6	1,079
Office supplies	2,001	1,489	71	169	285	383	4,399
Payroll	192,185	102,306	9,349	6,075	6,198	7,021	323,134
Pension plan	1,230	15	-	-	31	-	1,276
Postage	3,168	579	414	146	126	2,593	7,026
Professional fees	4,752	285	140	217	275	31	5,700
Printing	2,158	3,450	446	550	111	3,419	10,133
Equipment rental	1,280	2,870	40	196	295	1,325	6,006
Meetings	493	4,094	-	-	997	-	5,584
Supplies	5,030	14	-	1,163	-	24	6,231
Taxes-payroll	16,032	9,741	781	550	756	675	28,535
Tax-real estate	136	24	(362)	13	6	1	(181)
Renovation expense	-	-	18,768	-	-	-	18,768
Telephone	2,467	2,667	481	397	175	38	6,224
Travel	1,290	-	-	134	1	-	1,425
Utilities	4,152	745	1,459	410	193	23	6,982
Total Expenses	\$ 286,993	\$ 154,296	\$ 48,189	\$ 13,432	\$ 12,318	\$ 16,242	\$ 531,470

The Accompanying Notes are an Integral Part of These Financial Statements

HOME REPAIR RESOURCE CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows From Operating Activities	
Change in net assets	\$ 4,206
Adjustments to reconcile Net change to net cash provided by (used in) operating activities	
Depreciation and amortization	8,102
Decrease (Increase) in Operating Assets:	
Accounts receivable	9,649
Prepays	263
Other assets	(87)
Increase (Decrease) in Operating Liabilities:	
Accounts payable	3,775
Accrued liabilities	26,090
Total Adjustments	<u>47,792</u>
Net Cash Provided By (Used in) Operating Activities	51,998
Cash Flows From Investing Activities	
Purchase of fixed assets	(1,063)
Investment in rehab house	<u>(100,000)</u>
Net Cash Provided By (Used In) Investing Activities	(101,063)
Cash Flows From Investing Activities	
Proceeds from line of credit	<u>109,516</u>
Net Cash Provided By (Used In) Financing Activities	<u>109,516</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,451
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>280,689</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 341,140</u></u>

The Accompany Notes are an Integral Part of These Financial Statements

HOME REPAIR RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1- Description of Organization

- A. Home Repair Resource Center (HRRC) is a nonprofit organization chartered in 1971. Its mission is to maintain and strengthen the houses of Cleveland Heights, Ohio to support the community's rich diversity. The Organization focuses on owner-occupied, one- and two-family homes. HRRC's programs recognize the special needs of low-moderate income homeowners and provide incentives to encourage and enable their participation. Programs are designed to prevent deterioration and blight and to encourage rehabilitation, in order to maintain the condition and value of housing in the community. HRRC also serves as a HUD-certified counseling agency to provide housing counseling (including financial education and home buyer education) and foreclosure intervention.

Financial Assistance Programs

Challenge Fund, Assist Benefits, Lead Grants, Partnership with the City of Cleveland Heights and Neighborhood Project Repair

Other Programs

Project Repair, Home How-To, Homeowner Counseling, Repair Library and Tool Loan

- B. Home Repair Resource Center is tax exempt under Internal Revenue Service Code Section 501(c) 3.

NOTE 2- Summary of Significant Accounting Policies

- A. General Methods- The accompanying financial statements have been prepared as prescribed in the American Institute of Certified Public Accountants' Guide for Not-For-Profit Organizations.
- B. Accrual Basis- The organization records transactions on an accrual basis. Revenue is recognized when earned, support is recognized when receivable, and expenses are recognized when incurred.
- C. HRRC complies with FASB ASC 958-605-25, which affects the timing of revenue recognition with regard to temporarily restricted net assets.

HRRC also complies with FASB ASC 958-205, which establishes standards for general purpose external financial statements of not-for-profit organizations. This standard requires classification of an organization's net assets and its support and revenue, expenses and distributions based on the existence or absence of donor-imposed restrictions into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 2- Summary of Significant Accounting Policies (Continued)

- D. Depreciation - Property and equipment are depreciated using the straight-line method over estimated useful lives. Property and equipment costing less than \$1,000 is expensed in the year acquired. (See Note 5- Property and Equipment)
- E. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- F. Contributions and Grants- Nonrestricted contributions, if any, are recorded as support when received or receivable. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants with donor restrictions are recorded as temporarily restricted grants when awarded. Some grants awarded to HRRC require the fulfillment of certain specific conditions. Failure to fulfill these conditions could result in either the return of funds to the grantor or the refusal by the grantor to release additional funds pursuant to the grant.
- G. Advertising Costs- HRRC expenses advertising costs when the cost is incurred.
- H. HRRC complies with FIN 48 – Accounting for Uncertainty in Income taxes. FIN 48 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, the financial statements would reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts, if they existed. Management believes there are no uncertain tax positions.

The organization's tax years that remain subject to examination by the Internal Revenue Service are 2008, 2009, and 2010.

- I. Unadopted FASB statements. Various statements of the Financial Accounting Standards Board (FASB) have been issued, where compliance is encouraged but not required until years ending after June 30, 2011. Management is not aware of any issued but not adopted FASB statements that would have a material effect on the financial statements.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 3- Cash and Cash Equivalents

HRRC considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There are no bank restrictions on the cash accounts.

Included in the cash balance are funds restricted to the following projects:

Challenge Fund	\$ 114,148
Bergman Renovation Fund	11,327
The Gayle & Rhea Richey Fund	<u>42,853</u>
Total Restricted Cash	<u>\$ 168,328</u>

HRRC maintains its cash in a bank which, at times, exceeds the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. HRRC has not experienced any losses and believes it is not exposed to any significant credit risk related to cash.

NOTE 4- Grants and Accounts Receivable

Based on management's review of specific receivables, HRRC considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

NOTE 5- Property and Equipment

Property and equipment are stated at cost, if purchased or at the fair market value on the date of donation, if contributed. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated useful life
Vehicle	5 years
Furniture & Fixtures	7 years
Leasehold Improvements	3 years
Building and Improvements	39 years

Costs of maintenance and repairs and minor purchases (Under \$1,000) are charged to expense. Costs of renewals and betterments, where significant in amount, are capitalized.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 6- Rehab House-3795 Berkeley

Periodically, HRRC will purchase a home in need of renovation. The organization will renovate the house and then sell the home to the general public. HRRC owned one house as of June 30, 2011. The house is listed at management's estimate of the fair market value, based on the house's listing price less estimated selling expenses. The excess costs beyond the fair market value have been expensed as current program expenses (See Note 15).

NOTE 7- Line of Credit

HRRC has a line of credit with Ohio Commerce Bank with a credit limit of \$140,000. The line of credit is secured by the Rehab House-3795 Berkeley. Interest is calculated at 6%. The balance as of June 30, 2011 was \$109,516.

NOTE 8- Temporarily Restricted Net Assets

The temporarily restricted net assets restricted by expenditure are for the following programs:

Bergman Renovation Fund	\$ 11,327
Challenge Fund	114,148
The Gayle & Rhea Richey Fund	42,853
Other grants	<u>5,000</u>
Net Assets restricted by expenditure	173,328
HRRC also has additional funds restricted by time	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$173,328</u>

Bergman Renovation Fund

The Renovation Fund was established in 1997 to purchase and rehabilitate housing stock that is in need of significant rehabilitation. Its name was changed to the Bergman Renovation Fund in 2003.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 8- Temporarily Restricted Net Assets (continued)

Challenge Fund

The Challenge Fund is a program started with an agreement originally made January 27, 1975, under the terms of which certain Organization deposits with a bank are held as guarantee of collectibility on loans of the described type and upon which the loan guarantee had originally been approved and forwarded to the bank by the Organization. HRRC generally attempts to secure an organizational exposure on each single loan of no more than 40% of the current balance. Subject to its loan committee approval, guarantees in excess of 40% can be made. KeyBank became a participant in this program under generally the same terms and conditions by an agreement dated July 31, 1979. In this case, the line of credit extended amounts presently to \$500,000, and a provision for minimum deposit requirement 20% of approved loan balances apply.

A summary of the approximate amounts of Challenge Fund loans outstanding with lending institutions at June 30, 2011, is as follows:

<u>Number of Outstanding Loans</u>	<u>Aggregate Net Balance</u>		<u>Contingency Exposure</u>
37	\$118,848	100% Guarantee	\$ 118,848
30	<u>67,529</u>	40% Guarantee	<u>27,012</u>
67	<u>\$186,377</u>		<u>\$ 145,860</u>

NOTE 9- Permanently Restricted Net Assets

The funds consist of Certificates of Deposits and money market funds as follows:

The Gayle & Rhea Richey Fund	\$ 168,200
Diana Woodbridge Funders Fund	<u>26,397</u>
Total Permanently Restricted Net Assets	<u>\$194,597</u>

The Gayle & Rhea Richey Fund

Individuals, local foundations and businesses have provided grants for annual operating costs and to build a sustain fund for Home How-To, a special home repair education program for homeowners in Cleveland Heights, who meet specified income requirements. The program currently targets women heads-of-house, but the fund is not restricted to that purpose. The Sustaining Fund goal of \$200,000 was reached in 2005. It is anticipated that the fund will generate income sufficient to underwrite a portion of annual program costs on a long-term basis.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 9- Permanently Restricted Net Assets (Continued)

Diana Woodbridge Founders Fund

In honor of a former executive director, an endowment fund was established in 2006 to secure funding for the long-term financial health of the Organization. Investment earnings from the fund are used for ongoing operations .

NOTE 10- Lease Obligations

HRRC is obligated under two non cancellable lease agreements for various office equipment has signed two leases for office equipment beginning February 2009 for \$143 per month. The future minimum payments are as follows:

2012	\$ 1,716
2013	1,386
2014	1,320
2015	220
Thereafter	<u> -</u>
Total	<u>\$ 4,642</u>

NOTE 11- Statement of Cash Flows Disclosures

The amount of interest paid on all indebtedness was \$3,480.

NOTE 12- Employee Benefit Plan

HRRC has established an employee benefit plan under which employees could make elective deferrals as provided for under I.R.C. section 403 (b). HRRC did not match employee's contributions and has discontinued its employee benefit plan during the fiscal year. The pension expense for the year ended June 30, 2011 was \$1,276. HRRC has no further obligations with regard to this plan.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 13- Conditional Promises To Give

HRRC has been named as a remainderman in an irrevocable charitable trust. The trust has indicated that the value at the date of the gift is approximately \$15,000. No value has been recorded in these financial statements since management has no basis on which to determine its current or its future value.

NOTE 14- Subsequent Events

HRRC has evaluated subsequent events through September 6, 2011; which is the date the financial statements were available to be issued.

NOTE 15- Fair Value of Financial Instruments

FASB ASC 820-10-50 Fair Value Measurements and Disclosures categorizes its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For HRRC, except for the Rehab House-3795 Berkeley, the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market (Level 1).

As stated in note 6, The Rehab House-3795 Berkeley, the house is listed at management's estimate of the fair market value, based on the house's listing price less estimated selling expenses. The excess costs beyond the fair market value have been expensed as current program expenses in the amount of \$18,768.

See Auditors' Report