

HOME REPAIR RESOURCE CENTER
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

HOME REPAIR RESOURCE CENTER

JUNE 30, 2013 AND 2012

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September 17, 2013

Board of Directors
Home Repair Resource Center
Cleveland Heights, Ohio

Independent Auditors' Report

We have audited the accompanying financial statements of Home Repair Resource Center (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditors' 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 circumstance, 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 financial statement presentation.

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 Home Repair Resource Center as of June 30, 2013 and 2012 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Koester, DiSalvo and Fried

HOME REPAIR RESOURCE CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 203,408	\$ 332,780	\$ (129,372)
Certificates of deposit	100,254	50,000	50,254
Grants receivable	9,540	22,950	(13,410)
Accounts receivable	2,840	1,378	1,462
Prepaid expenses	<u>1,281</u>	<u>4,126</u>	<u>(2,845)</u>
Total Current Assets	317,323	411,234	(93,911)
Fixed Assets			
Vehicles	18,201	18,201	-
Office equipment	5,041	5,041	-
Building	61,500	61,500	-
Building improvements	211,634	211,634	-
Less: accumulated depreciation	<u>(171,202)</u>	<u>(163,420)</u>	<u>(7,782)</u>
Net Property and Equipment	125,174	132,956	(7,782)
Other Assets			
Money market funds-Woodbridge	26,506	26,397	109
Money market funds-Richey	35,923	168,200	(132,277)
Land	41,000	41,000	-
Investments	<u>209,690</u>	<u>51</u>	<u>209,639</u>
Total Other Assets	<u>313,119</u>	<u>235,648</u>	<u>77,471</u>
 TOTAL ASSETS	 <u>\$ 755,616</u>	 <u>\$ 772,543</u>	 <u>\$ (16,927)</u>

LIABILITIES AND NET ASSETS

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease)</u>
Current Liabilities			
Accounts payable	\$ 595	\$ 3,267	\$ (2,672)
Credit cards	218	3,224	(3,006)
Loans due clients	<u>16,065</u>	<u>15,533</u>	<u>532</u>
Total Current Liabilities	16,878	22,024	(5,146)
Long-Term Liabilities			
Total Liabilities	16,878	22,024	(5,146)
Net Assets			
Unrestricted	388,965	388,587	378
Temporarily restricted	155,068	167,335	(12,267)
Permanently restricted	<u>194,705</u>	<u>194,597</u>	<u>108</u>
Total Net Assets	<u>738,738</u>	<u>750,519</u>	<u>(11,781)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 755,616</u>	 <u>\$ 772,543</u>	 <u>\$ (16,927)</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, 2013

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 254,078	\$ -	\$ 254,078
Contributions	110,632	-	100	110,732
Program revenue	26,756	-	-	26,756
Miscellaneous	1,117	-	-	1,117
Interest income	499	386	8	893
Special events	4,435	-	-	4,435
Investment income	222	4,226	-	4,448
Released from restrictions	<u>270,957</u>	<u>(270,957)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	414,618	(12,267)	108	402,459
Expenses				
Program				
Financial Assistance Programs	179,889	-	-	179,889
Homeowner Counseling/Foreclosure	184,714	-	-	184,714
Home How to	11,256	-	-	11,256
Total Program Expenses	<u>375,859</u>	<u>-</u>	<u>-</u>	<u>375,859</u>
Management expenses	11,472	-	-	11,472
Fundraising expenses	<u>26,909</u>	<u>-</u>	<u>-</u>	<u>26,909</u>
Total Expenses	<u>414,240</u>	<u>-</u>	<u>-</u>	<u>414,240</u>
Increase (Decrease) in Net Assets	378	(12,267)	108	(11,781)
Net Assets at Beginning of Year	<u>388,587</u>	<u>167,335</u>	<u>194,597</u>	<u>750,519</u>
NET ASSETS AT END OF YEAR	<u>\$ 388,965</u>	<u>\$ 155,068</u>	<u>\$ 194,705</u>	<u>\$ 738,738</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, 2012

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 303,240	\$ -	\$ 303,240
Contributions	110,413	-	-	110,413
Program revenue	125,466	-	-	125,466
Miscellaneous	4,201	-	-	4,201
Interest income	1,767	303	-	2,070
Special events	27,418	-	-	27,418
Released from restrictions	<u>309,536</u>	<u>(309,536)</u>	<u>-</u>	<u>-</u>
 Total Revenue and Support	 578,801	 (5,993)	 -	 572,808
Expenses				
Program				
Financial Assistance Programs	182,596	-	-	182,596
Homeowner Counseling/Foreclosure	169,162	-	-	169,162
Home in the Heights/Rehab	120,268	-	-	120,268
Home How to	6,875	-	-	6,875
Total Program Expenses	<u>478,901</u>	<u>-</u>	<u>-</u>	<u>478,901</u>
 Management expenses	 26,088	 -	 -	 26,088
Fundraising expenses	<u>28,541</u>	<u>-</u>	<u>-</u>	<u>28,541</u>
Total Expenses	<u>533,530</u>	<u>-</u>	<u>-</u>	<u>533,530</u>
 Increase (Decrease) in Net Assets	 45,271	 (5,993)	 -	 39,278
 Net Assets at Beginning of Year	 <u>343,316</u>	 <u>173,328</u>	 <u>194,597</u>	 <u>711,241</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 388,587</u>	 <u>\$ 167,335</u>	 <u>\$ 194,597</u>	 <u>\$ 750,519</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, 2013

	<u>Home Repair Programs</u>	<u>Homeowner Counseling/ Foreclosure</u>	<u>Home in the Heights/ Rehab</u>	<u>Home How-to</u>	<u>Management Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Expenses							
Advertising	\$ 518	\$ 90	\$ -	\$ 45	\$ 478	\$ 235	\$ 1,366
Bank charges	-	-	-	-	288	1,004	1,292
Computer software	1,803	1,258	-	349	931	156	4,497
Data processing	1,015	733	-	133	263	57	2,201
Depreciation	3,296	3,777	-	179	66	464	7,782
Dues	336	480	-	105	422	1,211	2,553
Insurance	4,039	581	-	436	165	35	5,256
Health insurance	2,635	7,393	-	-	2,187	-	12,215
Loan defaults	3,003	-	-	-	-	-	3,003
Maintenance	3,541	675	-	356	611	48	5,232
Miscellaneous	815	195	-	21	715	30	1,776
Office supplies	1,514	1,194	-	246	32	153	3,140
Payroll	126,119	144,552	-	6,833	2,519	17,769	297,791
Postage	700	561	-	82	211	1,944	3,498
Professional fees	5,769	753	-	189	911	81	7,702
Printing	1,744	1,632	-	238	654	2,096	6,365
Supplies	1,006	-	-	609	25	-	1,640
Taxes-payroll	14,437	14,415	-	653	352	1,541	31,399
Tax-real estate	142	24	-	13	6	1	186
Telephone	1,904	1,495	-	348	150	38	3,935
Travel/conference	1,882	4,210	-	14	355	7	6,468
Utilities	3,670	696	-	407	131	39	4,943
Total Expenses	<u>\$ 179,889</u>	<u>\$ 184,714</u>	<u>\$ -</u>	<u>\$ 11,256</u>	<u>\$ 11,472</u>	<u>\$ 26,909</u>	<u>\$ 414,240</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, 2012

	<u>Home Repair Programs</u>	<u>Homeowner Counseling/ Foreclosure</u>	<u>Home in the Heights/ Rehab</u>	<u>Home How-to</u>	<u>Management Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Expenses							
Advertising	\$ 220	\$ 48	\$ 32	\$ 16	\$ 2,749	\$ 599	\$ 3,664
Employee benefits	379	524	-	-	191	-	1,094
Bank charges	37	-	-	-	91	840	968
Computer software	1,652	2,039	16	281	462	97	4,546
Contract labor	576	100	-	720	-	-	1,396
Data processing	833	725	53	66	98	24	1,799
Depreciation	608	109	24	60	7,037	3	7,841
Dues	710	1,168	1	7	401	1,291	3,579
Feasibility study	-	-	-	-	5,802	-	5,802
Insurance	5,796	884	212	563	270	29	7,756
Health insurance	2,737	7,929	170	7	1,345	40	12,227
Loan defaults	4,547	-	-	-	-	-	4,547
Maintenance	2,748	516	123	252	641	20	4,299
Miscellaneous	1,915	252	2	5	530	3,802	6,506
Office supplies	1,904	1,597	4	312	343	58	4,217
Payroll	128,989	130,759	2,894	2,646	3,654	16,220	285,162
Postage	1,041	326	23	45	666	2,240	4,340
Professional fees	3,999	240	117	189	592	217	5,354
Printing	2,344	2,397	70	224	357	1,359	6,751
Supplies	1,053	-	-	274	-	-	1,327
Taxes-payroll	12,065	12,276	278	269	432	1,570	26,889
Tax-real estate	136	24	5	13	6	1	186
Renovation expense	-	-	115,903	-	-	-	115,903
Telephone	2,498	1,567	31	429	192	68	4,785
Travel/conference	2,007	5,032	-	155	50	-	7,244
Utilities	3,802	650	310	342	179	63	5,345
Total Expenses	<u>\$ 182,596</u>	<u>\$ 169,162</u>	<u>\$ 120,268</u>	<u>\$ 6,875</u>	<u>\$ 26,088</u>	<u>\$ 28,541</u>	<u>\$ 533,530</u>

The Accompanying Notes are an Integral Part of These Financial Statements

HOME REPAIR RESOURCE CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (11,781)	\$ 39,278
Adjustments to reconcile Net Change to net cash provided by (used in) operating activities		
Depreciation and amortization	7,782	7,841
Losses (Gains) on sales of Investments	(4,448)	-
Decrease (Increase) in Operating Assets:		
Accounts receivable	11,948	12,998
Prepays	2,845	(2,706)
Other assets	-	7,295
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(2,672)	(508)
Credit cards payable	(3,006)	3,224
Accrued liabilities	531	(11,284)
Total Adjustments	<u>12,980</u>	<u>16,860</u>
Net Cash Provided By Operating Activities	1,199	56,138
Cash Flows Provided By (Used In) Investing Activities		
Proceeds from sale of rehab house	-	100,000
Purchase of investments	(205,191)	(51)
Purchase of certificates of deposit	(50,254)	(50,000)
Purchase of fixed assets	-	(4,931)
Proceeds from sale of money market funds	<u>124,874</u>	<u>-</u>
Net Cash Provided By (Used In) Investing Activities	(130,571)	45,018
Cash Flows Provided By (Used In) Financing Activities		
Credit line repayment	<u>-</u>	<u>(109,516)</u>
Net Cash Provided By (Used In) Financing Activities	<u>-</u>	<u>(109,516)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(129,372)	(8,360)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>332,780</u>	<u>341,140</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 203,408</u>	<u>\$ 332,780</u>

The Accompanying Notes are an Integral Part of These Financial Statements

HOME REPAIR RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

NOTE 1- Description of Organization

- A. Home Repair Resource Center (HRRC) is a nonprofit organization chartered in 1971. Its mission is to empower homeowners to maintain their homes for sustainable and diverse communities. 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-approved counseling agency to provide housing counseling (including financial education and home buyer education) and foreclosure intervention.

Financial Assistance Programs

Challenge Fund, Assist Benefits, Senior program and Lead Grants.

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 (if any) is recognized when earned, support is recognized when receivable, and expenses are recognized when incurred.
- C. HRRC complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

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 FASB ASC 740-Accounting for Uncertainty in Income Taxes. FASB ASC 740 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 that there are no uncertain tax positions. The organization's tax years that remain subject to examination by the Internal Revenue Service are June 30, 2010, June 30, 2011 and June 30, 2012.
- I. Unadopted FASB ASC statements- Various FASB ASC statements have been issued, where compliance is encouraged but not required until years ending after June 30, 2013. Management is unaware of any issued and unadopted FASB ASC statements that would have a material effect on the financial statements.
- J. HRRC complies with FASB ASC 958-605, Revenue Recognition for donated services and materials. In accordance with accounting principles generally accepted in the United States of America, only those services which require a specialized skill have been recorded as an in-kind donation and corresponding expense depending on the service performed.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013 AND 2012

NOTE 2- Summary of Significant Accounting Policies (Continued)

K. Investments (if any)- Initial valuation- Pursuant to FASB ASC 958-320 and FASB ASC 958-325, HRRC initially measures investments at acquisition cost (including brokerage cost and transaction fees) if they are purchased. If they are received as a donation, they are recorded at estimated fair value.

Subsequent valuation- HRRC complies with FASB ASC 958-320, which requires investments in equity securities with readily determined fair value and all investments in debt securities to be measured at fair value in the statement of financial position. With regard to other investments, such as real estate, HRRC values the investment at lower of cost or management's estimate of fair value.

Valuation hierarchy- FASB ASC 820-10-50 Fair Value Measurements and Disclosures requires categorization of 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).

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:

	June 30,	
	<u>2013</u>	<u>2012</u>
Challenge Fund	\$ 6,808	\$109,701
Senior Program	10,000	19,024
The Gayle & Rhea Richey Fund	<u>7,658</u>	<u>45,909</u>
Total Restricted Cash	<u>\$24,466</u>	<u>\$174,634</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- Certificates of Deposit

HRRC purchased four \$25,000 Certificates of Deposit with an original maturity of ten months to thirteen months when purchased, with maturity dates of March 2014, July 2014 and October 2014 (2). A penalty of loss of interest or principle may occur for early withdrawal. These funds are restricted to the Challenge Fund.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 5- Grants and Accounts Receivable

HRRC records an allowance for uncollectible program fees, contributions and grant receivables, based upon review of individual amounts due, current information and historical bad debt experience. As of June 30, 2013 and 2012, no allowance for doubtful receivables was considered necessary.

NOTE 6- 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.

NOTE 7- 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, which was sold during fiscal year ended June 30, 2012.

NOTE 8-Investments

As discussed in Note 2 (K), HHRC complies with FASB ASC 958-320. Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statement of activities and changes in net assets.

Also as discussed in Note 2 (K) - FASB ASC 820-10-50 Fair Value Measurements and Disclosures requires categorization of applicable financial instruments into a required fair value hierarchy. The fair value hierarchy of investments which are valued based on quoted prices in active markets for identical assets is Level 1.

See Auditors' Report

HOME REPAIR RESOURCE CENTER
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013 AND 2012

NOTE 8-Investments (Continue)

The fair value as of June 30, 2013 and 2012, is summarized as follows:

	<u>2013</u>	<u>2012</u>
Fidelity – BP ADR	\$ 2,004	\$ -
Fidelity- Sears Holding Corp	2,314	-
Fidelity Money Market funds	39	51
Vanguard-Wellesley Income Fund	<u>205,333</u>	<u>-</u>
Total	<u>\$209,690</u>	<u>\$ 51</u>

The Gayle & Rhea Richey permanently restricted Fund	\$132,277
The Gayle & Rhea Richey Home How to Fund	30,417
Unrestricted	<u>46,996</u>
Total restricted	<u>\$209,690</u>

NOTE 9- 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 building located 2520 Noble Road. Interest was calculated at 6%. The balance as of June 30, 2013 and 2012 was \$0.

NOTE 10- Temporarily Restricted Net Assets

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

	June 30,	
	<u>2013</u>	<u>2012</u>
Challenge Fund	\$107,062	\$ 109,744
The Gayle & Rhea Richey Fund	38,075	38,567
Other grants	<u>10,000</u>	<u>19,024</u>
Net Assets restricted by expenditure	155,137	167,335
HRRC has no additional funds restricted by time	<u>-</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 155,137</u>	<u>\$ 167,335</u>

See Auditors' Report

HOME REPAIR RESOURCE CENTER
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013 AND 2012

NOTE 10- 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 applies.

A summary of the approximate amounts of Challenge Fund loans outstanding with lending institutions at June 30, 2013 is as follows:

<u>Number of Outstanding Loans</u>	<u>Aggregate Net Balance</u>		<u>Contingency Exposure</u>
60	\$149,615	100% Guarantee	\$ 149,615
<u>12</u>	<u>25,661</u>	40% Guarantee	<u>10,264</u>
72	<u>\$175,276</u>		<u>\$ 159,879</u>

NOTE 11- Permanently Restricted Net Assets

The funds consist of Investments and money market funds as follows:

	June 30,	
	<u>2013</u>	<u>2012</u>
The Gayle & Rhea Richey Fund	\$168,200	\$ 168,200
Diana Woodbridge Founders Fund	<u>26,505</u>	<u>26,397</u>
Total Permanently Restricted Net Assets	<u>\$194,705</u>	<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 sustaining fund for Home How-To. The program currently targets women, 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.

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.

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NOTE 12- Lease Obligations

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

2014	\$ 1,320
2015	220
2016	-
2017	-
2018	-
Thereafter	-
Total	<u>\$ 1,540</u>

NOTE 13- Statement of Cash Flows Disclosures

The amount of interest paid on all indebtedness for fiscal years ended June 30, 2013 and 2012 was \$ 0 and \$4,331, respectively.

NOTE 14- 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 discontinued its employee benefit plan during fiscal year ended June 30, 2011. The pension expense for the years ended June 30, 2013 and 2012 was \$0. HRRC has no further obligations with regard to this plan.

NOTE 15- 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 November 5, 2013 which is the date the financial statements were available to be issued.

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NOTE 15- Income Taxes

HRRC is a not-for-profit organization exempt from income taxes under section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been reported in the financial statements.

NOTE 16-Special Events Revenue

HRRC celebrated its 40th anniversary during fiscal year ended June 30, 2012. HRRC received various contributions in honor of this landmark event.

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