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May 8, 2008

Board of Directors
Rebuilding Together * St. Joseph County, Inc.
227 W. Jefferson Blvd., Suite 1200S
South Bend, IN 46601

We have reviewed the audit report prepared by Christine A. Lauber, CPA, Independent Public Accountant, for the period October 1, 2004 to September 30, 2005. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Rebuilding Together * St. Joseph County, Inc., as of September 30, 2005, and the results of its operations for the period then ended, on the basis of accounting described in the report except for the effects of such adjustments, if any, as might have been determined to be necessary regarding the omission of contributed construction services and material.

The Independent Public Accountant's report is filed with this letter in our office as a matter of public record.

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FINANCIAL STATEMENTS

September 30, 2005 and 2004

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.

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CHRISTINE A. LAUBER

Certified Public Accountant & Consultant

Independent Auditor's Report

To the Board of Directors
Rebuilding Together * St. Joseph County, Inc.
South Bend, Indiana

I have audited the accompanying statements of financial position of Rebuilding Together * St. Joseph County, Inc. as of September 30, 2005 and 2004 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

The Organization does not record the value of contributed construction services and materials. Generally accepted accounting principles require that the value of such items be recorded as revenue and expenses in the statements of activities and functional expenses. The effect of this omission on the statements is not reasonably determinable.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary regarding the omission of contributed construction services and materials as referred to in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Rebuilding Together * St. Joseph County, Inc. as of September 30, 2005 and 2004, and changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

October 27, 2005

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2005 and 2004

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	74,238	\$ 59,690
Prepaid expenses	3,175	2,024
TOTAL CURRENT ASSETS	77,413	61,714
Endowment assets		
Beneficial interest in assets held by Community Foundation	32,792	28,182
Other assets		
Security deposit	601	601
	601	601
	\$ 110,806	\$ 90,497
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ -	\$ 600
TOTAL CURRENT LIABILITIES	-	600
Net assets		
Unrestricted net assets	78,013	61,714
Permanently restricted net assets	32,793	28,183
	110,806	89,897
	\$ 110,806	\$ 90,497

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
UNRESTRICTED NET ASSETS		
Revenues, gains and other support		
Grants	\$ 150,000	\$ 121,280
Contributions	28,430	31,833
Contributed services	29,061	33,340
Merchandise sales, net	(616)	199
Interest income	1,165	81
Total revenues, gains and other support	<u>208,040</u>	<u>186,733</u>
EXPENSES		
Home repairs	161,372	154,834
Management and general	18,271	17,391
Fund raising	8,548	4,134
Unallocated payments to affiliated organization, Rebuilding Together	3,550	3,012
Total expenses	<u>191,741</u>	<u>179,371</u>
Change in unrestricted net assets	16,299	7,362
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>61,714</u>	<u>54,352</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>78,013</u>	<u>61,714</u>
PERMANENTLY RESTRICTED NET ASSETS		
Income on beneficial interest	4,610	3,231
Change in permanently restricted net assets	4,610	3,231
PERMANENTLY RESTRICTED NET ASSETS AT BEGINNING OF YEAR	<u>28,183</u>	<u>24,952</u>
PERMANENTLY RESTRICTED NET ASSETS AT END OF YEAR	<u>32,793</u>	<u>28,183</u>
Change in total net assets	20,909	10,593
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>89,897</u>	<u>79,304</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 110,806</u>	<u>\$ 89,897</u>

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.
STATEMENTS OF CASH FLOWS

For the years ended September 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 20,909	\$ 10,593
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Increase in beneficial interest in assets held by Community Foundation	(4,610)	(3,230)
(Increase) decrease in grants receivable	-	5,697
(Increase) decrease in prepaid expenses	(1,151)	532
Decrease in accounts payable	(600)	(5,097)
Total adjustments	(6,361)	(2,098)
NET CASH PROVIDED BY OPERATING ACTIVITIES	14,548	8,495
NET INCREASE IN CASH AND EQUIVALENTS	14,548	8,495
CASH AND EQUIVALENTS, BEGINNING OF YEAR	59,690	51,195
CASH AND EQUIVALENTS, END OF YEAR	\$ 74,238	\$ 59,690

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
 For the years ended September 30, 2005 and 2004

 **CHRISTINE A. LAUBER**
 Certified Public Accountant & Consultant

	2005				2004			
	Home Repairs	Management and General	Fund Raising	Totals	Home Repairs	Management and General	Fund Raising	Totals
Construction services and materials	\$ 118,366	-	\$ -	\$ 118,366	\$ 104,655	-	\$ -	\$ 104,655
Equipment rental	3,194	-	-	3,194	2,715	-	-	2,715
Staff services	25,971	14,714	-	40,685	33,340	14,148	-	47,488
Building rental	6,600	-	-	6,600	7,200	-	-	7,200
Insurance	3,308	-	-	3,308	2,953	-	-	2,953
Meetings and refreshments	3,933	-	-	3,933	3,971	-	-	3,971
Advertising and promotional	-	-	8,548	8,548	-	-	4,134	4,134
Office expenses	-	572	-	572	-	578	-	578
Professional fees	-	2,985	-	2,985	-	2,665	-	2,665
	<u>\$ 161,372</u>	<u>\$ 18,271</u>	<u>\$ 8,548</u>	<u>\$ 188,191</u>	<u>\$ 154,834</u>	<u>\$ 17,391</u>	<u>\$ 4,134</u>	<u>\$ 176,359</u>

See notes to financial statements
 Page 5

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 Nature of activities and significant accounting policies

Nature of activities

Rebuilding Together * St. Joseph County, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana. The purpose of the Organization is to rehabilitate houses of low-income homeowners, particularly the elderly and disabled, so that they may continue to live in warmth, safety, and independence. Its operations are supported principally by grants from local governmental agencies and contributions from the public.

Significant accounting policies

Basis of accounting

The financial statements of Rebuilding Together * St. Joseph County, Inc. have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. The preparation of financial statements in conformity with generally accepted accounting principles also requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure notes at the dates of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Basis of presentation

Financial statement presentations follow the recommendations of the Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash equivalents

The Organization considers all time deposits, certificates of deposit, and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Contributed property and services

Contributed property is recorded at the estimated fair market value at the date of receipt as determined by the donor. Contributed services are recognized if the services create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such services are recorded at their estimated fair market value. The City of South Bend contributed staff services to the Organization as follows:

	2005	2004
Contributed services:	<u>\$25,971</u>	<u>\$33,340</u>

Contributed construction services, which meet the above criteria for recognition, are not recorded because of the difficulty involved in obtaining accurate information about contributed time. A substantial number of volunteers donate a significant amount of time to the Organization that has not been recorded in these statements.

Contributed construction materials, which meet the above criteria for recognition, are not recorded because they comprise a very small percentage of the total material requirements of the Organization.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax exemption

Rebuilding Together * St. Joseph County, Inc. is exempt from federal income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code. The corporation is also exempt from Indiana income taxes under a similar section of the state's gross income tax laws.

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Note 2 Operating lease

The Organization leases a warehouse under a month-to-month lease agreement for \$600 per month. Rent expense was as follows:

	2005	2004
Rent expense	<u>\$6,600</u>	<u>\$7,200</u>

Note 3 Concentrations of risk

The Organization maintains bank accounts at two financial institutions. The Federal Deposit Insurance Corporation (FDIC) for a maximum of \$100,000 insures these accounts. Though the Organization has not experienced any losses on the accounts, the balances may, at times, exceed the insurance limits or be invested in other funds that are not covered by such insurance.

The Organization receives the majority of its funding from the City of South Bend. Approximately 61% and 64% of the Organization's total revenues were in the form of grants from the City of South Bend, and contributed staff services from the City of South Bend provided 14% and 18% of the total revenues, for the years ending September 30, 2005 and 2004 respectively.

Note 4 Community Foundation

The Organization transferred \$25,000 during 2001 to the Community Foundation of St. Joseph County, Inc. in order to establish, in the Foundation, a fund to which the Organization and others can gift assets to provide support to the Organization. Transfers to the fund are designated "non-reciprocal transfers." The Organization is entitled to receive the income, but not the principal, from the amounts transferred. Variance power has been granted to the Foundation to modify any restrictions or conditions on the distribution of funds if, in its sole judgment, such restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable need of the area

REBUILDING TOGETHER * ST. JOSEPH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

served by the Community Foundation. The Fund currently provides for an approximate annual spending rate of 5% per year of the market value of the Fund. The Organization has recorded in the statements of financial position an asset of \$32,792 and \$28,182 shown as beneficial interest in assets held by Community Foundation for the fair market value of the Fund as of September 30, 2005 and 2004 respectively, consistent with the application of Statement of Financial Accounting Standards No. 136 issued by the Financial Accounting Standards Board.

Note 5 Investments

The Organization's investments are currently held at a local bank and managed by a professional financial manager.

Investments, at fair value, are as follows:	2005	2004
Money Market	<u>\$51,120</u>	<u>\$ 0</u>