

Rebuild Upstate

Annual Financial Report

As of and for the Years Ended

August 31, 2024 and 2023

# Table of Contents

## Rebuild Upstate Annual Financial Report As of and for the Year Ended August 31, 2024 and 2023

	<u>Page</u>
Independent Auditor's Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statement of Activities.....	4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-15
Reports to Management and the Board of Directors.....	16-19



**LYNNE D. JONES, CPA**  
*Accounting · Auditing · Advisory Services*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rebuild Upstate  
Greenville, South Carolina

### **Opinion**

I have audited the accompanying financial statements of Rebuild Upstate (a nonprofit organization), which comprise the statement of financial position as of August 31, 2024, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rebuild Upstate as of August 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Rebuild Upstate and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Prior Period Financial Statements**

The financial statements of Rebuild Upstate as of and for the year ended August 31, 2023 were audited by other auditors whose report dated March 19, 2024 expressed an unmodified opinion on those financial statements.

### **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 Rebuild Upstate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 auditor's report that includes my 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 generally accepted auditing standards 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, I:

- 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 Rebuild Upstate'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rebuild Upstate's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

## **Report on summarized comparative information**

As mentioned in the Prior Period Financial Statements section, Rebuild Upstate's 2023 financial statements were audited by other auditors. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Greenville, South Carolina  
December 6, 2024

**Rebuild Upstate**  
**Statements of Financial Position**

	As of August 31,	
	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 657,164	\$ 367,353
Investments - certificate of deposit	250,000	-
Accounts receivable	82,579	182,847
Property and equipment, net of accumulated depreciation	465,159	70,741
Total assets	<u>\$ 1,454,902</u>	<u>\$ 620,941</u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 49,350	\$ 54,228
Accrued expenses	24,744	11,114
Notes payable	342,305	-
Unamortized debt issuance cost	<u>(12,435)</u>	-
Notes payable net of unamortized debt issuance costs	<u>329,870</u>	-
Total liabilities	<u>403,964</u>	<u>65,342</u>
<b>Net Assets</b>		
Without donor restrictions	907,820	495,599
With donor restrictions	<u>143,118</u>	<u>60,000</u>
Total net assets	<u>1,050,938</u>	<u>555,599</u>
Total liabilities and net assets	<u>\$ 1,454,902</u>	<u>\$ 620,941</u>

*The accompanying notes are an integral part of these financial statements*

Rebuild Upstate  
Statement of Activities  
For the Year Ended August 31, 2024  
(With Comparative Totals for 2023)

Revenue and Support	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
Contributions of cash and other financial assets				
Corporate and individual giving	\$ 533,154	\$	\$ 533,154	\$ 579,554
Operational grants	520,149		520,149	408,967
Capital grants and contributions	121,381	175,000	296,381	6,671
Contract grants	777,035		777,035	584,729
Contributions of non-financial assets	46,469		46,469	34,561
Gross special events revenue	52,522		52,522	-
	<u>2,050,710</u>	<u>175,000</u>	<u>2,225,710</u>	<u>1,614,482</u>
Interest income	8,373	-	8,373	-
Other	2,458	-	2,458	1,893
Net assets released from restriction:				
Satisfaction of purpose restrictions	91,882	(91,882)	-	-
Total revenue and support	<u>2,153,423</u>	<u>83,118</u>	<u>2,236,541</u>	<u>1,616,375</u>
<b>Expenses</b>				
Program services	1,172,423	-	1,172,423	1,104,012
Management and general	236,726	-	236,726	178,530
Fundraising	332,053	-	332,053	182,232
Total expenses	<u>1,741,202</u>	<u>-</u>	<u>1,741,202</u>	<u>1,464,774</u>
<b>Excess of revenue and support over expenses</b>	<u>412,221</u>	<u>83,118</u>	<u>495,339</u>	<u>151,601</u>
Net assets, beginning of year	<u>495,599</u>	<u>60,000</u>	<u>555,599</u>	<u>403,998</u>
Net assets, end of year	<u>\$ 907,820</u>	<u>\$ 143,118</u>	<u>\$ 1,050,938</u>	<u>\$ 555,599</u>

The accompanying notes are an integral part of these financial statements

**Rebuild Upstate**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2024**

Expenses	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 285,521	\$ 93,105	\$ 242,072	\$ 620,698
Payroll taxes	21,848	7,124	18,523	47,495
Other employee benefits	4,018	1,310	3,406	8,734
Retirement plan contributions	-	12,337	-	12,337
Professional development	-	12,491	-	12,491
Vehicles and trailer	19,405	-	-	19,405
Depreciation	-	22,203	-	22,203
Office expenses	-	14,958	1,130	16,088
Conferences and meetings	-	933	-	933
Accounting and audit	-	3,800	-	3,800
Community engagement	-	-	28,444	28,444
Federal grants	589	-	-	589
Insurance	23,656	14,016	177	37,849
Information technology	20,159	13,198	19,776	53,133
Interest expense	-	4,117	-	4,117
Miscellaneous	-	11,227	-	11,227
Materials and services	763,135	-	-	763,135
Occupancy	34,092	25,907	2,842	62,841
Food and beverage	-	-	6,216	6,216
Entertainment	-	-	3,000	3,000
Auction items	-	-	5,135	5,135
Advertising and promotion	-	-	1,332	1,332
	\$ 1,172,423	\$ 236,726	\$ 332,053	\$ 1,741,202

*The accompanying notes are an integral part of these financial statements*

Rebuild Upstate  
Statement of Functional Expenses  
For the Year Ended August 31, 2023

Expenses	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 452,460	\$ 87,791	\$ 135,062	\$ 675,313
Payroll taxes	34,621	6,717	10,335	51,673
Retirement plan contribution	-	14,675	-	14,675
Other employee benefits	6,185	1,200	1,846	9,231
Professional development	-	13,317	-	13,317
Vehicles and trailer	14,636	-	-	14,636
Depreciation	20,902	-	-	20,902
Office expenses	6,533	6,369	3,430	16,332
Conferences and meetings	-	812	-	812
Accounting and audit	-	7,500	-	7,500
Information technology	-	29,041	-	29,041
Community Engagement	-	-	28,743	28,743
Federal grants	4,708	-	-	4,708
Insurance	46,826	488	1,463	48,777
Miscellaneous	18,712	2,480	1,353	22,545
Materials and services	464,337	-	-	464,337
Occupancy	34,092	8,140	-	42,232
	\$ 1,104,012	\$ 178,530	\$ 182,232	\$ 1,464,774

*The accompanying notes are an integral part of these financial statements*

**Rebuild Upstate**  
**Statements of Cash Flows**  
**For the Years Ended August 31,**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from Operating Activities</b>		
Increase in net assets	\$ 495,339	\$ 151,601
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	22,203	20,902
Amortization of debt issuance costs	654	-
Noncash donation of asset	(12,377)	-
Loss on sale of asset	206	-
Net changes in operating assets and liabilities:		
Accounts receivable	100,268	(102,288)
Accounts payable	(4,878)	24,115
Other accrued expenses	13,630	(7,709)
Net cash provided by operating activities	<u>615,045</u>	<u>86,621</u>
<b>Investing Activities</b>		
Purchase of land and building	(404,450)	-
Purchase of certificate of deposit	(250,000)	-
Net cash used in investing activities	<u>(654,450)</u>	<u>-</u>
<b>Financing Activities</b>		
Payments of debt issuance costs	(13,089)	-
Proceeds from issuance of notes payable	343,783	-
Principal payments of notes payable	(1,478)	-
Net cash provided by financing activities	<u>329,216</u>	<u>-</u>
Net increase in cash and cash equivalents	289,811	86,621
Cash and cash equivalents, beginning of year	<u>367,353</u>	<u>280,732</u>
Cash and cash equivalents, end of year	<u>\$ 657,164</u>	<u>\$ 367,353</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	\$ 3,463	\$ -

*The accompanying notes are an integral part of these financial statements*

#### NOTE 1 - NATURE OF ORGANIZATION

Rebuild Upstate (the "Organization") exists to repair the existing homes of disabled, low-income and elderly homeowners, preserving affordable housing in its communities by making houses safer, healthier, and more livable. The Organization accomplishes this mission by engaging with community partners to provide materials, funding and volunteer support for home repair. Rebuild Upstate was organized and incorporated under the laws of the State of South Carolina in February 2007 as a not-for-profit organization. They are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

Major sources of revenue include contributions from businesses, individuals and churches, and contracts from local, state and federal agencies. Rebuild Upstate serves homes in Greenville, Anderson, Pickens and Oconee Counties in South Carolina.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The books and accounts of the Organization are maintained, and the accompanying financial statements are prepared, on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Income is recognized when earned and costs and expenses are recognized when the obligations are incurred. Accordingly, all significant receivables, payables, and other assets and liabilities are reflected in the accompanying Statements of Financial Position.

##### Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, through the accomplishment of a specific purpose or the passage of time, or both, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions received for which the restrictions are met in the year of receipt are reported as net assets without donor restriction support.

The Organization recognizes contributions in accordance with Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance clarifies the definition of a conditional contribution, and states that these contributions should not be recognized as revenue until such time as the conditions are substantially met. The Organization received no conditional contributions during the years ended August 31, 2024 or 2023.

### Contributions of Non-Financial Assets

Support arising from donated goods, property, materials and services are recognized in the financial statements at fair value. Such donations are reported in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized when the services received create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time to the Organization principally in the area of house construction. The value of non-professional contributed time is not reflected in the accompanying financial statements.

From time to time the Organization may receive donations of materials and supplies used in home repair. Such items are recorded as contributions of non-financial assets in the accompanying Statement of Activities. Donations of vehicles are recorded in property and equipment. See also Note 10.

### Net Assets

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

**Net assets without donor restrictions** - These net assets generally result from contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

**Net assets with donor restrictions** - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the stipulated time restriction ends, or the purpose of the restriction is accomplished.

### Cash and Cash Equivalents

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

### Contracts Receivable

Contracts receivable at August 31, 2024 and 2023 consist of amounts due from federal and state grantor agencies to fund items through reimbursable grants. Management believes that items submitted for reimbursement are within funding guidelines and that collection is reasonably assured. No allowance for credit losses was considered necessary at August 31, 2024 or 2023.

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**Rebuild Upstate**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**

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**Investments**

Investments consist of a certificate of deposit with a regional bank. It is reported at cost which approximates fair value in the accompanying statement of financial position, and has a maturity date of November 24, 2024. Interest income is recorded in the statement of activities as an increase in unrestricted net assets

**Estimates**

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

**Functional Expenses**

Management considers all expenses incurred in the Organization's focus areas to be program related.

Salaries and related expenses are allocated to program services and management and general expenses based on the best estimates of management. Expenses other than salaries and related expenses, which are not directly identifiable as program services, are also allocated to supporting services based on the best estimates of management.

**Compensated Absences**

The Organization has not recorded a liability for employees' vested rights to receive compensation for future absences as such amounts cannot be reasonably estimated.

**Income Taxes**

The Organization is a nonprofit organization that has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from South Carolina state income taxes. Accordingly, no provision for income taxes has been provided in these financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition in the financial statements. The Organization is not currently under examination by any taxing jurisdiction. The Organization files IRS Form 990 annually with the Federal government. The Organization's federal tax returns are generally open for examination for the three years ended August 31, 2024.

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**Rebuild Upstate**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**

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**Property and Equipment**

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Additions with a value of \$5,000 or greater are capitalized and expenditures for repairs and maintenance are expensed when incurred. Depreciation is computed on the straight-line basis over the estimated useful life of the assets, as follows:

Buildings	39 years
Equipment and furnishings	3-7 years
Vehicles	5-7 years

**Debt Issuance Costs**

Debt issuance costs are deferred and amortized to interest expense on the accompanying Statements of Activities using the effective interest method or the straight-line method when it does not materially differ from the effective interest method. The Organization records debt issuance costs as a direct reduction of the carrying value of the debt liability. Total debt issuance costs (net of accumulated amortization) totaled \$12,435 and \$0 at August 31, 2024 and 2023, respectively.

**Fair Value of Financial Instruments**

The Organization's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued expenses, and notes payable. These items are stated at cost, which approximates fair value.

**Adoption of New Accounting Standard**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments -Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires entities to establish an allowance for credit losses for most financial assets based on expected lifetime credit losses. Prior GAAP was based on an incurred loss methodology for recognizing credit losses on financial assets measured at amortized cost and available-for sale debt securities. The standard is effective for fiscal years beginning after December 15, 2022. The Organization adopted this standard on September 1, 2023. It did not have a material impact on the Organization's financial statements or related disclosures.

**Reclassification**

Certain amounts in the prior year financial statements have been reclassified to conform with current year presentations. The reclassifications have no effect on the previously reported net assets or changes in net assets.

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Rebuild Upstate  
Notes to Financial Statements  
August 31, 2024 and 2023

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**NOTE 3 – LIQUIDITY AND AVAILABILITY**

The Organization has diverse revenue streams that include contributions from businesses, individuals and churches, income from fundraisers, and various grant sources. The Organization continues to implement its strategic plan which includes a capital campaign, in an effort to increase the number of homeowners served. The Organization’s financial health is monitored through monthly reporting to the Board of Directors, and it maintains budgetary guidelines and cash management policies to ensure proper management of financial assets.

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations become due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at August 31,

Financial assets at year-end:	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 657,164	\$ 367,353
Accounts receivable	82,579	182,847
Investments	250,000	-
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(143,118)</u>	<u>(60,000)</u>
Financial assets available to meet general expenditures within one year:	<u>\$ 846,625</u>	<u>\$ 490,200</u>

**NOTE 4 - CONCENTRATION OF CREDIT RISK**

The Organization maintains its operating bank account at one financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. Amounts on deposit may have exceeded the federally insured limit at times during the year. The Organization believes that there is no significant credit risk with respect to these deposits.

The Organization receives a substantial amount of support from grantor agencies for its programs. A significant change in the level of this support, if it were to occur, would have an adverse effect on the Organization’s programs and activities. It is reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

Rebuild Upstate  
Notes to Financial Statements  
August 31, 2024 and 2023

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31,

	<u>2024</u>	<u>2023</u>
Buildings	\$ 242,670	\$ -
Land	161,780	-
Equipment and furnishings	1,580	6,260
Trailers	19,650	17,530
Vehicles	127,354	127,354
In-kind donated vehicles	<u>19,377</u>	<u>7,000</u>
	572,411	158,144
Less accumulated depreciation	<u>(107,252)</u>	<u>(87,403)</u>
	<u>\$ 465,159</u>	<u>\$ 70,741</u>

Depreciation expense for the year ended August 31, 2024 was \$22,203, and for the year ended August 31, 2023 was \$20,902.

**NOTE 6 - NOTES PAYABLE**

Notes payable are as follows at August 31,

	<u>2024</u>	<u>2023</u>
Term note payable to a financial institution, due in 59 monthly installments of \$2,470, including accrued interest at 5.95% through August 27, 2034; final balloon payment estimated at \$294,507; secured by real property located at 805 Liberty Drive	<u>\$ 342,305</u>	<u>\$ -</u>
Less unamortized debt issuance costs	<u>(12,435)</u>	<u>-</u>
Total notes payable, net	<u>\$ 329,870</u>	<u>\$ -</u>

The aggregate annual principal payments on notes payable subsequent to August 31, 2024 are as follows:

2025	\$ 9,245
2026	9,818
2027	10,427
2028	11,022
2029	<u>301,793</u>
	<u>\$ 342,305</u>

Rebuild Upstate  
Notes to Financial Statements  
August 31, 2024 and 2023

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are as follows at August 31,

	<u>2024</u>	<u>2023</u>
Capital grants for Liberty Drive building purchase and related expenses	\$ 143,118	\$ 60,000

Net assets were released from donor restrictions as they were used for their intended as specified by the donor as follows for the year ended August 31,

	<u>2024</u>	<u>2023</u>
Use of funds for Liberty Drive building:		
Down payment	\$ 68,318	-
Inspection	2,250	-
Earnest money	4,350	-
Mortgage payments	3,463	-
Upfitting	13,501	-
Total	<u>\$ 91,882</u>	<u>-</u>

**NOTE 8 - LEASES**

The Organization entered into a three-year lease agreement with the City of Greenville, South Carolina (“the City”) with a commencement date of June 4, 2020 for its principal office space. To assist the Organization in fulfilling its mission to provide home repair services to low-income citizens, the City charges rent to the Organization in the amount of \$1 per year. Both the Organization and the City have the right to terminate the agreement with six months written notice. This agreement does not renew automatically and is expired at the time these financial statements were available to be issued. Fair market value of this discounted rent is estimated to be \$34,092 for the years ended August 31, 2024 and 2023 and is recorded as a contribution of nonfinancial assets and associated rent expense in the accompanying Statements of Activity.

The Organization recognizes leases in accordance with the Accounting Standards Update (ASU) 2016-02, *Leases*. This standard requires a lease liability and right-of-use asset to be recorded in the statements of financial position for leases with terms exceeding 12 months, and disclosure of significant terms of such leases. Management has evaluated the lease agreement noted above and believes that it qualifies for the short-term measurement and recognition exemption because 1) the agreement is presently month-to-month; 2) management is unable to determine with reasonable certainty that the City will renew the lease under the same or similar terms; and 3) the Organization can terminate this lease without cause prior to the contractually defined lease expiration date. As such, no lease liability or right-of-use asset are recorded in the Statements of Financial Position.

Rebuild Upstate  
Notes to Financial Statements  
August 31, 2024 and 2023

**NOTE 9 – CONTRIBUTIONS OF NON-FINANCIAL ASSETS**

Contributions of non-financial assets were as follows for the years ended August 31, 2024 and 2023:

Description	2024	2023	Usage in Programs/ Activities	Donor restrictions	Valuation techniques and inputs
Vehicles	\$12,377	\$ -	Program Services	No associated donor restrictions	Valued at fair market value on the date of contribution based on Blue Book value
Discounted Rent	34,092	34,092	General and Administrative	Use of principal office space to further mission	Valued at fair market value of leased premises by reference to comparable properties as determined by the lessor on the effective date of the lease
Materials	-	469	Program Services	No associated donor restrictions	Valued at fair market value on the date of contribution based on reference to comparable items
Total	<u>\$46,469</u>	<u>\$34,561</u>			

**NOTE 10 - RETIREMENT PLAN**

The Organization sponsors a SIMPLE IRA Plan for all employees who earn in excess of \$5,000 in a calendar year. Active participants may elect to defer a portion of their compensation up to the maximum allowed by law. The Organization matches contributions up to a maximum of 3% of contributed salary. The Organization made matching contributions of \$12,337 for the year ended August 31, 2024 and \$14,675 for the year ended August 31, 2023.

**NOTE 11 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through December 6, 2024, which is the date the financial statements were available to be issued. There were no events noted that required adjustments to or disclosure in these financial statements.

## REPORTS TO MANAGEMENT AND THE BOARD OF DIRECTORS



LYNNE D. JONES, CPA  
Accounting . Auditing . Advisory Services

December 6, 2024

To the Board of Directors and others charged with governance of  
Rebuild Upstate  
Greenville, South Carolina

My profession mandates that significant internal control deficiencies be communicated to management in writing. Therefore, for your consideration, I have enumerated below any such conditions and other management suggestions I noted during my recent audit of the financial statements of Rebuild Upstate (the "Organization") for the year ended August 31, 2024. My audit was conducted in accordance with auditing standards generally accepted in the United States of America. My report thereon was dated December 6, 2024.

The purpose of this communication is to inform you of matters involving your internal control structure and other suggestions to management to assist you in fulfilling your governance duties and responsibilities. I will be pleased to meet with you or your designees as an additional service to you to discuss and clarify any matters covered in this letter.

Management is responsible for establishing and maintaining an internal control structure. Consequently, management is held accountable to assure that assets are safeguarded; transactions are executed with proper authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles as they relate to not-for-profit organizations. Therefore, you, the Board of Directors, and your senior management, are responsible for the governance of the controls, accuracy and completeness of the financial information of the Organization.

### ***Communication of Internal Control Related Matters***

In planning and performing my audit of the Organization's financial statements in accordance with auditing standards generally accepted in the United States of America, I considered the Organization's internal control over financial reporting (internal control) as a basis for designing my auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the Organization's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of the financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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## ***Definitions Related to Internal Control Deficiencies***

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses. However, I identified certain deficiencies in internal control that I consider to be material weaknesses as enumerated below:

### **Year-end closing process**

The need for correcting entries made during the audit process is indicative of significant deficiencies within the internal control system over transaction completeness and classification. I recommend the following be added to the monthly and/or annual closing process

1. Fixed assets – inventory fixed assets and establish updated fixed asset subsidiary ledgers to ensure that only active equipment is included in the trial balance. This will ensure that fixed assets are properly stated and that depreciation is being calculated from a reliable record. Establish capitalization thresholds and adhere to them going forward.
2. Prepaid assets – certain insurance premium payments were expensed in the year they were paid even if the term(s) of the policies did not coincide with the fiscal year. This results in improper matching. We recommend such premiums be recorded as prepaid assets and expensed over the term of the policy.
3. In-kind donations – certain in-kind donations are not being recorded, included discounted rent and automobiles. Develop a policy for tracking in-kind donations and record them in the financial statements.
4. Accrued payroll – accrued payroll should be recorded to reflect the obligation to pay employees for hours worked but not paid in a fiscal year. This results in proper matching of expense.

## ***Communications with Those Charged with Governance***

### **My Responsibilities**

As stated in my engagement letter, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing**

I performed the audit according to the planned scope and timing previously communicated to you in my engagement letter dated October 22, 2024.

In planning my audit, I performed risk assessment procedures that allowed me to make judgments about “what could go wrong” so that attention could be focused on the most important and material areas. I applied the concept of materiality both in planning and performing the audit, in evaluating the effect of identified misstatements, and the effect of uncorrected misstatements on the financial statements, and in forming the opinion in my auditor’s report. In establishing the overall audit strategy, I determined materiality for the financial statements as a whole, taking into consideration the need to reduce that amount to account for the probability that the aggregate of uncorrected and undetected misstatements may exist.

### **Significant Findings or Issues from the Audit**

I am required to communicate the following regarding the qualitative aspects of the Organization’s significant accounting practices:

- Management is responsible for the selection and use of appropriate accounting policies. The Organization’s significant accounting policies are described in Note 2 of the notes to the financial statements.
- The disclosures in the financial statements are neutral, consistent, and clear.
- I noted no transactions entered into by the Organization during the year ended August 31, 2024 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- Accounting estimates are an integral part of financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.
- I encountered no difficulties in dealing with management in performing and completing my audit.
- Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There were no material, uncorrected misstatements, individually or in the aggregate, to the financial statements taken as a whole. A list of audit adjustments is provided for your reference. Such adjustments were necessary to convert management’s cash basis financial statements to accrual basis in accordance with accounting principles generally accepted in the United States.
- For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or to the auditor’s report. I am pleased to report that no such disagreements arose during the course of my audit.
- I have requested certain representations from management that are included in the management representation letter dated December 6, 2024.
- I have no knowledge of management consulting with other independent auditing firms during the year.

- I generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year in the normal course of my professional relationship. Such discussions are not a condition of my retention, and do not impair my independence.

An audit of the Organization's financial statements in accordance with auditing standards generally accepted in the United States of America can be reasonably viewed as a component of good governance. It cannot, however, be construed as a substitute for, nor justification for a reduction in, the total overall due diligence responsibilities of those charged with governance.

This communication is intended solely for the information and use of the Board of Directors and Management of Rebuild Upstate, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to express my appreciation for the assistance and cooperation provided to me during my audit. If you have any questions concerning the above matters, I would be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Lynne D. Jones, CPA, LLC". The signature is written in a cursive style with a large initial 'L'.

Greenville, South Carolina