

Financial Statements and Report of
Independent Certified Public
Accountants

Homes For Our Troops, Inc.

September 30, 2021 and 2020



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Homes For Our Troops, Inc.

We have audited the accompanying financial statements of Homes For Our Troops, Inc. (the "Organization"), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditor's 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 Organization's preparation and fair presentation of the financial statements 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 the Organization'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 presentation of the financial statements.

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 Homes For Our Troops, Inc. as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts
February 2, 2022

Homes For Our Troops, Inc.

STATEMENTS OF FINANCIAL POSITION

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 874,029	\$ 944,708
Investments	13,343,371	6,349,438
Pledges receivable, net	2,521,012	3,357,547
Construction and acquisition costs for veterans' homes	12,629,905	12,392,492
Prepaid expenses and other assets	554,430	318,519
Property and equipment, net	<u>1,414,499</u>	<u>1,543,925</u>
Total assets	<u>\$ 31,337,246</u>	<u>\$ 24,906,629</u>
LIABILITIES AND NET ASSETS		
Commitment to transfer homes to veterans	\$ 10,643,188	\$ 7,188,161
Accounts payable and accrued expenses	1,670,160	1,412,340
Line of credit	<u>-</u>	<u>502,027</u>
Total liabilities	<u>12,313,348</u>	<u>9,102,528</u>
Net assets		
Without donor restrictions	16,502,886	12,446,554
With donor restrictions - purpose or time	<u>2,521,012</u>	<u>3,357,547</u>
Total net assets	<u>19,023,898</u>	<u>15,804,101</u>
Total liabilities and net assets	<u>\$ 31,337,246</u>	<u>\$ 24,906,629</u>

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

Homes For Our Troops, Inc.

STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Revenues and other support			
Contributions	\$ 25,119,293	\$ 817,399	\$ 25,936,692
Contributed public service announcements	11,832,020	-	11,832,020
Contributed materials and services	2,834,370	-	2,834,370
Special events revenue, net:			
Special events revenue	630,344	-	630,344
Cost of direct benefit to donors	<u>(288,344)</u>	<u>-</u>	<u>(288,344)</u>
Net revenue from special events	342,000	-	342,000
Investment income	1,327,164	-	1,327,164
Other revenue	1,249,289	-	1,249,289
Releases from restrictions	<u>1,653,934</u>	<u>(1,653,934)</u>	<u>-</u>
Total revenues and other support	<u>44,358,070</u>	<u>(836,535)</u>	<u>43,521,535</u>
Expenses			
Program services	24,600,066	-	24,600,066
Program services - Public service announcement	<u>11,832,020</u>	<u>-</u>	<u>11,832,020</u>
Total program services	36,432,086	-	36,432,086
General and administrative	2,000,879	-	2,000,879
Fundraising	<u>1,868,773</u>	<u>-</u>	<u>1,868,773</u>
Total expenses	<u>40,301,738</u>	<u>-</u>	<u>40,301,738</u>
CHANGE IN NET ASSETS	4,056,332	(836,535)	3,219,797
Net assets, beginning of year	<u>12,446,554</u>	<u>3,357,547</u>	<u>15,804,101</u>
Net assets, end of year	<u><u>\$ 16,502,886</u></u>	<u><u>\$ 2,521,012</u></u>	<u><u>\$ 19,023,898</u></u>

The accompanying notes are an integral part of this financial statement.

Homes For Our Troops, Inc.

STATEMENT OF ACTIVITIES

For the year ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Revenues and other support			
Contributions	\$ 18,518,926	\$ 2,582,095	\$ 21,101,021
Contributed public service announcements	16,423,944	-	16,423,944
Contributed materials and services	4,003,822	-	4,003,822
Small Business Administration grant	1,056,033	-	1,056,033
Special events revenue, net:			
Special events revenue	294,507	-	294,507
Cost of direct benefit to donors	(31,595)	-	(31,595)
Net revenue from special events	262,912	-	262,912
Investment income	308,281	-	308,281
Other revenue	676,472	-	676,472
Releases from restrictions	1,114,977	(1,114,977)	-
	<u>42,365,367</u>	<u>1,467,118</u>	<u>43,832,485</u>
Expenses			
Program services	26,449,697	-	26,449,697
Program services - Public service announcement	16,423,944	-	16,423,944
	<u>42,873,641</u>	<u>-</u>	<u>42,873,641</u>
General and administrative	1,980,897	-	1,980,897
Fundraising	2,015,463	-	2,015,463
	<u>46,870,001</u>	<u>-</u>	<u>46,870,001</u>
CHANGE IN NET ASSETS	(4,504,634)	1,467,118	(3,037,516)
Net assets, beginning of year	<u>16,951,188</u>	<u>1,890,429</u>	<u>18,841,617</u>
Net assets, end of year	<u>\$ 12,446,554</u>	<u>\$ 3,357,547</u>	<u>\$ 15,804,101</u>

The accompanying notes are an integral part of this financial statement.

Homes For Our Troops, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Cost of veterans' homes	\$ 20,387,418	\$ -	\$ -	\$ 20,387,418
Public service announcements	11,832,020	-	-	11,832,020
Salaries and benefits	2,329,251	1,504,687	1,017,041	4,850,979
Professional services	675,040	138,747	62,116	875,903
Travel	173,205	8,296	21,420	202,921
Advertising and message communication	323,173	451	141,829	465,453
Payroll taxes	177,667	115,276	90,385	383,328
Home project and fundraising events	158,921	-	400	159,321
Telephone and computers	136,885	102,637	76,030	315,552
Fundraising appeals	-	-	138,899	138,899
Postage and shipping	6,623	1,033	82,557	90,213
Promotional materials	7,752	2,346	19,373	29,471
Office supplies and expenses	25,062	18,240	19,462	62,764
Insurance	105,595	52,558	39,631	197,784
Miscellaneous	17,875	10,638	95,817	124,330
Depreciation	56,715	32,750	54,206	143,671
Occupancy	18,884	13,220	9,607	41,711
	<u>\$ 36,432,086</u>	<u>\$ 2,000,879</u>	<u>\$ 1,868,773</u>	<u>\$ 40,301,738</u>
Total expenses				

The accompanying notes are an integral part of this financial statement.

Homes For Our Troops, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Cost of veterans' homes	\$ 22,281,343	\$ -	\$ -	\$ 22,281,343
Public service announcements	16,423,944	-	-	16,423,944
Salaries and benefits	2,363,898	1,478,884	1,054,337	4,897,119
Professional services	682,388	178,679	142,865	1,003,932
Travel	225,133	10,176	25,437	260,746
Advertising and message communication	235,484	1,590	208,905	445,979
Payroll taxes	173,481	112,049	90,348	375,878
Home project and fundraising events	114,112	-	364	114,476
Telephone and computers	128,858	87,565	78,241	294,664
Fundraising appeals	-	-	106,353	106,353
Postage and shipping	8,680	1,249	102,819	112,748
Promotional materials	9,341	1,526	17,592	28,459
Office supplies and expenses	26,766	18,851	32,519	78,136
Insurance	114,581	37,588	30,940	183,109
Miscellaneous	18,509	11,536	88,543	118,588
Depreciation	46,069	27,509	25,277	98,855
Occupancy	21,054	13,695	10,923	45,672
	<u>\$ 42,873,641</u>	<u>\$ 1,980,897</u>	<u>\$ 2,015,463</u>	<u>\$ 46,870,001</u>
Total expenses				

The accompanying notes are an integral part of this financial statement.

Homes For Our Troops, Inc.

STATEMENTS OF CASH FLOWS

Years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,219,797	\$ (3,037,516)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	143,671	98,855
Realized (gains) on investments	(598,510)	(412,288)
Unrealized (appreciation) depreciation of investments	(728,654)	105,815
Donated stock	(170,358)	(880,347)
Changes in operating assets and liabilities		
Decrease (increase) in pledges receivable	836,535	(1,467,118)
(Increase) decrease in construction and acquisition costs for veterans' homes	(237,413)	2,134,607
(Increase) decrease in prepaid expenses and other assets	(235,911)	20,177
Increase (decrease) increase in contractual commitment to transfer homes to veterans	3,455,027	(759,816)
Increase in accrued expenses	257,820	107,265
	<u>2,722,207</u>	<u>(1,052,850)</u>
Total adjustments		
Net cash provided by (used in) operating activities	<u>5,942,004</u>	<u>(4,090,366)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(13,761)	(137,146)
Sales of investments	1,503,105	4,500,000
Purchases of investments	(7,000,000)	(1,000,000)
	<u>(5,510,656)</u>	<u>3,362,854</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities:		
(Repayment) borrowings on line of credit	(502,027)	502,027
	<u>(502,027)</u>	<u>502,027</u>
Net cash (used in) provided by financing activities		
NET DECREASE IN CASH	<u>(70,679)</u>	<u>(225,485)</u>
Cash, beginning of year	<u>944,708</u>	<u>1,170,193</u>
Cash, end of year	<u>\$ 874,029</u>	<u>\$ 944,708</u>
Non-cash operating activities:		
Costs related to construction and acquisition costs for veterans' homes in accounts payable	<u>\$ 664,006</u>	<u>\$ 750,537</u>

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

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE A - NATURE OF THE ORGANIZATION

Homes For Our Troops, Inc. (the "Organization") was organized in 2004 as a not-for-profit corporation for the purpose of building specially adapted, barrier-free homes for severely injured military veterans.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires the application of the accrual basis of accounting.

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Presentation of Financial Statements of Not-For-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

To ensure observance of limitations and restrictions that may be placed on the use of resources available to the Organization, its accounts are maintained in the following net asset categories:

Net Assets without Donor Restrictions - Net assets without donor restrictions are those net assets that are not subject to donor-imposed stipulations. Donor-restricted gains and investment income and contributions whose restrictions are met in the same reporting period are also classified as net assets without donor restrictions.

Net Assets with Donor Restrictions - Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may or will be met whether by actions of the Organization and/or the passage of time.

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include estimates of potentially uncollectible pledge receivables, commitments to transfer homes to veterans, useful lives of land, buildings, and equipment and allocation of certain expenses to the various functions. Actual results could differ from those estimates.

Investment Valuation

Investments in securities with readily determinable fair values (mutual and exchange-traded funds) are carried at fair value as determined by major securities markets. Changes in fair value are recorded as unrealized gains or losses on investments and reflected within investment gains in the statement of activities. Realized gains or losses from the sale of investment securities are computed on the specific-identification cost basis.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

Contributions

Contributions, which include unconditional promises to give, are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recorded until they become unconditional, that is, when the satisfaction of any barriers occurs and there is no right of return noted by the respective donor. Contributions to be received after one year are recorded as with donor restrictions due to time, and discounted at an appropriate rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Pledges receivable are stated at the amount management expects to collect from outstanding balances, less a present value discount. Management provides for potentially uncollectible amounts through a provision for uncollectible pledges and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Contributed Public Service Announcements and Other Goods and Services

The Organization produces and distributes public service television and radio announcements that focus attention on the home building program that the Organization provides to veterans, which enables the veterans to rebuild their lives. These public service announcements are distributed to television and radio stations nationwide, who then provide airtime to deliver announcements to assist the Organization in its mission, free of charge.

The Organization contracts with a third-party valuation company to value each television and radio airing, based on the number of impressions (number of people exposed to the spot) using the third-party's proprietary database of Nielsen audience data. The amount recognized as both gift in-kind revenue and expense is the fair market value of each airing that occurred during the fiscal year.

Contributed goods and services are reflected in the accompanying financial statements at their estimated fair value, if reasonably determined. The contributions of services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

Construction and Acquisition Costs for Veterans' Homes

Construction and acquisition costs for veterans' homes represent real estate acquisition and home construction costs incurred as of the period end for specially adapted home projects. When acquiring land and constructing a new home, title and ownership of the property is retained by the Organization until such time that the Organization transfers ownership to the veteran. The Organization enters into an agreement with the veteran prior to construction, noting at that time that the project may span multiple fiscal years. The contribution payable (presented as "commitment to transfer homes to veterans' liability on the statement of financial position") to the veteran is conditional upon the veteran meeting certain barriers. Before the barriers are overcome, the Organization has the right to cancel the agreement. Near to the end of construction, the parties agree that the barriers have been overcome and the contribution becomes unconditional at this date, called the Key Ceremony Date. The construction costs are expensed at this date, and closing occurs soon thereafter.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

Contractual Commitment to Transfer Homes to Veterans

At the Key Ceremony Date, when all significant conditions of the contractual agreement between the Organization and the veteran have been met, a liability representing the contractual commitment to transfer the home to the veteran is recorded, with corresponding program expense recognition. Upon transfer of ownership, the full cost of the property and the corresponding contractual liability are derecognized. Several variables may impact the recognition or the derecognition of the asset and the liability in a given year, such as inclement weather or general contractor delays.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair value on the date of donation. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is reflected in the accompanying statement of activities.

Depreciation of property and equipment is computed on the straight-line method based on the estimated useful lives of the respective assets, which range from three to 40 years.

Fundraising and Special Events

The direct cost of fundraising and special events that provide a benefit to the contributors are deducted from the gross revenues raised at such events.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries and other expenses, which are associated with a specific function, are charged directly to that function. Salaries and other expenses which benefit more than one function are allocated to the various functions based on the time spent.

Income Taxes

The Organization is recognized as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. During the years ended September 30, 2021 and 2020, there was no significant unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service ("IRS") not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The Organization has not identified any uncertain tax positions as of September 30, 2021 or 2020.

The Organization is currently not subject to any audits by its taxing jurisdictions.

Subsequent Events

Subsequent events have been evaluated through February 2, 2022, which is the date the financial statements were available to be issued. No events requiring recognition or disclosures in the financial statements were identified.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

Risks and Uncertainties

With the ongoing worldwide pandemic, the Organization continued to adapt and adjust its operations as conditions changed. The initial effects of the pandemic that occurred during fiscal year 2020, such as the unprecedented shutdown of most in-person activities which impacted the Organization's independent fundraising revenue, began to wane as restrictions were lifted. The Organization's varied revenue streams helped mitigate any severe downturn in overall revenue. Overall, the Organization withstood any major impacts of the pandemic, and in fact saw an increase in cash contributions of nearly 23% from fiscal year 2020 to 2021.

Secondary effects of the pandemic were felt by the Organization in 2021, as there were delays in architectural plans completion and permitting, as well as increased costs of lumber and concrete, and supply chain issues, most of which have continued into fiscal 2022. As the pandemic continues, the Organization is unsure of the potential impact on financial results in fiscal 2022, especially as it relates to the increased construction costs and supply chain issues. The Organization continues to work closely with its Finance Committee and Board of Directors to ensure that conservative projections were built into its fiscal 2022 budget and that a sufficient amount of liquidity is available to continue its mission.

The Organization believes it has taken appropriate actions to limit the impact of the pandemic moving forward, but recognizes that the full impact of COVID-19 cannot be fully estimated at September 30, 2021 and through the date of this report.

Change in Method of Accounting for Certain Construction Costs

During 2021, the Organization elected to change its method of accounting related to certain veteran home build construction costs, such as the cost of architectural plans, permitting, site clearing and excavation, insurance, property taxes, and similar costs that are not considered part of the cost of the home. Whereas in prior years, these costs were capitalized as part of the veteran home build construction cost and expensed at the time the deed was transferred to the veteran, the Organization believes that expensing these costs in the period that they are incurred is preferable and more appropriate, as well as being in accordance with generally accepted accounting principles. The Organization determined that it is impracticable to determine the cumulative effect of applying this change retrospectively and that the effect on prior periods is immaterial, with a less than one percent (<1%) impact on Net Assets. Accordingly, the Organization did not recognize a cumulative effect adjustment in beginning net assets related to this change. Sufficient information exists to apply this period cost change beginning October 1, 2020. As such, the new method has been applied prospectively to the Organization's Construction and Acquisition Costs of Veterans' Homes, the Commitment to Transfer homes to Veterans, and Program Services effective October 1, 2020.

NOTE C - INVESTMENTS

Investments are comprised of the following as of September 30:

	2021	2020
Money market funds, savings & time deposits	\$ 3,699,717	\$ 73,584
Mutual and exchange-traded funds	9,643,654	6,275,854
Total	\$ 13,343,371	\$ 6,349,438

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

Total investment income is comprised of the following for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Change in unrealized appreciation (depreciation)	\$ 728,654	\$ (105,815)
Net realized gains	415,531	233,415
Dividend and interest income	<u>211,916</u>	<u>203,326</u>
Subtotal	1,356,101	330,926
Less: custodial and investment advisor fee	<u>(28,937)</u>	<u>(22,645)</u>
Total investment income	<u>\$ 1,327,164</u>	<u>\$ 308,281</u>

NOTE D - PLEDGES RECEIVABLE

Pledges receivable, discounted at rates ranging from 1.92-2.05%, consist of the following as of September 30:

	<u>2021</u>	<u>2020</u>
Amounts due		
Within one year	\$ 2,059,354	\$ 2,616,365
After one year, through five years	<u>755,023</u>	<u>1,100,000</u>
Total pledges receivable	2,814,377	3,716,365
Discounts	(40,842)	(76,531)
Allowance for uncollectible pledges	<u>(252,523)</u>	<u>(282,287)</u>
Pledges receivable, net	<u>\$ 2,521,012</u>	<u>\$ 3,357,547</u>

As of September 30, 2021 and 2020, \$1,605,000 and \$2,200,000 respectively, or 64% and 66% of pledges receivable, are attributable to pledges from two corporate partner organizations.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of September 30:

	2021	2020
Land	\$ 50,500	\$ 50,500
Buildings and improvements	1,712,319	1,712,319
Furniture and equipment	566,603	584,507
	<u>2,329,422</u>	<u>2,347,326</u>
Less: accumulated depreciation	<u>(914,923)</u>	<u>(803,401)</u>
	<u>\$ 1,414,499</u>	<u>\$ 1,543,925</u>

Depreciation expense amounted to \$143,671 and \$98,855 for the years ended September 30, 2021 and 2020, respectively.

NOTE F - LINE OF CREDIT

The Organization's line of credit with a bank has a borrowing limit of up to \$3,000,000 and was active and unused throughout most of 2021. When the line is in use, the loan is payable on demand. Interest is charged by utilizing a fluctuating rate based on the LIBOR (Advantage) rate plus 0.90%. The line of credit remains in effect indefinitely. The loan is collateralized by a first priority interest in the investment assets of the Organization. During fiscal year 2020, the Organization originally borrowed \$1,000,000, but paid off \$500,000. Early in fiscal year 2021, the Organization paid off the remainder of the line, and as of September 30, 2021, there is no outstanding balance on the line of credit.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS AND ASSETS RELEASED FROM RESTRICTION

Net assets with donor restrictions consist of grants that are restricted by time, and grants restricted for the purpose of building a specially adapted, barrier-free home for a severely injured military veteran within a specific geographic location which is specified by the donors.

Net assets released from donor restrictions are as follows as of September 30:

	2021	2020
Time and purpose restrictions		
Specially adapted housing grants	\$ -	\$ 247,875
Payment on pledges receivable	1,508,934	730,478
Release of timing restrictions	145,000	136,624
	<u>1,653,934</u>	<u>1,114,977</u>
Total	<u>\$ 1,653,934</u>	<u>\$ 1,114,977</u>

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

NOTE H - CONTRIBUTED MATERIALS AND SERVICES

The following have been reflected as contribution revenue and program expense in the accompanying financial statements for the years ended September 30:

	2021	2020
Building materials and construction services	\$ 2,160,653	\$ 3,258,086
Public service announcements	11,832,020	16,423,944
Professional services	673,717	745,736
	<u> </u>	<u> </u>
Total contributed materials and services revenue	<u>\$ 14,666,390</u>	<u>\$ 20,427,766</u>

NOTE I - COMMITMENTS AND CONTINGENCIES

Commitment to Transfer Homes to Veterans

As of September 30, 2021 and 2020, the Organization's estimated commitment to fund the completion of current (in-process) and future projects is \$72.3 million and \$57.3 million, respectively. These commitments are expected to be met between fiscal years 2022 through 2026.

Contingencies

The Organization is subject to certain claims encountered in the normal course of business. The resolution of these matters is not expected to have a material effect on the Organization's financial position or results of operations.

NOTE J - EMPLOYEE BENEFIT PLAN

The Organization maintains an employee benefit plan established under IRS Code Section 401(k) which covers substantially all of its eligible employees. Under the terms of the plan, the Organization makes contributions on a non-discretionary basis, using a safe harbor method, in a maximum amount equal to 3.5% of the participating employees' eligible salaries. Contribution expense under this plan amounted to \$127,819 and \$107,142 for the years ended September 30, 2021 and 2020, respectively.

NOTE K - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at a banking institution located within Massachusetts. The cash balances are insured, with certain limitations, by the Federal Deposit Insurance Corporation ("FDIC"). At certain times during the year, cash balances exceeded the insured amounts. Management monitors, on a regular basis, the financial condition of the financial institution, along with their balances, to keep this potential risk to a minimum.

The Organization also maintains investment accounts with a broker/dealer, which are not insured by the FDIC. These accounts may be subject to insurance by the Securities Investor Protection Corporation. Management believes that the risk of loss with respect to maintaining these accounts with the broker/dealer has been limited by choosing a strong institution with which to do business.

Refer to Note D for disclosure regarding concentration of credit risk within pledges receivable.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

NOTE L - RELATED-PARTY TRANSACTIONS

Included in the financial statements are cash and gifts in-kind from various members of the Board of Directors or related entities they are associated with, valued at \$3,841,522 and \$1,628,445 for the years ended September 30, 2021 and 2020, respectively. Cash donations for the years ended September 30, 2021 and 2020 totaled \$3,750,335 and \$1,469,492, respectively, and gifts in-kind, which included professional legal services, travel, and meals provided at build project events, are valued at \$91,187 and \$158,953, respectively.

NOTE M - FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments, when applicable, to certain assets and liabilities to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices.

Fair Value Hierarchy

The Organization utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 - Valuation is based on quoted market prices in active markets for identical assets that the Organization has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.
- Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation must be based on quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.
- Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Organization had no Level 3 assets as of September 30, 2021.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

There have been no changes in the methodology used at September 30, 2021.

A description of the valuation techniques applied to the Organization's major categories of assets and liabilities measured at fair value on a recurring basis, applies only to Level 1 securities, which are measured at fair value. Level 1 securities are based on quoted market prices in an active exchange market. These investments include money market funds and exchange-traded funds.

All investments as of September 30, 2021 and 2020 are valued based on Level 1 inputs.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2021 and 2020

NOTE N - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. When reviewing available resources required to meet its expenditures over a 12-month period, all expenditures are considered related to its ongoing activities.

In addition to the financial assets available to meet expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources.

The following summarizes the financial assets available to meet its expenditures as of September 30:

	<u>2021</u>	<u>2020</u>
Financial assets available within 12 months:		
Cash	\$ 874,029	\$ 944,708
Investments	13,343,371	6,349,438
Pledges receivable, net due in one year or less available for expenditures	<u>1,806,831</u>	<u>2,334,078</u>
Total financial assets available within 12 months	<u>\$ 16,024,231</u>	<u>\$ 9,628,224</u>