

Financial Statements and Report of
Independent Certified Public
Accountants

Homes For Our Troops, Inc.

September 30, 2023 and 2022



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Homes For Our Troops, Inc.

Opinion

We have audited the financial statements of Homes For Our Troops, Inc. (the "Organization"), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, 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.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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 US GAAS 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 US GAAS, we:

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

We are 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 we identified during the audit.

Grant Thornton LLP

Boston, Massachusetts
February 15, 2024

Homes For Our Troops, Inc.

STATEMENTS OF FINANCIAL POSITION

September 30,

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 812,646	\$ 279,119
Investments	9,494,642	12,220,652
Pledges receivable, net	3,458,961	1,999,211
Construction and acquisition costs for veterans' homes	16,638,083	15,759,204
Prepaid expenses and other assets	588,906	657,691
Property and equipment, net	<u>1,269,560</u>	<u>1,300,993</u>
Total assets	<u>\$ 32,262,798</u>	<u>\$ 32,216,870</u>
LIABILITIES AND NET ASSETS		
Commitment to transfer homes to veterans	\$ 8,437,678	\$ 9,712,049
Accounts payable and accrued expenses	2,908,432	2,789,768
Agency liability	<u>51,368</u>	<u>-</u>
Total liabilities	<u>11,397,478</u>	<u>12,501,817</u>
Net assets		
Without donor restrictions	17,406,359	17,715,842
With donor restrictions - purpose or time	<u>3,458,961</u>	<u>1,999,211</u>
Total net assets	<u>20,865,320</u>	<u>19,715,053</u>
Total liabilities and net assets	<u>\$ 32,262,798</u>	<u>\$ 32,216,870</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, 2023 (with summarized comparative information for the year ended September 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and other support				
Contributions	\$ 28,458,286	\$ 4,433,287	\$ 32,891,573	\$ 29,837,659
Contributed public service announcements	36,419,166	-	36,419,166	8,649,847
Contributed materials and services	4,640,438	-	4,640,438	4,846,552
Special events revenue, net:				
Special events revenue	693,465	-	693,465	655,947
Cost of direct benefit to donors	(253,911)	-	(253,911)	(200,062)
Net revenue from special events	439,554	-	439,554	455,885
Investment income (loss)	1,374,796	-	1,374,796	(2,582,562)
Other revenue	233,194	-	233,194	857,189
Releases from restrictions	2,973,537	(2,973,537)	-	-
Total revenues and other support	74,538,971	1,459,750	75,998,721	42,064,570
Expenses				
Program services	33,793,946	-	33,793,946	28,329,520
Program services - public service announcements	36,419,166	-	36,419,166	8,649,847
Total program services	70,213,112	-	70,213,112	36,979,367
General and administrative	2,277,422	-	2,277,422	2,228,355
Fundraising	2,357,920	-	2,357,920	2,165,693
Total expenses	74,848,454	-	74,848,454	41,373,415
CHANGE IN NET ASSETS	(309,483)	1,459,750	1,150,267	691,155
Net assets, beginning of year	17,715,842	1,999,211	19,715,053	19,023,898
Net assets, end of year	<u>\$ 17,406,359</u>	<u>\$ 3,458,961</u>	<u>\$ 20,865,320</u>	<u>\$ 19,715,053</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
Revenues and other support			
Contributions	\$ 27,447,223	\$ 2,390,436	\$ 29,837,659
Contributed public service announcements	8,649,847	-	8,649,847
Contributed materials and services	4,846,552	-	4,846,552
Special events revenue, net:			
Special events revenue	655,947	-	655,947
Cost of direct benefit to donors	<u>(200,062)</u>	<u>-</u>	<u>(200,062)</u>
Net revenue from special events	455,885	-	455,885
Investment loss	(2,582,562)	-	(2,582,562)
Other revenue	857,189	-	857,189
Releases from restrictions	<u>2,912,237</u>	<u>(2,912,237)</u>	<u>-</u>
Total revenues and other support	<u>42,586,371</u>	<u>(521,801)</u>	<u>42,064,570</u>
Expenses			
Program services	28,329,520	-	28,329,520
Program services - public service announcements	<u>8,649,847</u>	<u>-</u>	<u>8,649,847</u>
Total program services	36,979,367	-	36,979,367
General and administrative	2,228,355	-	2,228,355
Fundraising	<u>2,165,693</u>	<u>-</u>	<u>2,165,693</u>
Total expenses	<u>41,373,415</u>	<u>-</u>	<u>41,373,415</u>
CHANGE IN NET ASSETS	1,212,956	(521,801)	691,155
Net assets, beginning of year	<u>16,502,886</u>	<u>2,521,012</u>	<u>19,023,898</u>
Net assets, end of year	<u>\$ 17,715,842</u>	<u>\$ 1,999,211</u>	<u>\$ 19,715,053</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, 2023 (with summarized comparative information for the year ended September 30, 2022)

	2023			2022	
	Program Services	General and Administrative	Fundraising	Total Expenses	Total Expenses
Cost of veterans' homes	\$ 27,187,438	\$ -	\$ -	\$ 27,187,438	\$ 22,620,667
Public service announcements	36,419,166	-	-	36,419,166	8,649,847
Salaries and benefits	3,086,236	1,584,136	1,313,182	5,983,554	5,522,829
Professional services	1,583,822	209,760	56,204	1,849,786	1,523,892
Travel	585,192	29,453	41,306	655,951	551,407
Advertising and message communication	362,180	23,687	317,618	703,485	548,001
Payroll taxes	194,999	122,177	87,385	404,561	376,085
Home project and fundraising events	324,955	-	995	325,950	292,351
Telephone and computers	192,527	106,826	87,596	386,949	357,496
Fundraising appeals	-	-	116,561	116,561	133,615
Postage and shipping	16,533	1,504	102,186	120,223	134,071
Promotional materials	18,878	3,196	24,639	46,713	30,738
Office supplies and expenses	33,345	27,110	33,059	93,514	76,093
Insurance	99,662	65,179	44,662	209,503	192,542
Miscellaneous	35,991	63,598	99,618	199,207	158,466
Depreciation	44,706	22,320	22,428	89,454	148,786
Occupancy	27,482	18,476	10,481	56,439	56,529
Total expenses	<u>\$ 70,213,112</u>	<u>\$ 2,277,422</u>	<u>\$ 2,357,920</u>	<u>\$ 74,848,454</u>	<u>\$ 41,373,415</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, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Cost of veterans' homes	\$ 22,620,667	\$ -	\$ -	\$ 22,620,667
Public service announcements	8,649,847	-	-	8,649,847
Salaries and benefits	2,700,606	1,683,982	1,138,241	5,522,829
Professional services	1,328,084	124,668	71,140	1,523,892
Travel	484,768	15,720	50,919	551,407
Advertising and message communication	296,080	1,230	250,691	548,001
Payroll taxes	181,461	113,305	81,319	376,085
Home project and fundraising events	291,700	-	651	292,351
Telephone and computers	162,729	111,779	82,988	357,496
Fundraising appeals	-	-	133,615	133,615
Postage and shipping	12,150	1,230	120,691	134,071
Promotional materials	9,708	2,117	18,913	30,738
Office supplies and expenses	33,184	20,763	22,146	76,093
Insurance	94,223	57,334	40,985	192,542
Miscellaneous	26,520	46,621	85,325	158,466
Depreciation	60,865	32,069	55,852	148,786
Occupancy	26,775	17,537	12,217	56,529
	<u>\$ 36,979,367</u>	<u>\$ 2,228,355</u>	<u>\$ 2,165,693</u>	<u>\$ 41,373,415</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,

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,150,267	\$ 691,155
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	89,454	148,786
Realized (gains) losses on investments	(348,021)	258,021
Unrealized (appreciation) depreciation of investments	(1,026,775)	2,324,541
Donated stock	(264,227)	(636,843)
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable	(1,459,750)	521,800
Increase in construction and acquisition costs for veterans' homes	(878,879)	(3,129,299)
Decrease (increase) in prepaid expenses and other assets	68,785	(103,261)
Decrease in contractual commitment to transfer homes to veterans	(1,274,371)	(931,139)
Increase in accounts payable and accrued expenses	170,032	1,119,608
Net cash (used in) provided by operating activities	(3,773,485)	263,369
Cash flows from investing activities:		
Purchases of property and equipment	(58,021)	(35,279)
Sales of investments	7,350,049	4,197,000
Purchases of investments	(2,985,016)	(5,020,000)
Net cash provided by (used in) investing activities	4,307,012	(858,279)
NET INCREASE (DECREASE) IN CASH	533,527	(594,910)
Cash, beginning of year	279,119	874,029
Cash, end of year	\$ 812,646	\$ 279,119
Non-cash operating activities:		
Costs related to construction and acquisition costs for veterans' homes in accounts payable	\$ 1,591,563	\$ 1,464,921
Supplemental cash flow information:		
Interest paid on line of credit	\$ 16,409	\$ -

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

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2023 and 2022

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 statements of activities. Realized gains or losses from the sale of investment securities are computed on the specific-identification cost basis.

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

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

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 statements 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 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.

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

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

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 statements 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 3 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 statements 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, 2023 and 2022, 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, 2023 or 2022.

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

Subsequent Events

Subsequent events have been evaluated through February 15, 2024, which is the date the financial statements were available to be issued. No events requiring recognition or disclosures in the financial statements were identified.

Risks and Uncertainties

The Organization's varied revenue streams continue to keep the Organization's revenue strong and mitigated the effects of the pandemic. Overall, the Organization withstood major impacts of the pandemic, and in fact saw an increase in cash contributions of 10.2% from fiscal year 2022 to 2023.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

The Organization believes it has taken appropriate actions to limit any impact of the pandemic moving forward but recognizes that the impact of sustained and substantially higher costs will continue to limit the number of homes it delivers to Veterans each year.

NOTE C - INVESTMENTS

Investments are comprised of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Money market funds, savings and time deposits	\$ 756,701	\$ 4,272
Mutual and exchange-traded funds	<u>8,737,941</u>	<u>12,216,380</u>
Total	<u>\$ 9,494,642</u>	<u>\$ 12,220,652</u>

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

	<u>2023</u>	<u>2022</u>
Change in unrealized appreciation (depreciation)	\$ 1,026,775	\$ (2,324,541)
Net realized losses	(52,413)	(673,618)
Dividend and interest income	<u>455,453</u>	<u>455,893</u>
Subtotal	1,429,815	(2,542,266)
Less: custodial and investment advisor fee	<u>(55,019)</u>	<u>(40,296)</u>
Total investment income (losses)	<u>\$ 1,374,796</u>	<u>\$ (2,582,562)</u>

NOTE D - PLEDGES RECEIVABLE

Pledges receivable, discounted at rates ranging from 1.45% to 2.05%, consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Amounts due		
Within one year	\$ 2,344,150	\$ 2,064,741
After one year, through five years	<u>1,350,000</u>	<u>25,725</u>
Total pledges receivable	3,694,150	2,090,466
Discounts	(136,563)	(5,457)
Allowance for uncollectible pledges	<u>(98,626)</u>	<u>(85,798)</u>
Pledges receivable, net	<u>\$ 3,458,961</u>	<u>\$ 1,999,211</u>

As of September 30, 2023 and 2022, \$2,500,000 and \$1,239,800, respectively, or 72% and 62% of pledges receivable, are attributable to pledges from two corporate partner organizations.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

NOTE E - PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 50,500	\$ 50,500
Buildings and improvements	1,694,285	1,712,319
Furniture and equipment	<u>677,937</u>	<u>601,882</u>
	2,422,722	2,364,701
Less: accumulated depreciation	<u>(1,153,162)</u>	<u>(1,063,708)</u>
	<u>\$ 1,269,560</u>	<u>\$ 1,300,993</u>

Depreciation expense amounted to \$89,454 and \$148,786 for the years ended September 30, 2023 and 2022, respectively.

NOTE F - LINE OF CREDIT

The Organization's line of credit with a bank has a borrowing limit of up to \$9 million and was active throughout 2023. When the line is in use, the loan is payable on demand. Interest is charged by utilizing a fluctuating rate based on the 1-month BSBY rate plus 1.25%. 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 2023, the Organization borrowed a total of \$2 million in the first two months of the fiscal year but paid off the entire amount due at the end of the first quarter and had no outstanding balance at year-end. During fiscal year 2022, the Organization originally borrowed \$500,000, but paid off the balance prior to September 30, 2022.

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:

	<u>2023</u>	<u>2022</u>
Time and purpose restrictions		
Payment on pledges receivable	\$ 2,904,511	\$ 2,817,518
Release of timing restrictions	<u>69,026</u>	<u>94,719</u>
Total	<u>\$ 2,973,537</u>	<u>\$ 2,912,237</u>

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Building materials and construction services	\$ 2,983,978	\$ 3,529,944
Public service announcements	36,419,166	8,649,847
Professional services	<u>1,656,460</u>	<u>1,316,608</u>
Total contributed materials and services revenue	<u>\$ 41,059,604</u>	<u>\$ 13,496,399</u>

NOTE I - COMMITMENTS AND CONTINGENCIES

Commitment to Transfer Homes to Veterans

As of September 30, 2023 and 2022, the Organization's estimated commitment to fund the completion of current projects is \$93.3 million and \$77.6 million, respectively. These commitments are expected to be met between fiscal years 2024 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 \$158,119 and \$140,605 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022

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 \$4,767,662 and \$2,491,867 for the years ended September 30, 2023 and 2022, respectively. Cash donations for the years ended September 30, 2023 and 2022 totaled \$4,648,017 and \$2,387,689, respectively, and gifts in-kind, which included professional legal services, travel, and meals provided at build project events, are valued at \$119,645 and \$104,178, 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, 2023.

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, 2023.

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, 2023 and 2022 are valued based on Level 1 inputs.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

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 Organization also has the ability to draw on its unused line of credit in order to meet its expenditures. Refer to Note F for additional information regarding the line of credit.

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

	<u>2023</u>	<u>2022</u>
Financial assets available within 12 months:		
Cash	\$ 812,646	\$ 279,119
Investments	9,494,642	12,220,652
Pledges receivable, net due in one year or less available for expenditures	<u>2,245,524</u>	<u>1,978,943</u>
Total financial assets available within 12 months	<u>\$ 12,552,812</u>	<u>\$ 14,478,714</u>