

Financial Statements and Report of
Independent Certified Public
Accountants

Homes For Our Troops, Inc.

September 30, 2019 and 2018

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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., which comprise the statement of financial position as of September 30, 2019 and 2018, 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, 2019 and 2018, and the results of its operations 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 6, 2020

Homes For Our Troops, Inc.
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

	2019	2018
ASSETS		
Cash	\$ 1,170,193	\$ 652,863
Investments	8,662,617	6,015,315
Pledges receivable, net	1,890,429	4,493,021
Construction and acquisition costs for veterans' homes	14,527,099	13,041,763
Prepaid expenses and other assets	338,696	229,678
Property and equipment, net	1,505,634	1,442,495
Total assets	\$ 28,094,668	\$ 25,875,135
LIABILITIES AND NET ASSETS		
Commitment to transfer homes to veterans	\$ 7,947,980	\$ 3,448,381
Accounts payable and accrued expenses	1,305,071	2,001,079
Total liabilities	9,253,051	5,449,460
NET ASSETS		
Without donor restrictions	16,951,188	15,932,654
With donor restrictions - purpose or time	1,890,429	4,493,021
Total net assets	18,841,617	20,425,675
Total liabilities and net assets	\$ 28,094,668	\$ 25,875,135

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

Homes For Our Troops, Inc.

COMBINED STATEMENT OF ACTIVITIES

For the year ended September 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2019 Total</u>
Revenues and other support			
Contributions	\$ 20,954,395	\$ 1,594,249	\$ 22,548,644
Contributed public service announcements	7,100,451	-	7,100,451
Contributed materials and services	3,061,059	-	3,061,059
Special events revenue, net:			
Special events revenue	665,882	-	665,882
Cost of direct benefit to donors	(289,083)	-	(289,083)
Net revenue from special events	376,799	-	376,799
Investment income	375,787	-	375,787
Other revenue	278,790	-	278,790
Releases from restrictions	4,196,841	(4,196,841)	-
Total revenues and other support	<u>36,344,122</u>	<u>(2,602,592)</u>	<u>33,741,530</u>
Expenses			
Program services	24,305,508	-	24,305,508
Program services - Public service announcements	7,100,451	-	7,100,451
Total program services	<u>31,405,959</u>	<u>-</u>	<u>31,405,959</u>
General and administrative	1,844,641	-	1,844,641
Fundraising	2,074,988	-	2,074,988
Total expenses	<u>35,325,588</u>	<u>-</u>	<u>35,325,588</u>
CHANGE IN NET ASSETS	1,018,534	(2,602,592)	(1,584,058)
Net assets, beginning of year	<u>15,932,654</u>	<u>4,493,021</u>	<u>20,425,675</u>
Net assets, end of year	<u>\$ 16,951,188</u>	<u>\$ 1,890,429</u>	<u>\$ 18,841,617</u>

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

Homes For Our Troops, Inc.
COMBINED STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2018 Total</u>
Revenues and other support			
Contributions	\$ 20,688,832	\$ 4,024,635	\$ 24,713,467
Contributed public service announcements	14,428,496	-	14,428,496
Contributed materials and services	3,615,470	-	3,615,470
Special events revenue, net:			
Special events revenue	850,202	-	850,202
Cost of direct benefit to donors	(445,875)	-	(445,875)
Net revenue from special events	404,327	-	404,327
Investment income	290,800	-	290,800
Other revenue	636,269	-	636,269
Releases from restrictions	2,230,033	(2,230,033)	-
Total revenues and other support	<u>42,294,227</u>	<u>1,794,602</u>	<u>44,088,829</u>
Expenses			
Program services	22,516,856	-	22,516,856
Program services - Public service announcements	14,428,496	-	14,428,496
Total program services	<u>36,945,352</u>	<u>-</u>	<u>36,945,352</u>
General and administrative	1,783,720	-	1,783,720
Fundraising	3,640,628	-	3,640,628
Total expenses	<u>42,369,700</u>	<u>-</u>	<u>42,369,700</u>
CHANGE IN NET ASSETS	(75,473)	1,794,602	1,719,129
Net assets, beginning of year	<u>16,008,127</u>	<u>2,698,419</u>	<u>18,706,546</u>
Net assets, end of year	<u>\$ 15,932,654</u>	<u>\$ 4,493,021</u>	<u>\$ 20,425,675</u>

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

Homes For Our Troops, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2019

	<u>Total program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Cost of veterans' homes	\$ 19,815,537	\$ -	\$ -	\$ 19,815,537
Public service announcements	7,100,451	-	-	7,100,451
Salaries and benefits	2,313,753	1,445,638	1,038,932	4,798,323
Professional services	853,672	84,277	142,674	1,080,623
Travel	350,429	16,068	68,930	435,427
Advertising and message communication	287,378	1,490	210,712	499,580
Payroll taxes	165,053	106,730	85,627	357,410
Home project and fundraising events	164,994	-	2,818	167,812
Telephone and computers	101,762	53,356	56,973	212,091
Fundraising appeals	-	-	111,651	111,651
Postage and shipping	11,919	2,256	92,419	106,594
Promotional materials	11,635	-	32,440	44,075
Office supplies and expenses	35,425	26,611	23,912	85,948
Insurance	104,330	51,506	42,076	197,912
Miscellaneous	36,478	22,922	138,728	198,128
Depreciation	28,289	17,650	14,202	60,141
Occupancy	24,854	16,137	12,894	53,885
	<u>\$ 31,405,959</u>	<u>\$ 1,844,641</u>	<u>\$ 2,074,988</u>	<u>\$ 35,325,588</u>
Total expenses	<u>\$ 31,405,959</u>	<u>\$ 1,844,641</u>	<u>\$ 2,074,988</u>	<u>\$ 35,325,588</u>

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

Homes For Our Troops, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2018

	<u>Total program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Cost of veterans' homes	\$ 18,204,025	\$ -	\$ -	\$ 18,204,025
Public service announcements	14,428,496	-	-	14,428,496
Salaries and benefits	2,313,930	1,337,512	926,483	4,577,925
Professional services	613,763	159,411	1,961,873	2,735,047
Travel	320,988	23,044	48,644	392,676
Advertising and message communication	274,514	1,020	156,068	431,602
Payroll taxes	175,542	97,943	69,841	343,326
Home project and fundraising events	160,375	-	11,934	172,309
Telephone and computers	109,411	54,154	45,221	208,786
Fundraising appeals	-	439	241,350	241,789
Postage and shipping	21,492	6,589	32,646	60,727
Promotional materials	8,779	-	20,858	29,637
Office supplies and expenses	41,176	23,992	29,604	94,772
Insurance	147,502	-	19,276	166,778
Miscellaneous	65,656	44,619	53,002	163,277
Depreciation	28,481	17,065	12,187	57,733
Occupancy	31,222	17,932	11,641	60,795
	<u>\$ 36,945,352</u>	<u>\$ 1,783,720</u>	<u>\$ 3,640,628</u>	<u>\$ 42,369,700</u>
Total expenses				

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

Homes For Our Troops, Inc.

STATEMENTS OF CASH FLOWS

Years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (1,584,058)	\$ 1,719,129
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	60,141	57,733
Realized losses (gains) on investments	74,150	(334,145)
Unrealized (appreciation) depreciation of investments	(152,885)	212,841
Donated stock	(275,249)	(470,783)
Changes in operating assets and liabilities		
Decrease (Increase) in pledges receivable	2,602,592	(1,794,601)
(Increase) in construction and acquisition costs for veterans' homes	(1,485,335)	(3,343,343)
(Increase) Decrease in prepaid expenses and other assets	(109,018)	383,700
Increase in contractual commitment to transfer homes to veterans	4,499,599	2,761,715
Decrease in accrued expenses	(696,005)	(1,255,991)
Total adjustments	<u>4,517,990</u>	<u>(3,782,874)</u>
Net cash provided by (used in) operating activities	<u>2,933,932</u>	<u>(2,063,745)</u>
Cash flows from investing activities		
Purchases of property and equipment	(123,280)	(28,441)
Sales of investments	4,303,730	4,505,048
Purchases of investments	<u>(6,597,052)</u>	<u>(2,169,496)</u>
Net cash (used in) provided by investing activities	<u>(2,416,602)</u>	<u>2,307,111</u>
Net increase in cash and cash equivalents	517,330	243,366
Cash and cash equivalents, beginning of year	<u>652,863</u>	<u>409,497</u>
Cash and cash equivalents, end of year	<u>\$ 1,170,193</u>	<u>\$ 652,863</u>
Non-cash operating activities:		
Costs related to construction and acquisition costs for veteran's homes in accounts payable	<u>\$ 826,908</u>	<u>\$ 1,135,547</u>

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

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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 Accounting

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.

Basis of Presentation

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 and useful lives of land, buildings, and equipment. 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, 2019 and 2018

Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. 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 represents 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 the Organization transfers ownership to the veteran. The Organization enters an agreement with the veteran prior to construction. The contribution payable 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.

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, 2019 and 2018

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 forty 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, 2019 and 2018, 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, 2019 or 2018, respectively.

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

Reclassification

The Organization reclassified an immaterial amount of investment purchases from operating activities to investing activities in the statement of cash flows.

Subsequent Events

Subsequent events have been evaluated through February 6, 2020, 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, 2019 and 2018

Accounting Pronouncements Effective in Current Year

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the former three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017 (fiscal year ending September 30, 2019 for the Organization). The Organization adopted the standard for the fiscal year ended September 30, 2019. There was no material impact as a result of the change. HFOT previously and currently, has only two distinct net asset classifications, as it does not have an endowment where a corpus grows in perpetuity.

NOTE C - INVESTMENTS

Investments are comprised of the following as of September 30:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 737,078	\$ 1,045,432
Mutual and exchange traded funds	<u>7,925,539</u>	<u>4,969,883</u>
Total	<u>\$ 8,662,617</u>	<u>\$ 6,015,315</u>

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

	<u>2019</u>	<u>2018</u>
Change in unrealized appreciation	\$ 152,885	\$ (212,841)
Net realized (losses) gains	(50,703)	356,592
Dividend and interest income	<u>297,052</u>	<u>169,496</u>
Subtotal	399,234	313,247
Less: Custodial and investment advisor fee	<u>(23,447)</u>	<u>(22,447)</u>
Total investment income	<u>\$ 375,787</u>	<u>\$ 290,800</u>

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

NOTE D - PLEDGES RECEIVABLE

Pledges receivable, discounted at rates ranging from 1.92-2.58%, consist of the following as of September 30:

	<u>2019</u>	<u>2018</u>
Amounts due		
Within one year	\$ 1,848,130	\$ 4,688,326
After one year, through five years	200,000	48,305
	<u>2,048,130</u>	<u>4,736,631</u>
Discounts	(6,559)	(1,695)
Allowance for uncollectible pledges	<u>(151,142)</u>	<u>(241,915)</u>
Pledges receivable, net	<u>\$ 1,890,429</u>	<u>\$ 4,493,021</u>

As of September 30, 2019 and 2018, respectively, \$956,552 and \$3,485,400, or 51% and 78% of pledges receivable, are attributable to pledges from corporate partner organizations.

NOTE E - PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 50,500	\$ 50,500
Buildings and improvements	1,712,319	1,661,819
Furniture and equipment	447,361	374,581
	<u>2,210,180</u>	<u>2,086,900</u>
Less: Accumulated depreciation	<u>(704,546)</u>	<u>(644,405)</u>
	<u>\$ 1,505,634</u>	<u>\$ 1,442,495</u>

Depreciation expense amounted to \$60,141 and \$57,733 for the years ended September 30, 2019 and 2018, respectively.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

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

Net assets with donor restrictions consists 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>2019</u>	<u>2018</u>
Time and purpose restrictions		
Specially adapted housing grants	\$ 124,978	\$ 1,224,768
Payment on pledges receivable	3,920,634	415,273
Release of timing restrictions	<u>151,229</u>	<u>589,992</u>
 Total	 <u>\$ 4,196,841</u>	 <u>\$ 2,230,033</u>

NOTE G - 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>2019</u>	<u>2018</u>
Building materials and construction services	\$ 2,249,099	\$ 2,856,966
Public service announcements	7,100,451	14,428,496
Professional services	<u>811,960</u>	<u>758,504</u>
 Total contributed materials and services revenue	 <u>\$ 10,161,510</u>	 <u>\$ 18,043,966</u>

NOTE H - COMMITMENTS AND CONTINGENCIES

Commitment to Transfer Homes to Veterans

As of September 30, 2019 and 2018, respectively, the Organization's estimated commitment to fund the completion of current (in-process) and future projects are \$64.5 million and \$59.9 million, respectively. These commitments are expected to be met between fiscal years 2019 through 2024.

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.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

NOTE I - 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 in a maximum amount equal to 3% of the participating employees' eligible salaries. Contribution expense under this plan amounted to \$104,217 and \$98,624 for the years ended September 30, 2019 and 2018, respectively.

NOTE J - 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 an investment accounts with a broker/dealer, which is not insured by the FDIC. These accounts may be subject to insurance by the Securities Investor Protection Corporation ("SIPC"). 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.

NOTE K - 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 \$2,763,363 and \$557,466 for the years ended September 30, 2019 and 2018, respectively. Cash donations totaled \$2,596,027 and \$358,613, and gifts in kind, which included professional legal services, travel, and meals provided at build project events, are valued at \$167,336 and \$198,853.

NOTE L - 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.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

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, 2019.

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, 2019.

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 is as follows:

Level 1 - The securities measured at fair value Level 1 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, 2019 and 2018, respectively are valued based on Level 1 inputs.

NOTE M - 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 has generated positive operating cash flows for the fiscal year ended September 30, 2019.

The following summarizes the financial assets available to meet its expenditures as of September 30, 2019:

	<u>Resources available</u>
Financial assets available within 12 months:	
Cash and cash equivalents	\$ 1,170,193
Investments	8,662,617
Pledges receivable, net due in 1 year or less available for expenditures	<u>1,696,559</u>
Total financial assets available within 12 months	<u>\$ 11,529,369</u>