

Financial Statements and Report of
Independent Certified Public
Accountants

Homes For Our Troops, Inc.

September 30, 2025 and 2024



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
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, 2025 and 2024, 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, 2025 and 2024, 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
March 18, 2026

Homes For Our Troops, Inc.

STATEMENTS OF FINANCIAL POSITION

September 30,

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 1,206,523	\$ 375,530
Investments	6,257,346	6,142,426
Pledges receivable, net	2,130,953	2,378,935
Construction and acquisition costs for veterans' homes	14,182,724	13,220,836
Prepaid expenses and other assets	628,144	762,871
Property and equipment, net	<u>1,237,001</u>	<u>1,324,812</u>
Total assets	<u>\$ 25,642,691</u>	<u>\$ 24,205,410</u>
LIABILITIES AND NET ASSETS		
Commitment to transfer homes to veterans	\$ 5,409,747	\$ 4,468,423
Accounts payable and accrued expenses	3,475,418	3,137,228
Agency liability	<u>-</u>	<u>28,825</u>
Total liabilities	<u>8,885,165</u>	<u>7,634,476</u>
Net assets		
Without donor restrictions	13,919,510	11,863,980
With donor restrictions - purpose or time	<u>2,838,016</u>	<u>4,706,954</u>
Total net assets	<u>16,757,526</u>	<u>16,570,934</u>
Total liabilities and net assets	<u>\$ 25,642,691</u>	<u>\$ 24,205,410</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, 2025 (with summarized comparative information for the year ended September 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and other support				
Contributions	\$ 29,583,261	\$ 8,393,977	\$ 37,977,238	\$ 38,031,905
Contributed public service announcements	20,633,900	-	20,633,900	16,496,402
Contributed materials and services	5,661,170	-	5,661,170	4,817,596
Special events revenue, net:				
Special events revenue	1,024,786	-	1,024,786	716,102
Cost of direct benefit to donors	(332,122)	-	(332,122)	(229,219)
Net revenue from special events	692,664	-	692,664	486,883
Investment income	494,738	-	494,738	1,408,651
Other revenue	1,527,171	-	1,527,171	925,702
Releases from restrictions	10,262,915	(10,262,915)	-	-
Total revenues and other support	68,855,819	(1,868,938)	66,986,881	62,167,139
Expenses				
Program services	40,461,713	-	40,461,713	44,845,531
Program services - public service announcements	20,633,900	-	20,633,900	16,496,402
Total program services	61,095,613	-	61,095,613	61,341,933
General and administrative	2,566,918	-	2,566,918	2,416,485
Fundraising	3,137,758	-	3,137,758	2,703,107
Total expenses	66,800,289	-	66,800,289	66,461,525
CHANGE IN NET ASSETS	2,055,530	(1,868,938)	186,592	(4,294,386)
Net assets, beginning of year	11,863,980	4,706,954	16,570,934	20,865,320
Net assets, end of year	\$ 13,919,510	\$ 2,838,016	\$ 16,757,526	\$ 16,570,934

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, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 30,413,676	\$ 7,618,229	\$ 38,031,905
Contributed public service announcements	16,496,402	-	16,496,402
Contributed materials and services	4,817,596	-	4,817,596
Special events revenue, net:			
Special events revenue	716,102	-	716,102
Cost of direct benefit to donors	(229,219)	-	(229,219)
Net revenue from special events	486,883	-	486,883
Investment income	1,408,651	-	1,408,651
Other revenue	925,702	-	925,702
Releases from restrictions	6,370,236	(6,370,236)	-
Total revenues and other support	60,919,146	1,247,993	62,167,139
Expenses			
Program services	44,845,531	-	44,845,531
Program services - public service announcements	16,496,402	-	16,496,402
Total program services	61,341,933	-	61,341,933
General and administrative	2,416,485	-	2,416,485
Fundraising	2,703,107	-	2,703,107
Total expenses	66,461,525	-	66,461,525
CHANGE IN NET ASSETS	(5,542,379)	1,247,993	(4,294,386)
Net assets, beginning of year	17,406,359	3,458,961	20,865,320
Net assets, end of year	\$ 11,863,980	\$ 4,706,954	\$ 16,570,934

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, 2025 (with summarized comparative information for the year ended September 30, 2024)

	2025			2024	
	Program Services	General and Administrative	Fundraising	Total	
Cost of veterans' homes	\$ 32,727,651	\$ -	\$ -	\$ 32,727,651	\$ 38,066,439
Public service announcements	20,633,900	-	-	20,633,900	16,496,402
Salaries and benefits	3,762,328	1,816,003	1,643,823	7,222,154	6,542,731
Professional services	1,773,284	163,095	45,944	1,982,323	1,333,440
Travel	570,946	35,038	64,472	670,456	807,499
Advertising and message communication	357,226	8,424	539,320	904,970	806,673
Home project and fundraising events	485,822	-	540	486,362	481,102
Payroll taxes	252,231	157,101	112,737	522,069	462,921
Telephone and computers	239,344	165,017	146,935	551,296	448,952
Insurance	83,777	52,202	37,461	173,440	234,475
Miscellaneous	34,813	74,393	179,476	288,682	182,033
Postage and shipping	21,300	3,061	132,834	157,195	139,918
Fundraising appeals	-	-	135,334	135,334	128,683
Depreciation	52,410	23,012	17,726	93,148	97,069
Office supplies and expenses	34,999	34,557	31,152	100,708	90,746
Promotional materials	32,027	4,381	35,011	71,419	73,549
Occupancy	33,555	30,634	14,993	79,182	68,893
Total expenses	<u>\$ 61,095,613</u>	<u>\$ 2,566,918</u>	<u>\$ 3,137,758</u>	<u>\$ 66,800,289</u>	<u>\$ 66,461,525</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, 2024

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Cost of veterans' homes	\$ 38,066,439	\$ -	\$ -	\$ 38,066,439
Public service announcements	16,496,402	-	-	16,496,402
Salaries and benefits	3,372,811	1,706,790	1,463,130	6,542,731
Professional services	1,038,548	227,396	67,496	1,333,440
Travel	714,568	37,273	55,658	807,499
Advertising and message communication	413,005	4,881	388,787	806,673
Home project and fundraising events	479,267	-	1,835	481,102
Payroll taxes	223,591	99,991	139,339	462,921
Telephone and computers	223,266	116,402	109,284	448,952
Insurance	113,251	70,577	50,647	234,475
Miscellaneous	22,839	55,680	103,514	182,033
Postage and shipping	26,914	2,254	110,750	139,918
Fundraising appeals	-	-	128,683	128,683
Depreciation	53,930	23,856	19,283	97,069
Office supplies and expenses	30,467	35,845	24,434	90,746
Promotional materials	37,649	8,466	27,434	73,549
Occupancy	28,986	27,074	12,833	68,893
	<u>\$ 61,341,933</u>	<u>\$ 2,416,485</u>	<u>\$ 2,703,107</u>	<u>\$ 66,461,525</u>
Total expenses	<u>\$ 61,341,933</u>	<u>\$ 2,416,485</u>	<u>\$ 2,703,107</u>	<u>\$ 66,461,525</u>

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

Homes For Our Troops, Inc.

STATEMENTS OF CASH FLOWS

Years ended September 30,

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 186,592	\$ (4,294,386)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	93,148	97,069
Net gain from sale of property and equipment	(42,000)	-
Realized gains on investments		
Unrealized appreciation of investments	(494,738)	(1,408,651)
Donated stock	(6,163,396)	(4,073,010)
Changes in operating assets and liabilities:		
Decrease in pledges receivable	247,982	1,080,026
(Increase) decrease in construction and acquisition costs for veterans' homes	(961,888)	3,417,247
Decrease (increase) in prepaid expenses and other assets	134,727	(173,965)
(Decrease) increase in commitment to transfer homes to veterans	941,324	(3,969,255)
Increase in accounts payable and accrued expenses	309,365	206,253
Net cash used in operating activities	<u>(5,748,884)</u>	<u>(9,118,672)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(63,337)	(152,321)
Proceeds from sale of property and equipment	100,000	-
Sales of investments	7,609,163	9,916,168
Purchases of investments	(1,065,949)	(1,082,291)
Net cash provided by investing activities	<u>6,579,877</u>	<u>8,681,556</u>
NET INCREASE (DECREASE) IN CASH	830,993	(437,116)
Cash, beginning of year	<u>375,530</u>	<u>812,646</u>
Cash, end of year	<u><u>\$ 1,206,523</u></u>	<u><u>\$ 375,530</u></u>
Non-cash operating activities:		
Costs related to construction and acquisition costs for veterans' homes in accounts payable	<u>\$ 1,894,069</u>	<u>\$ 1,220,300</u>
Supplemental cash flow information:		
Interest paid on line of credit	<u>\$ 16,463</u>	<u>\$ 3,753</u>

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

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2025 and 2024

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 ("U.S. 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. Also included in this category are net assets designated by the Board of Directors.
- *Board-Designated Endowment* – During fiscal year 2025 the Board of Directors, as part of the Organization's long-term strategic plan, established a board-designated endowment fund. All investment earnings and gains/losses for the year were reinvested into the endowment fund during fiscal year 2025.
- *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 U.S. 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 property 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.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

Investments are made according to the investment policies, guidelines, and objectives adopted by the Organization's Board of Directors (the "Board"). These guidelines provide for investments in equities, fixed income, and other securities. Market values of such investments are routinely reviewed by the finance committee of the Board.

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 Materials 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.

Public service announcements that are not refreshed each year, for cost containment reasons, can sometimes result in significant fluctuations in the public service announcement valuation year over year.

Contributed materials 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

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

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 that have not been expensed as period costs in a prior period 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 variables may impact the recognition or the derecognition of the asset and the liability each 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 three to 40 years.

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

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. Revenue from ticket sales and sponsorships with benefits is recognized at the fair value of the goods or services provided (the exchange amount). Any excess payment over the exchange amount is treated as a contribution. The contribution portion of the amount received for ticket sales prior to the end of the reporting period is presumed to be conditioned on the event taking place, unless explicitly waived by the donor. Accordingly, amounts received prior to the event are recorded as deferred income until the occurrence of the event. Direct costs of special events, such as venue rental, catering, and entertainment, are reported separately as special events direct costs in the statements of activities.

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

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

defined by Section 512(a)(1) of the Code, is subject to federal income tax. During the years ended September 30, 2025 and 2024, the Organization had 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, 2025 and 2024.

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

Risks and Uncertainties

The Organization's varied revenue streams continue to keep the Organization's revenue strong. The biggest risk to the Organization is the sustained high costs of land and construction that will most likely impact the number of homes the Organization will be able to deliver to its Veterans.

Subsequent Events

Subsequent events have been evaluated through March 18, 2026, which is the date the financial statements were available to be issued. No events requiring recognition or disclosures in the financial statements were identified.

NOTE C - INVESTMENTS

Investments are comprised of the following as of September 30:

	2025	2024
Money market funds, savings and time deposits	\$ 2,420,733	\$ 2,114,932
Mutual and exchange-traded funds	3,836,613	4,027,494
Total	<u>\$ 6,257,346</u>	<u>\$ 6,142,426</u>

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

	2025	2024
Net unrealized gains	\$ 211,856	\$ 1,032,359
Net realized gains	78,669	71,123
Dividend and interest income	222,691	340,065
Subtotal	513,216	1,443,547
Less: custodial and investment advisor fees	<u>(18,478)</u>	<u>(34,896)</u>
Total investment income	<u>\$ 494,738</u>	<u>\$ 1,408,651</u>

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

NOTE D - PLEDGES RECEIVABLE

Pledges receivable, discounted at rates ranging from 1.45% to 4.44%, consist of the following as of September 30:

	<u>2025</u>	<u>2024</u>
Amounts due		
Within one year	\$ 565,805	\$ 2,252,974
After one year, through five years	1,754,476	275,000
	<u>2,320,281</u>	<u>2,527,974</u>
Total pledges receivable		
Discounts	(103,529)	(48,255)
Allowance for uncollectible pledges	<u>(85,799)</u>	<u>(100,784)</u>
	<u>\$ 2,130,953</u>	<u>\$ 2,378,935</u>
Pledges receivable, net		

As of September 30, 2025 and 2024, \$400,000 and \$1,325,000, respectively, or 19% and 56% of "net" pledges receivable, are attributable to pledges from two corporate partner organizations.

NOTE E - PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 50,500	\$ 50,500
Buildings and improvements	1,760,790	1,734,834
Furniture and equipment	<u>769,090</u>	<u>789,709</u>
	2,580,380	2,575,043
Less: accumulated depreciation	<u>(1,343,379)</u>	<u>(1,250,231)</u>
	<u>\$ 1,237,001</u>	<u>\$ 1,324,812</u>

NOTE F - LINES OF CREDIT

The Organization's line of credit with a bank includes a borrowing limit that fluctuates based on the assets collateralized against the line of credit. The line of credit is collateralized by a priority interest in the investment assets of the Organization. As of September 30, 2025, the available credit on the line of credit was \$3.9 million. When the line of credit includes a balance, the amount is payable on demand. Interest is charged by utilizing a fluctuating rate based on the one-month SOFR rate plus 1%. The line of credit remains in effect indefinitely.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

The Organization has a second line of credit with a bank and is secured by the Organization's headquarters building at 6 Main Street, Taunton, Massachusetts. As of September 30, 2025, the available credit on the line of credit was \$1.0 million. When the line of credit includes a balance, the amount is payable on demand. Interest is charged by utilizing a fluctuating rate based on the prime rate. The line of credit remains in effect for three years from the closing date, or March 20, 2028. During fiscal year 2025, the Organization did not utilize this line of credit.

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

Net assets with donor restrictions consist of grants and contributions that are restricted by time, and grants and contributions 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 with donor restrictions as of September 30 were restricted for:

	<u>2025</u>	<u>2024</u>
Time	\$ 2,131,854	\$ 2,378,935
Purpose restrictions for specific geographic location	<u>706,162</u>	<u>2,328,019</u>
Total	<u>\$ 2,838,016</u>	<u>\$ 4,706,954</u>

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

	<u>2025</u>	<u>2024</u>
Payment on pledges receivable	\$ 3,943,428	\$ 3,793,190
Specific geographic location	<u>6,319,487</u>	<u>2,577,046</u>
Total	<u>\$ 10,262,915</u>	<u>\$ 6,370,236</u>

NOTE H - BOARD-DESIGNATED ENDOWMENT

During fiscal year 2025, the Board established a board designated endowment fund with a cap of \$5,000,000 as part of the Organization's long-term strategic plan. The Organization has adopted an endowment investment and spending policy, approved by the Board, for endowment assets that attempt to maximize the return on invested assets while minimizing risk and expenses. This is to be done through prudent investing and planning, as well as through the maintenance of a diversified portfolio. The Organization targets a diversified asset allocation that places an emphasis on equity and fixed income investments. The Organization bases its contributions to the fund on no more than ten percent of its planned gifts each year. In fiscal year 2025, the Organization moved an initial contribution of \$300,000 of net assets without donor restrictions to the endowment fund. The Organization has elected not to spend endowment funds until the balance reaches \$3,000,000 to maximize the earnings in the fund. The Board retains discretion to modify or remove this designation.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

Endowment fund activity during the year ended September 30, 2025 was as follows:

Endowment Fund Net Asset and Activity

	<u>Without Donor Restrictions</u>
Net assets, beginning of year	\$ -
Amounts designated by the Board	300,000
Investment return	<u>35,806</u>
Net assets, end of year	<u>\$ 335,806</u>

NOTE I - 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>2025</u>	<u>2024</u>
Building materials and construction services	\$ 3,686,449	\$ 3,767,409
Public service announcements	20,633,900	16,496,402
Professional services	<u>1,974,721</u>	<u>1,050,187</u>
Total contributed materials and services revenue	<u>\$ 26,295,070</u>	<u>\$ 21,313,998</u>

All contributed non-financial services and assets were utilized by the Organization's programs and supporting services. Certain donated materials and services were restricted for (and used for) specific geographies or constructions.

NOTE J - COMMITMENTS AND CONTINGENCIES

Commitment to Transfer Homes to Veterans

As of September 30, 2025 and 2024, the Organization's estimated commitment to fund the completion of current projects is \$98.2 million and \$89.3 million, respectively. These commitments are expected to be met between fiscal years 2026 through 2028.

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, 2025 and 2024

NOTE K - EMPLOYEE BENEFIT PLAN

The Organization maintains an employee benefit plan established under IRS Code Section 401(k) which covers substantially all 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 employees' eligible salaries. Contribution expense under this plan amounted to \$190,284 and \$156,616 for the years ended September 30, 2025 and 2024, respectively.

NOTE L - 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.

NOTE M - RELATED-PARTY TRANSACTIONS

Included in the financial statements are cash and gifts in-kind from various members of the Board or related entities they are associated with, valued at \$6,429,510 and \$6,131,560 for the years ended September 30, 2025 and 2024, respectively. Cash donations for the years ended September 30, 2025 and 2024 totaled \$5,904,911 and \$5,956,847, respectively, and gifts in-kind, which included professional legal services, travel, and meals provided at build project events, are valued at \$524,599 and \$174,713, respectively.

NOTE N - 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, 2025 and 2024

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 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, 2025.

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, 2025 and 2024 are valued based on Level 1 inputs.

NOTE O - EMPLOYEE RETENTION CREDIT

Included in fiscal year 2025 revenue is \$1,338,393 for the year ended September 30, 2025 of Employee Retention Tax Credits ("ERC") under the Coronavirus Aid, Relief and Economic Security ("CARES") Act of 2020. Such funds may be subject to future IRS audit. Management believes that the Organization substantially met all barriers/conditions related to the ERC guidelines upon receipt of the funds. Accordingly, the full amount of credits received was recorded as revenue at that time.

NOTE P - 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 can also draw on its unused lines of credit in order to meet its expenditures. Refer to Note F for additional information regarding the line of credit.

Homes For Our Troops, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2025 and 2024

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

	<u>2025</u>	<u>2024</u>
Financial assets available within 12 months:		
Cash	\$ 1,206,523	\$ 375,530
Investments	6,257,346	6,142,426
Pledges receivable, net due in one year or less available for expenditures	<u>565,805</u>	<u>2,252,974</u>
Total financial assets available within 12 months	<u>\$ 8,029,674</u>	<u>\$ 8,770,930</u>

Included in investments as of September 30, 2025 are \$335,806 of board designated endowment funds (see Note H).