



***BUILDING HOMES FOR HEROES, INC. AND
SUBSIDIARIES***

***CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT***

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Building Homes for Heroes, Inc. and Subsidiaries
4584 Austin Blvd
Island Park, NY 11558

We have audited the accompanying consolidated financial statements of Building Homes for Heroes, Inc. and its subsidiaries (hereinafter, collectively, the "Organization") which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, 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.

Cerini & Associates LLP

August 25, 2021
Bohemia, New York

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

2020

2019

ASSETS

Current Assets:

Cash and cash equivalents.....	\$ 3,701,632	\$ 3,387,580
Investments.....	1,062	3,944
Property held for transfer, current portion	6,216,365	5,492,294
Contributions receivable	2,732,210	50,384
Other current assets.....	39,981	47,059

TOTAL CURRENT ASSETS	12,691,250	8,981,261
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Property held for transfer, net of current portion and property assignments..	1,672,580	5,242,349
Property and equipment, net of accumulated depreciation.....	79,065	110,716

TOTAL ASSETS	<u>\$ 14,442,895</u>	<u>\$ 14,334,326</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses.....	\$ 794,399	\$ 214,077
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Net Assets:

Without donor restrictions.....	5,510,165	4,839,599
With donor restrictions	8,138,331	9,280,650

TOTAL NET ASSETS	13,648,496	14,120,249
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,442,895</u>	<u>\$ 14,334,326</u>
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BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	\$ 6,740,887	\$ 2,078,345	\$ 8,819,232
Homes received as donations.....	-	1,010,000	1,010,000
Gross proceeds from fundraising events.....	236,648	-	236,648
Less: direct expenses	(88,506)	-	(88,506)
Net proceeds from fundraising events.....	148,142	-	148,142
Interest income.....	4,595	-	4,595
Gain on sale of land.....	47,207	-	47,207
Paycheck Protection Program loan forgiveness income...	204,360	-	204,360
Net assets released from restrictions.....	4,230,664	(4,230,664)	-
TOTAL REVENUE AND SUPPORT	11,375,855	(1,142,319)	10,233,536
EXPENSES:			
Program services.....	10,029,101	-	10,029,101
Management and general.....	216,839	-	216,839
Fundraising.....	459,349	-	459,349
TOTAL EXPENSES	10,705,289	-	10,705,289
CHANGE IN NET ASSETS	670,566	(1,142,319)	(471,753)
Net assets, beginning of year.....	4,839,599	9,280,650	14,120,249
Net assets, end of year.....	<u>\$ 5,510,165</u>	<u>\$ 8,138,331</u>	<u>\$ 13,648,496</u>

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions	\$ 6,677,038	\$ 495,248	\$ 7,172,286
Homes received as donations	-	3,238,900	3,238,900
Gross proceeds from fundraising events.....	523,760	-	523,760
Less: direct expenses	(239,123)	-	(239,123)
Net proceeds from fundraising events.....	284,637	-	284,637
Interest income.....	4,224	-	4,224
Loss on sale of land.....	(115,195)	-	(115,195)
Paycheck Protection Program loan forgiveness income..	-	-	-
Net assets released from restrictions	4,673,380	(4,673,380)	-
TOTAL REVENUE AND SUPPORT	11,524,084	(939,232)	10,584,852
EXPENSES:			
Program services.....	11,503,589	-	11,503,589
Management and general.....	260,822	-	260,822
Fundraising.....	475,546	-	475,546
TOTAL EXPENSES	12,239,957	-	12,239,957
CHANGE IN NET ASSETS	(715,873)	(939,232)	(1,655,105)
Net assets, beginning of year.....	5,555,472	10,219,882	15,775,354
Net assets, end of year.....	\$ 4,839,599	\$ 9,280,650	\$ 14,120,249

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Home Award Program</u>	<u>Team Building Educational Inspirational</u>	<u>Emergency and Family Support</u>	<u>Financial Planning</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Homes, construction, closing , key turnover, and support	\$ 7,024,247	\$ -	\$ 102,694	\$ 32,200	\$ 7,159,141	\$ -	\$ -	\$ 7,159,141
Veteran COVID-19 relief.....	-	-	195,079	-	195,079	-	-	195,079
Veteran team building educational conference.....	-	-	-	-	-	-	-	-
Veteran summit and rehabilitation.....	-	28,516	-	-	28,516	-	-	28,516
Travel: construction, meetings, and key ceremonies, etc.....	57,110	-	-	-	57,110	-	3,006	60,116
Travel: home recipients, veterans, and family members.....	13,045	-	-	-	13,045	-	-	13,045
Veteran ambassordor program.....	128,300	-	-	-	128,300	-	-	128,300
Salaries.....	487,705	-	63,620	6,182	557,507	91,279	82,098	730,884
Salaries: veterans and family members.....	323,288	-	31,951	-	355,239	6,540	17,677	379,456
Payroll taxes and health benefits.....	165,087	-	7,426	480	172,993	22,560	15,960	211,513
Advertising and web hosting.....	694,812	-	-	-	694,812	880	186,177	881,869
Veteran highlight and performance.....	149,306	-	-	-	149,306	1,821	30,954	182,081
Promotional.....	-	-	-	-	-	-	-	-
Signage and printing.....	25,308	-	-	-	25,308	-	7,440	32,748
Insurance.....	181,348	-	-	-	181,348	6,756	1,428	189,532
Occupancy	51,838	-	-	-	51,838	17,559	11,916	81,313
Donated occupancy	5,100	-	-	-	5,100	-	900	6,000
Building maintenance, supplies, and utilities.....	8,149	-	-	-	8,149	1,392	814	10,355
Office expenses.....	22,795	-	-	-	22,795	7,149	1,886	31,830
Telecommunication.....	12,160	-	-	-	12,160	1,431	715	14,306
Technology and computer expenses.....	51,648	-	-	-	51,648	14,674	11,595	77,917
Professional fees.....	93,097	-	-	-	93,097	16,619	48,039	157,755
Donated legal and advertising.....	8,986	-	-	-	8,986	2,995	-	11,981
Meals.....	9,606	-	-	-	9,606	-	835	10,441
Postage and shipping.....	4,463	-	1,116	-	5,579	744	1,116	7,439
Outside event support.....	15,219	-	-	-	15,219	-	15,842	31,061
Credit card processing fees.....	-	-	-	-	-	6,246	18,736	24,982
Depreciation and amortization expense.....	27,220	-	-	-	27,220	2,216	2,215	31,651
State registration fees.....	-	-	-	-	-	15,978	-	15,978
	<u>\$ 9,559,837</u>	<u>\$ 28,516</u>	<u>\$ 401,886</u>	<u>\$ 38,862</u>	<u>\$ 10,029,101</u>	<u>\$ 216,839</u>	<u>\$ 459,349</u>	<u>\$ 10,705,289</u>

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Home Award Program</u>	<u>Team Building Educational Inspirational</u>	<u>Emergency and Family Support</u>	<u>Financial Planning</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Homes, construction, closing , key turnover, and support	\$ 8,938,373	\$ -	\$ 76,196	\$ 33,750	\$ 9,048,319	\$ -	\$ -	\$ 9,048,319
Veteran COVID-19 relief.....	-	-	-	-	-	-	-	-
Veteran team building educational conference.....	-	215,316	-	-	215,316	-	-	215,316
Veteran summit and rehabilitation.....	-	31,885	-	10,000	41,885	-	-	41,885
Travel: construction, meetings, and key ceremonies, etc.....	230,072	10,492	-	-	240,564	13,462	9,139	263,165
Travel: home recipients, veterans, and family members.....	56,103	6,527	-	-	62,630	-	-	62,630
Veteran ambassordor program.....	15,000	-	-	-	15,000	-	-	15,000
Salaries.....	493,231	4,316	7,174	5,724	510,445	95,684	59,572	665,701
Salaries: veterans and family members.....	330,877	3,391	8,911	-	343,179	9,268	20,018	372,465
Payroll taxes and health benefits.....	132,773	591	1,234	439	135,037	20,742	11,055	166,834
Advertising and web hosting.....	353,889	-	-	-	353,889	978	253,813	608,680
Veteran highlight and performance.....	-	-	-	-	-	-	-	-
Promotional.....	23,075	-	-	-	23,075	-	12,425	35,500
Signage and printing.....	19,139	1,104	-	-	20,243	1,581	2,275	24,099
Insurance.....	100,082	-	-	-	100,082	6,594	1,648	108,324
Occupancy.....	87,756	-	-	-	87,756	26,766	21,007	135,529
Donated occupancy.....	5,100	-	-	-	5,100	-	900	6,000
Building maintenance, supplies, and utilities.....	15,311	-	-	-	15,311	2,642	1,638	19,591
Office supplies.....	27,796	-	-	-	27,796	9,609	2,470	39,875
Telecommunication.....	9,133	-	-	-	9,133	1,074	537	10,744
Technology and computer expenses.....	59,260	-	-	-	59,260	16,695	14,535	90,490
Professional fees.....	77,095	-	-	-	77,095	31,755	17,692	126,542
Donated legal and advertising.....	20,849	-	-	-	20,849	3,950	-	24,799
Meals.....	49,053	740	-	-	49,793	2,488	4,049	56,330
Postage and shipping.....	13,836	-	-	-	13,836	1,628	814	16,278
Outside event support.....	21,190	-	-	-	21,190	-	22,055	43,245
Credit card processing fees.....	-	-	-	-	-	6,450	19,350	25,800
Depreciation and amortization expense.....	6,806	-	-	-	6,806	554	554	7,914
State registration fees.....	-	-	-	-	-	8,902	-	8,902
	<u>\$ 11,085,799</u>	<u>\$ 274,362</u>	<u>\$ 93,515</u>	<u>\$ 49,913</u>	<u>\$ 11,503,589</u>	<u>\$ 260,822</u>	<u>\$ 475,546</u>	<u>\$ 12,239,957</u>

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets.....	\$ (471,753)	\$ (1,655,105)
<u>Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:</u>		
Homes received as donations.....	(1,010,000)	(3,238,900)
Land received as donations.....	(578,892)	(927,514)
Assignment of homes to veterans.....	5,379,691	5,874,114
Net increase in value of homes not assigned.....	(1,121,703)	(248,099)
Depreciation expense.....	31,651	7,914
Proceeds from donated stock.....	(129,826)	(156,849)
(Gain)/loss on sale of land.....	(47,207)	115,195
<u>Change in operating assets and liabilities:</u>		
Contributions receivable.....	(2,681,826)	377,305
Other current assets.....	7,078	5,669
Accounts payable and accrued expenses.....	580,322	(79,063)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(42,465)	74,667
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments.....	132,708	164,191
Proceeds from sale of land.....	223,809	253,944
Purchase of property and equipment.....	-	(118,630)
NET CASH PROVIDED BY INVESTING ACTIVITIES	356,517	299,505
Net increase in cash and cash equivalents.....	314,052	374,172
Cash and cash equivalents, beginning of year.....	3,387,580	3,013,408
Cash and cash equivalents, end of year.....	\$ 3,701,632	\$ 3,387,580

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Building Homes for Heroes, Inc. and its subsidiaries (hereinafter, collectively, the "Organization") is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of Service to Summit, LLC and 4584 Austin Blvd, LLC. All intercompany transactions and accounts have been eliminated. Service to Summit, LLC was established to raise money for Building Homes for Heroes, Inc., and has no significant financial transactions. 4584 Austin Blvd, LLC was formed to hold a property at 4584 Austin Blvd in Island Park, New York. As such, the accompanying consolidated financial statements primarily represent the financial activities of Building Homes for Heroes, Inc.

Nature of Operations: The Organization is strongly committed to supporting the brave men and women of the military who were injured, post-September 11, 2001, while serving the country at the time of the wars in Iraq or Afghanistan. The Organization builds or modifies homes and gifts these homes, mortgage-free, to veterans and their families, including Gold Star Families. These mortgage-free homes not only help to remove the family's financial burden, but they also help to restore the individual's freedom, and enable the veteran to lead a more independent and productive civilian life. To further assist veterans, the Organization offers financial planning services, family funding, and emergency support. The Organization encourages veterans and their families to take part in its events with other veterans to help build camaraderie and supportive relationships between the wounded veterans. It is the Organization's honor to support the servicemen and women who loyally and courageously serve the country in the armed forces.

Income Tax Status: Building Homes for Heroes, Inc. is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, Building Homes for Heroes, Inc. qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Service to Summit, LLC is a single member LLC, whose only member is Building Homes for Heroes, Inc. Therefore, all taxable income or loss passes through to, and is reportable, by Building Homes for Heroes, Inc.

4584 Austin Blvd, LLC is a single member LLC, whose only member is Building Homes for Heroes, Inc. Therefore, all taxable income or loss passes through to, and is reportable, by Building Homes for Heroes, Inc.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization files IRS Form 990 and respective state and local tax returns. These returns are subject to review and examination by federal, state, and local taxing authorities. The Organization evaluated its activities for uncertain tax positions and has determined that there were no uncertain tax positions for 2020 and 2019. The Organization has determined that it has registered in all states where it is required to be registered.

Basis of Accounting: The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Recent Accounting Pronouncement: On January 1, 2019, the Organization adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization's services that fall within the scope of ASC 606 are presented within special event revenue and is recognized as revenue as the Organization satisfies its obligation to the event attendees.

On January 1, 2019, the Organization also adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 amends ASC 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU were intended to assist entities in (1) evaluating whether (reciprocal) transactions are subject to other guidance (i.e. ASC 606) and (2) determining whether a contribution(s) is conditional. The Organization has determined that there is no impact to the consolidated financial statements as a result of the adoption of this ASU.

Consolidated Financial Statement Presentation: The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. There were no net assets to be held in perpetuity as of December 31, 2020 and 2019.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents: For purposes of the consolidated statements of cash flows, cash equivalents represent demand deposits and short-term money market funds with financial institutions. Money market funds held in brokerage accounts are considered to be a component of cash equivalents, as they have a maturity of three months or less.

Contributions Receivable: Receivables are stated at the amount management expects to collect from outstanding balances. The Organization considers receivables past due or delinquent when payments have not been received in a timely manner. Receivables are written off when management deems the possibility of collecting amounts due as completely unlikely. The Organization closely monitors outstanding balances for all receivables and adheres to a standard set of protocols for collection activities to be undertaken at certain times based upon delinquency status. Management believes that all outstanding receivables as of December 31, 2020 and 2019 will be collected in full.

Property and Equipment: Property and equipment are stated at cost. All significant acquisitions or betterments are capitalized and repairs are expensed as incurred. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets. The estimated useful lives of the assets are:

Computers.....	3 years
Office equipment.....	5 years

Contributions: The Organization receives substantially all of its revenue from contributions from direct public support. All contributions are recognized as revenue when the amounts are pledged. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization engaged in a partnership with a national bank during 2012. Through this partnership, the bank donates mortgage-free homes to the Organization, which are then gifted to wounded veterans throughout the United States of America. During 2020 and 2019, all homes received by the Organization were donated by the bank.

Advertising Costs: The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred.

Special Events: The Organization holds fundraising events to provide support for its operations. Revenue from these events is recorded at the time the event takes place. Costs incurred for which a donor receives a direct benefit have been offset against the revenue earned in the consolidated statements of activities. Other costs related to the event for which the donor does not receive a direct benefit are included within fundraising costs in the accompanying consolidated statements of activities and functional expenses.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services: The Organization benefits from contributed materials attributable to special events and programs. Various noncash contributions are recorded at their estimated fair values at the dates of donation. For the years ended December 31, 2020 and 2019, the Organization received contributed materials and labor with an estimated fair value of \$740,250 and \$1,387,842, respectively, which are reflected as contributions in the accompanying consolidated statements of activities and corresponding home construction and donated legal and advertising expenses within the accompanying consolidated statements of functional expenses.

In addition, the Organization receives contributed services from volunteers that do not meet the criteria for recognition. Accordingly, the value of these contributed services has not been reflected in the accompanying consolidated financial statements.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated by management among the program, management and general, and fundraising categories. Most costs incurred by the Organization are directly assignable to these categories. Those costs that cannot be directly assigned are allocated based upon reasonable allocation methodologies, the most significant of which are:

- Salaries are allocated based on an estimate of time spent on program related functions, management and general, and fundraising functions.
- Payroll taxes and fringe benefits are allocated based upon the salary allocations.
- Property related costs are allocated based upon the respective use of the facilities.

Use of Estimates: The presentation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Concentrations of Credit Risk and Support: From time to time, the Organization has cash and cash equivalents on deposit with financial institutions that are in excess of Federal Deposit Insurance Corporation ("FDIC") limits.

Events Occurring After the Report Date: The Organization has evaluated events and transactions that occurred between January 1, 2021 and August 25, 2021, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - PROPERTY HELD FOR TRANSFER

Property held for transfer consists of homes donated to the Organization that will be transferred to veterans upon completion of improvements by the Organization. Donated property and improvements made are capitalized at their estimated fair market values until the residence is assigned and transferred. During the years ended December 31, 2020 and 2019, the Organization received contributed homes with estimated fair values of \$1,010,000 and \$2,823,900, respectively, which are reflected as homes received as donations in the accompanying consolidated statements of activities. Properties expected to be transferred within twelve months from year-end have been classified as current on the accompanying consolidated statements of financial position. The remainder have been classified as non-current.

A corresponding liability and expense is established once each property has been assigned to a veteran. The assignment of property is included in homes, constructions, closing, key turnover and support expense in the accompanying consolidated statements of functional expenses.

NOTE 3 - CONCENTRATION OF RISK

The Organization receives donations and grants from various donors throughout the United States of America. For the years ended December 31, 2020 and 2019, 21% and 19%, respectively, of the Organization's total revenue received was from one donor.

As of December 31, 2020, 89% of the Organization's total contributions receivable was due from two donors. As of December 31, 2019, 98% of the Organization's total contributions receivable was due from three donors.

The Organization is currently involved in pending litigation involving a lawsuit in the State of Texas with an individual who was gifted a home. Management of the Organization, as well as the attorney handling the lawsuit, believe a loss is neither probable nor estimable.

NOTE 4 - NET ASSETS

Net assets were restricted by donors for the following purposes at December 31,:

	<u>2020</u>	<u>2019</u>
Donated property restricted for transfer to veterans.....	\$ 7,682,750	\$ 9,260,650
Pledges restricted for use related to specific homes	455,581	20,000
Total net assets with donor restrictions	<u>\$ 8,138,331</u>	<u>\$ 9,280,650</u>

During the years ended December 31, 2020 and 2019, the Organization received \$1,622,764 and \$475,248, respectively, in contributions and properties held for transfer whose restrictions had been met within the year of contribution and have been reflected as releases from restrictions in the accompanying consolidated statements of activities.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 - NET ASSETS (continued)

During the year ended December 31, 2020, management became aware that certain amounts historically reported as net assets without donor restrictions should have been reported as net assets with donor restrictions. As a result of correcting the classification of these balances, as of December 31, 2019, net assets with donor restrictions were increased by \$1,408,693 and net assets without donor restrictions were decreased by \$1,408,693.

NOTE 5 - OCCUPANCY

During July 2015, the Organization entered into a lease agreement for its offices in Valley Stream, New York. This space served as the home office of the Organization. The lease called for monthly payments of \$3,855, subject to annual rent escalations of 3% through its expiration date of December 31, 2017. Effective January 2018, the lease was extended through December 31, 2019, with the option to extend the lease by two more years. The lease was not renewed.

During March 2019, the Organization entered into a lease agreement for office space in Island Park, New York. The lease calls for monthly payments of \$7,292, subject to annual rent escalations of 3% through its expiration date of March 1, 2022. The lease includes an option to purchase the property which was the intention in 2021. See Note 9 for the subsequent event disclosure.

The total occupancy expense incurred for the office spaces during the years ended December 31, 2020 and 2019 was \$87,504 and \$118,851, respectively.

Future minimum payments under the office lease are as follows for the years ending December 31,:

2021.....	\$	92,382
2022.....		15,472
Total.....	<u>\$</u>	<u>107,854</u>

Starting in October 2019, the Organization subleases a portion of the office space in Island Park, New York to a related party for a monthly payment of \$2,188. The total occupancy income incurred for the years ended December 31, 2020 and 2019 was \$26,256 and \$6,564, respectively. The income received for this sublease offsets occupancy expense on the accompanying consolidated statements of functional expenses.

The Organization also occupies additional office space in Florida. This space is donated in its entirety by the building owner, an unrelated third party. The fair market rental value of the Florida space occupied by the Organization was estimated to be \$6,000 for the years ended December 31, 2020 and 2019 and has been recorded as an in-kind donation.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6 - RETIREMENT PLAN

During 2016, the Organization established a 401(k) plan for eligible employees to contribute to. Any employee who has attained age twenty-one and has completed one year of service is eligible to participate in the plan. The plan allows for discretionary profit-sharing contributions in an amount to be determined annually. There were no employer contributions to the plan for both of the years ended December 31, 2020 and 2019.

NOTE 7 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31,:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,701,632	\$ 3,387,580
Investments	1,062	3,944
Contributions receivable	<u>2,732,210</u>	<u>50,384</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,434,904</u>	<u>\$ 3,441,908</u>

The Organization's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately \$2,630,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE 8 - FINANCIAL IMPACT RELATED TO THE COVID-19 PANDEMIC

As a result of the Coronavirus Aid, Relief, and Economic Security Act (hereinafter, "CARES Act"), on May 1, 2020, the Organization received a long-term note maturing in twenty-four months for a total of \$204,360.

The loan was granted as part of the Paycheck Protection Program ("PPP") to help businesses impacted by the COVID-19 pandemic. Under the terms of the loan, a portion or all of the loan may be forgiven as a grant with the ultimate amount payable depending on the uses of the loan and the criteria set forth in the CARES Act, subsequent guidance and regulations. The Organization expended the balance of the loan on qualified expenditures subsequent to the funding date through the year ended December 31, 2020. The loan was formally forgiven in full subsequent to year end. As such, management has recognized \$204,360 of Paycheck Protection Program loan forgiveness income within the accompanying consolidated statement of activities for the year ended December 31, 2020.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which may negatively impact operating results. The long-term impact of the pandemic on the Organization's operating results and financial position is uncertain and the financial impact of this matter, if any, cannot be estimated at this time.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARIES

***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019***

NOTE 9 - SUBSEQUENT EVENTS

Subsequent to year-end, the Organization received a loan of \$204,360 as part of the second round of the Paycheck Protection Program of the United States of America CARES Act. The loan may be forgiven entirely based on levels of qualified expenditures to be made by the Organization over a period subsequent to funding. Any amount not forgiven will be required to be repaid and amortized over a two-year term at an interest rate of 1.00%. Management expects that most, if not all, of this loan will be forgiven.

Pursuant to Note 5 above, the Organization had initially exercised its option to purchase the Island Park building they are leasing. In February 2021, the Organization entered into a contract of sale to purchase the property for \$1,250,000. In August 2021, it was determined that the Organization would not be purchasing this property, and has instead decided to continue leasing.