



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

***FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015***

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ASSOCIATES LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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

***FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Building Homes for Heroes, Inc.  
65 Roosevelt Avenue, Suite 105  
Valley Stream, NY 11581

We have audited the accompanying financial statements of Building Homes for Heroes, Inc. (a not-for-profit corporation, the "Organization") which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

### *Auditors' 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016 and 2015, 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*

April 14, 2017  
Bohemia, New York

**BUILDING HOMES FOR HEROES, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31,**

**2016**

**2015**

**ASSETS**

**Current Assets:**

Cash and cash equivalents.....	\$ 1,380,006	\$ 1,382,543
Property held for transfer, current portion (Notes 2 and 4).....	8,342,000	6,761,340
Contributions receivable (Note 3).....	2,287,112	2,095,677
Other assets.....	29,945	6,261

**TOTAL CURRENT ASSETS**                      12,039,063                      10,245,821

Property held for transfer, net of current portion (Notes 2 and 4).....	6,658,166	6,024,886
Property and equipment, net of accumulated depreciation.....	2,487	4,992

**TOTAL ASSETS**                      \$ 18,699,716                      \$ 16,275,699

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts payable and accrued expenses (Note 2).....	\$ 564,686	\$ 704,034
Property assignments (Note 2).....	2,489,907	3,410,078

**TOTAL LIABILITIES**                      3,054,593                      4,114,112

Commitments and contingencies (Notes 2, 3, 4, and 5)

**Net Assets:**

Unrestricted.....	3,242,441	2,400,296
Temporarily restricted (Note 4).....	12,402,682	9,761,291

**TOTAL NET ASSETS**                      15,645,123                      12,161,587

**TOTAL LIABILITIES AND NET ASSETS**                      \$ 18,699,716                      \$ 16,275,699

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

**BUILDING HOMES FOR HEROES, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>REVENUE AND SUPPORT (Note 3):</b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
Contributions.....	\$ 4,844,696	\$ 1,401,408	\$ 6,246,104
Homes received as donations (Note 2).....	-	6,965,070	6,965,070
Gross proceeds from fundraising events.....	518,237	-	518,237
Less: direct expenses .....	<u>(202,591)</u>	<u>-</u>	<u>(202,591)</u>
Net proceeds from fundraising events.....	315,646	-	315,646
Interest income.....	208	-	208
Net assets released from restrictions (Note 4).....	<u>5,725,087</u>	<u>(5,725,087)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>10,885,637</b>	<b>2,641,391</b>	<b>13,527,028</b>
<b>EXPENSES:</b>			
Program services.....	9,321,987	-	9,321,987
Management and general.....	545,321	-	545,321
Fundraising.....	<u>176,184</u>	<u>-</u>	<u>176,184</u>
<b>TOTAL EXPENSES</b>	<b><u>10,043,492</u></b>	<b><u>-</u></b>	<b><u>10,043,492</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>842,145</b>	<b>2,641,391</b>	<b>3,483,536</b>
Net assets, beginning of year.....	<u>2,400,296</u>	<u>9,761,291</u>	<u>12,161,587</u>
Net assets, end of year.....	<u><u>\$ 3,242,441</u></u>	<u><u>\$ 12,402,682</u></u>	<u><u>\$ 15,645,123</u></u>

**BUILDING HOMES FOR HEROES, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>REVENUE AND SUPPORT (Note 3):</b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
Contributions.....	\$ 5,566,217	\$ 1,460,524	\$ 7,026,741
Homes received as donations (Note 2).....	-	10,843,182	10,843,182
Gross proceeds from fundraising events.....	447,569	-	447,569
Less: direct expenses .....	<u>(243,764)</u>	<u>-</u>	<u>(243,764)</u>
Net proceeds from fundraising events.....	203,805	-	203,805
Interest income.....	118	-	118
Net assets released from restrictions (Note 4).....	<u>5,603,887</u>	<u>(5,603,887)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>11,374,027</b>	<b>6,699,819</b>	<b>18,073,846</b>
<b>EXPENSES:</b>			
Program services.....	9,697,433	-	9,697,433
Management and general.....	450,967	-	450,967
Fundraising.....	<u>186,264</u>	<u>-</u>	<u>186,264</u>
<b>TOTAL EXPENSES</b>	<b><u>10,334,664</u></b>	<b><u>-</u></b>	<b><u>10,334,664</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>1,039,363</b>	<b>6,699,819</b>	<b>7,739,182</b>
Net assets, beginning of year.....	<u>1,360,933</u>	<u>3,061,472</u>	<u>4,422,405</u>
Net assets, end of year.....	<u><u>\$ 2,400,296</u></u>	<u><u>\$ 9,761,291</u></u>	<u><u>\$ 12,161,587</u></u>

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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 (Note 2).....	\$ 7,468,816	\$ -	\$ 148,538	\$ 39,375	\$ 7,656,729	\$ -	\$ -	\$ 7,656,729
Veteran team building educational conference.....	-	145,170	-	-	145,170	-	-	145,170
Travel: construction/ meetings/key ceremonies, etc.....	251,207	-	-	-	251,207	6,995	13,424	271,626
Travel: home recipients, veterans, and family members.....	45,306	-	1,490	-	46,796	-	-	46,796
Salaries.....	363,477	-	-	10,493	373,970	40,956	43,562	458,488
Salaries: veterans/family members.....	278,123	-	8,064	4,379	290,566	1,823	18,454	310,843
Payroll taxes and health benefits.....	107,163	-	617	3,080	110,860	10,032	4,925	125,817
Advertising and web hosting.....	14,396	-	-	-	14,396	3,028	18,839	36,263
Promotional.....	390	-	-	-	390	350,024	-	350,414
Signage and printing.....	20,978	-	-	-	20,978	1,415	2,380	24,773
Insurance.....	123,186	-	-	-	123,186	4,499	1,125	128,810
Occupancy (Note 5).....	45,853	-	-	-	45,853	11,153	10,965	67,971
Donated occupancy (Note 5).....	51,000	-	-	-	51,000	-	9,000	60,000
Office supplies.....	24,359	-	-	-	24,359	10,635	2,584	37,578
Telecommunication.....	9,857	-	-	-	9,857	1,160	580	11,597
Office and computer equipment.....	35,434	-	-	-	35,434	6,093	2,186	43,713
Professional fees.....	27,264	-	-	-	27,264	41,535	-	68,799
Donated legal and advertising.....	14,054	-	-	-	14,054	32,218	-	46,272
Meals.....	36,831	-	-	-	36,831	818	3,274	40,923
Veteran/family leisure.....	4,124	-	-	-	4,124	-	-	4,124
Postage and shipping.....	9,075	-	-	-	9,075	1,067	534	10,676
Outside event support.....	28,200	-	-	-	28,200	-	29,352	57,552
Credit card processing fees.....	-	-	-	-	-	4,899	14,695	19,594
Depreciation expense.....	1,688	-	-	-	1,688	512	305	2,505
State registration fees.....	-	-	-	-	-	16,459	-	16,459
Miscellaneous.....	-	-	-	-	-	-	-	-
	<u>\$ 8,960,781</u>	<u>\$ 145,170</u>	<u>\$ 158,709</u>	<u>\$ 57,327</u>	<u>\$ 9,321,987</u>	<u>\$ 545,321</u>	<u>\$ 176,184</u>	<u>\$ 10,043,492</u>



**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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 (Note 2).....	\$ 8,306,171	\$ -	\$ 72,227	\$ 10,200	\$ 8,388,598	\$ -	\$ -	\$ 8,388,598
Veteran team building educational conference.....	-	154,902	-	-	154,902	-	-	154,902
Travel: construction/ meetings/key ceremonies, etc.....	128,232	-	-	-	128,232	8,625	7,899	144,756
Travel: home recipients, veterans, and family members.....	7,595	11,125	-	-	18,720	-	-	18,720
Salaries.....	259,673	-	-	6,089	265,762	90,370	47,347	403,479
Salaries: veterans/family members.....	266,070	-	-	8,367	274,437	7,713	33,087	315,237
Payroll taxes and health benefits.....	93,902	-	-	823	94,725	14,683	6,452	115,860
Advertising and web hosting.....	18,864	-	-	-	18,864	1,072	10,743	30,679
Promotional.....	-	-	-	-	-	230,928	-	230,928
Signage and printing.....	14,563	-	-	-	14,563	910	2,730	18,203
Insurance.....	35,698	-	-	-	35,698	2,962	2,222	40,882
Occupancy (Note 5).....	32,325	-	-	-	32,325	13,211	8,594	54,130
Donated occupancy (Note 5).....	37,800	-	-	-	37,800	5,400	10,800	54,000
Office supplies.....	9,802	-	-	-	9,802	9,540	2,050	21,392
Telecommunication.....	11,655	-	-	-	11,655	1,371	686	13,712
Office and computer equipment.....	40,220	-	-	-	40,220	7,090	1,788	49,098
Professional fees.....	43,075	-	-	-	43,075	23,099	1,336	67,510
Donated legal and advertising.....	81,965	-	-	-	81,965	3,318	7,800	93,083
Meals.....	22,325	-	-	-	22,325	8,755	5,437	36,517
Veteran/family leisure.....	-	3,271	-	-	3,271	-	-	3,271
Postage and shipping.....	4,441	-	-	-	4,441	4,996	1,665	11,102
Outside event support.....	14,298	-	-	-	14,298	6,032	24,350	44,680
Credit card processing fees.....	-	-	-	-	-	3,653	10,959	14,612
Depreciation expense.....	1,755	-	-	-	1,755	532	319	2,606
State registration fees.....	-	-	-	-	-	-	-	-
Miscellaneous.....	-	-	-	-	-	6,707	-	6,707
	<u>\$ 9,430,429</u>	<u>\$ 169,298</u>	<u>\$ 72,227</u>	<u>\$ 25,479</u>	<u>\$ 9,697,433</u>	<u>\$ 450,967</u>	<u>\$ 186,264</u>	<u>\$ 10,334,664</u>

**BUILDING HOMES FOR HEROES, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31,**

**2016**

**2015**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets.....	\$ 3,483,536	\$ 7,739,182
<u>Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:</u>		
Homes received as donations.....	(6,965,070)	(10,843,182)
Land received as donations.....	(158,400)	-
Assignment of homes to veterans.....	4,251,673	4,895,999
Capitalization of expenses on homes not assigned.....	(157,659)	(144,540)
Depreciation expense.....	2,505	2,606
<u>Change in operating assets and liabilities:</u>		
Contributions receivable.....	(191,435)	(422,306)
Other assets.....	2,716	3,694
Purchase of land for transfer.....	(131,055)	(165,296)
Accounts payable and accrued expenses.....	(139,348)	(13,400)
<b>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	<u>(2,537)</u>	<u>1,052,757</u>
Net (decrease)/increase in cash and cash equivalents.....	(2,537)	1,052,757
Cash and cash equivalents, beginning of year.....	<u>1,382,543</u>	<u>329,786</u>
Cash and cash equivalents, end of year.....	<u>\$ 1,380,006</u>	<u>\$ 1,382,543</u>

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

## ***BUILDING HOMES FOR HEROES, INC.***

### ***NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Building Homes for Heroes, Inc. (hereinafter “the Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for the integrity and objectivity of the 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 financial statements.

##### Organization:

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. These mortgage-free homes not only help to remove the family’s financial burden, they 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:

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization 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).

The Organization evaluated its activities for uncertain tax positions and has determined that there were no uncertain tax positions for 2016 and 2015.

Tax returns for the years ended December 31, 2013, 2014, 2015, and 2016 are open for examination by federal, state, and local authorities. The Organization has determined that it has registered in all states where it is required to be registered.

##### Basis of Accounting:

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

##### Cash and Cash Equivalents:

For purposes of the 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.

## ***BUILDING HOMES FOR HEROES, INC.***

### ***NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### Financial Statement Presentation:

The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by action of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted - Net assets subject to donor-imposed stipulations, the principal of which must be maintained in perpetuity by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization has no permanently restricted net assets.

##### 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 temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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 2016 and 2015, all homes received by the Organization were donated by the bank. While the partnership agreement is set to expire during 2017, the Organization is discussing with the bank possible future ventures that are in line with the Organization's mission.

##### Use of Estimates:

The presentation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

##### 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

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

***NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2016, 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 charged to expense 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

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 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 statements of functional expenses.

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, 2016 and 2015, the Organization received contributed materials and labor with an estimated fair value of \$947,098 and \$838,029, respectively, which are reflected as contributions in the accompanying statements of activities and home construction and donated legal and advertising expenses within the accompanying 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 financial statements.

## ***BUILDING HOMES FOR HEROES, INC.***

### ***NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### *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, 2017 and April 14, 2017, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

#### **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, 2016 and 2015, the Organization received contributed homes with estimated fair values of \$6,965,070 and \$10,843,182, respectively, which are reflected as homes received as donations in the accompanying statements of activities. Properties expected to be transferred within twelve months from year-end have been classified as short-term on the accompanying statements of financial position. The remainder have been classified as long-term.

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 statements of functional expenses.

The Organization pledges home improvements to veterans receiving donated property. During the years ended December 31, 2016 and 2015, the Organization pledged \$200,000 and \$350,000, respectively. These amounts have been reflected as current liabilities, and are included in accounts payable and accrued expenses in the accompanying statements of financial position.

#### **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, 2016 and 2015, 51% and 60%, respectively, of the Organization's total revenue received was from one donor.

As of December 31, 2016 and 2015, 92% and 95%, respectively, of the Organization's total contributions receivable was due from one donor.

## ***BUILDING HOMES FOR HEROES, INC.***

### ***NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015***

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#### **NOTE 4 - NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Donated property restricted for transfer to veterans.....	\$ 12,175,692	\$ 8,970,522
Pledges restricted for use related to specific homes .....	226,990	790,769
Total temporarily restricted net assets.....	<u>\$ 12,402,682</u>	<u>\$ 9,761,291</u>

During the years ended December 31, 2016 and 2015, the Organization received \$2,388,308 and \$3,385,415, 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 statements of activities.

#### **NOTE 5 - OCCUPANCY**

During 2016, the Organization occupied space in Valley Stream, New York. The Valley Stream office space was originally leased by VIP International, a related party, from an unrelated third party pursuant to a long-term lease negotiated on arm's length terms. This space serves as the home office of the Organization. During July 2015, the Organization entered into its own lease agreement directly with the building's landlord to modify and extend the lease agreement for a two-year period with the option to extend the lease by four more years. No changes were made to the terms of the lease except for the change in the lessee and the extension of the lease term with annual rent escalations of 3%. Monthly payments under the lease agreement range from \$3,855 to \$3,971.

For the months January through April 2015, rent expense for the Organization's office space was paid directly by VIP International to the landlord. During this period, the Organization reimbursed VIP International \$3,000 per month, for space utilized, for a total of \$12,000 for the year. The Organization then began paying \$3,743 per month directly to the landlord for the remainder of the year pursuant to the terms of the lease agreement. The total occupancy expense incurred for the office space during 2016 and 2015 was \$54,750 and \$46,178, respectively.

The future minimum rental commitment under the effective lease agreement is \$47,652 for the year ending December 31, 2017.

The Organization also occupies additional office space in Miramar Beach, 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 \$54,000 annually, and has been recorded as an in-kind donation for the years ended December 31, 2016 and 2015.

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

***NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015***

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**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 the years ended December 31, 2016.