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, 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, 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, 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.

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 2019 and 2018. 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: During the year ended December 31, 2018, the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

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.

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.

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, 2019 and 2018 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 2019 and 2018, 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.

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, 2019 and 2018, the Organization received contributed materials and labor with an estimated fair value of $1,387,842 and $519,871, 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, 2020 and July 1, 2020, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated 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, 2019 and 2018, the Organization received contributed homes with estimated fair values of $2,823,900 and $3,569,450, 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, 2019 and 2018, 27% and 37%, respectively, of the Organization's total revenue received was from one donor.

As of December 31, 2019 and 2018, 88% and 93%, respectively, of the Organization's total contributions receivable was due from one donor.

NOTE 4 - NET ASSETS

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

	2019	2018
Donated property restricted for transfer to veterans.....	$ 7,861,957	$ 10,209,882
Pledges restricted for use related to specific homes	10,000	10,000
Total net assets with donor restrictions	$ 7,871,957	$ 10,219,882

During the years ended December 31, 2019 and 2018, the Organization received $475,248 and $1,684,168, 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.

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 has not yet been exercised.

The total occupancy expense incurred for the office spaces during the years ended December 31, 2019 and 2018 was $135,529 and $78,103, respectively.

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

2020…………………………	$	89,692
2021…………………………		92,382
2022…………………………		15,472
Total………………………..	$	197,546

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, 2019 and 2018 and has been recorded as an in-kind donation.

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, 2019 and 2018.

NOTE 7 - AVAILABILITY AND LIQUIDITY

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

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 3,387,580	$ 3,013,408
Investments	3,944	11,286
Contributions receivable	50,384	427,689
Financial assets available to meet general expenditures over the next twelve months	$ 3,441,908	$ 3,452,383

The Organization's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately $2,962,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

NOTE 8 – SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which may negatively impact operating results. The financial impact of this matter cannot be estimated at this time.

Subsequent to year-end, the Organization received a loan of $204,360 as part 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 five-year term at an interest rate of 1%. Management expects that most, it not all, of this loan will be forgiven.