



BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

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

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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CERTIFIED PUBLIC ACCOUNTANTS

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

***CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Building Homes for Heroes, Inc. and its subsidiary (hereinafter, collectively, the "Organization") which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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

March 31, 2019
Bohemia, New York

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

2018

2017

ASSETS

Current Assets:

Cash and cash equivalents.....	\$ 3,013,408	\$ 1,457,155
Investments.....	11,286	-
Property held for transfer, current portion (Notes 2 and 4).....	6,509,272	9,235,443
Contributions receivable (Notes 3 and 4).....	427,689	1,684,670
Other current assets.....	52,728	75,292

TOTAL CURRENT ASSETS 10,014,383 12,452,560

Property held for transfer, net of current portion (Notes 2 and 4).....	7,164,094	7,417,849
Property and equipment, net of accumulated depreciation.....	-	992

TOTAL ASSETS \$ 17,178,477 \$ 19,871,401

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses.....	\$ 293,140	\$ 486,509
Property assignments (Note 2).....	1,109,983	3,830,654

TOTAL LIABILITIES 1,403,123 4,317,163

Commitments and contingencies (Notes 2, 3, 4, 5, and 6)

Net Assets:

Without donor restrictions.....	5,555,472	4,201,298
With donor restrictions (Note 4).....	10,219,882	11,352,940

TOTAL NET ASSETS 15,775,354 15,554,238

TOTAL LIABILITIES AND NET ASSETS \$ 17,178,477 \$ 19,871,401

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

REVENUE AND SUPPORT (Note 3):	Without Donor Restrictions	With Donor Restrictions	Total
Contributions (Note 5).....	\$ 4,831,823	\$ 1,142,168	\$ 5,973,991
Homes received as donations (Note 2).....	-	3,569,450	3,569,450
Gross proceeds from fundraising events.....	461,839	-	461,839
Less: direct expenses	(252,603)	-	(252,603)
Net proceeds from fundraising events.....	209,236	-	209,236
Interest income.....	1,579	-	1,579
Loss on sale of land.....	(67,199)	-	(67,199)
Net assets released from restrictions (Note 4).....	5,844,676	(5,844,676)	-
TOTAL REVENUE AND SUPPORT	10,820,115	(1,133,058)	9,687,057
EXPENSES:			
Program services.....	8,769,092	-	8,769,092
Management and general.....	454,186	-	454,186
Fundraising.....	242,663	-	242,663
TOTAL EXPENSES	9,465,941	-	9,465,941
CHANGE IN NET ASSETS	1,354,174	(1,133,058)	221,116
Net assets, beginning of year.....	4,201,298	11,352,940	15,554,238
Net assets, end of year.....	<u>\$ 5,555,472</u>	<u>\$ 10,219,882</u>	<u>\$ 15,775,354</u>

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

REVENUE AND SUPPORT (Note 3):	Without Donor Restrictions	With Donor Restrictions	Total
Contributions (Note 5).....	\$ 5,283,630	\$ 1,465,504	\$ 6,749,134
Homes received as donations (Note 2).....	-	4,914,530	4,914,530
Gross proceeds from fundraising events.....	538,534	-	538,534
Less: direct expenses	(255,970)	-	(255,970)
Net proceeds from fundraising events.....	282,564	-	282,564
Interest income.....	243	-	243
Gain on sale of land.....	22,703	-	22,703
Net assets released from restrictions (Note 4).....	7,429,776	(7,429,776)	-
TOTAL REVENUE AND SUPPORT	13,018,916	(1,049,742)	11,969,174
 EXPENSES:			
Program services.....	11,317,988	-	11,317,988
Management and general.....	494,385	-	494,385
Fundraising.....	247,686	-	247,686
TOTAL EXPENSES	12,060,059	-	12,060,059
CHANGE IN NET ASSETS	958,857	(1,049,742)	(90,885)
Net assets, beginning of year.....	3,242,441	12,402,682	15,645,123
Net assets, end of year.....	<u>\$ 4,201,298</u>	<u>\$ 11,352,940</u>	<u>\$ 15,554,238</u>

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Home Award Program	Team Building Educational Inspirational	Emergency and Family Support	Financial Planning	Total Program Services	Management and General	Fundraising	Total Expenses
Homes, construction, closing , key turnover, and support (Note 2).....	\$ 6,468,879	\$ -	\$ 99,129	\$ 38,700	\$ 6,606,708	\$ -	\$ -	\$ 6,606,708
Veteran team building educational conference.....	-	203,274	-	-	203,274	-	-	203,274
Veteran summit and rehabilitation.....	-	282,213	-	-	282,213	-	-	282,213
Travel: construction, meetings, and key ceremonies, etc.....	127,767	28,355	-	-	156,122	20,238	13,688	190,048
Travel: home recipients, veterans, and family members.....	45,854	30,007	-	-	75,861	-	-	75,861
Salaries.....	381,848	18,439	1,800	9,857	411,944	56,461	45,000	513,405
Salaries: veterans and family members.....	246,744	13,936	6,275	-	266,955	40,508	48,383	355,846
Payroll taxes and health benefits.....	116,207	2,620	654	798	120,279	15,615	7,558	143,452
Advertising and web hosting.....	167,397	-	-	-	167,397	76,206	24,406	268,009
Promotional.....	20,347	-	-	-	20,347	107,548	17,440	145,335
Signage and printing.....	15,908	533	-	-	16,441	1,017	2,261	19,719
Insurance.....	92,040	980	-	-	93,020	5,764	1,441	100,225
Occupancy (Note 5).....	44,748	-	-	-	44,748	17,256	16,099	78,103
Donated occupancy (Note 5).....	5,100	-	-	-	5,100	-	900	6,000
Office supplies.....	19,549	-	-	-	19,549	7,984	1,919	29,452
Telecommunication.....	8,682	-	-	-	8,682	1,021	511	10,214
Technology and computer expenses.....	74,612	-	-	-	74,612	27,535	28,739	130,886
Professional fees.....	84,806	8,170	-	-	92,976	41,016	-	133,992
Donated legal and advertising.....	42,488	8,170	-	-	50,658	16,886	-	67,544
Meals.....	23,292	4,510	-	-	27,802	2,488	2,260	32,550
Veteran and family leisure.....	-	-	-	-	-	-	-	-
Postage and shipping.....	8,531	-	-	-	8,531	1,004	502	10,037
Outside event support.....	15,205	-	-	-	15,205	-	15,825	31,030
Credit card processing fees.....	-	-	-	-	-	5,203	15,610	20,813
Depreciation expense.....	668	-	-	-	668	202	121	991
State registration fees.....	-	-	-	-	-	10,234	-	10,234
	<u>\$ 8,010,672</u>	<u>\$ 601,207</u>	<u>\$ 107,858</u>	<u>\$ 49,355</u>	<u>\$ 8,769,092</u>	<u>\$ 454,186</u>	<u>\$ 242,663</u>	<u>\$ 9,465,941</u>

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Home Award Program	Team Building Educational Inspirational	Emergency and Family Support	Financial Planning	Total Program Services	Management and General	Fundraising	Total Expenses
Homes, construction, closing , key turnover, and support (Note 2).....	\$ 9,487,133	\$ -	\$ 86,860	\$ 31,500	\$ 9,605,493	\$ -	\$ -	\$ 9,605,493
Veteran team building educational conference.....	-	188,049	-	-	188,049	-	-	188,049
Veteran Summit and rehabilitation.....	-	85,230	-	-	85,230	-	-	85,230
Travel: construction, meetings, and key ceremonies, etc.....	217,275	-	-	-	217,275	25,562	12,781	255,618
Travel: home recipients, veterans, and family members.....	42,059	-	-	-	42,059	-	-	42,059
Salaries.....	354,916	-	-	11,254	366,170	57,059	61,654	484,883
Salaries: veterans and family members.....	246,513	-	8,743	3,141	258,397	32,312	39,107	329,816
Payroll taxes and health benefits.....	122,261	-	669	2,841	125,771	15,322	7,989	149,082
Advertising and web hosting.....	18,913	-	-	-	18,913	5,089	33,723	57,725
Promotional.....	-	-	-	-	-	215,003	23,889	238,892
Signage and printing.....	17,162	-	-	-	17,162	1,415	2,380	20,957
Insurance.....	98,652	-	-	-	98,652	5,987	1,497	106,136
Occupancy (Note 5).....	39,221	-	-	-	39,221	15,817	14,551	69,589
Donated occupancy (Note 5).....	39,525	-	-	-	39,525	-	6,975	46,500
Office supplies.....	22,057	-	-	-	22,057	7,973	1,984	32,014
Telecommunication.....	11,121	-	-	-	11,121	1,308	654	13,083
Technology and computer expenses.....	34,983	-	-	-	34,983	5,350	1,799	42,132
Professional fees.....	45,322	-	-	-	45,322	54,284	-	99,606
Donated legal and advertising.....	35,702	-	-	-	35,702	28,052	-	63,754
Meals.....	42,924	-	-	-	42,924	954	3,815	47,693
Veteran and family leisure.....	3,045	-	-	-	3,045	-	-	3,045
Postage and shipping.....	10,099	-	-	-	10,099	1,188	594	11,881
Outside event support.....	9,811	-	-	-	9,811	-	10,212	20,023
Credit card processing fees.....	-	-	-	-	-	7,966	23,899	31,865
Depreciation expense.....	1,007	-	-	-	1,007	305	183	1,495
State registration fees.....	-	-	-	-	-	13,439	-	13,439
	<u>\$ 10,899,701</u>	<u>\$ 273,279</u>	<u>\$ 96,272</u>	<u>\$ 48,736</u>	<u>\$ 11,317,988</u>	<u>\$ 494,385</u>	<u>\$ 247,686</u>	<u>\$ 12,060,059</u>

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

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

2018 2017

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

Change in net assets.....	\$ 221,116	\$ (90,885)
 <u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Homes received as donations.....	(3,569,450)	(4,914,530)
Land received as donations.....	(65,000)	(159,100)
Assignment of homes to veterans.....	3,888,746	5,225,985
Net increase in value of homes not assigned.....	(161,540)	(492,760)
Depreciation expense.....	992	1,495
Proceeds from donated stock.....	(110,842)	-
Loss/(gain) on sale of land.....	67,199	(30,574)
 <u>Change in operating assets and liabilities:</u>		
Contributions receivable.....	1,256,981	602,442
Other current assets.....	22,564	(45,347)
Accounts payable and accrued expenses.....	(193,369)	(78,177)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 1,357,397	 18,549
 CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:		
Proceeds from sales of investments.....	99,556	-
Proceeds from sale of land.....	99,300	58,600
 CASH PROVIDED BY INVESTING ACTIVITIES	 198,856	 58,600
 Net increase in cash and cash equivalents.....	 1,556,253	 77,149
 Cash and cash equivalents, beginning of year.....	 1,457,155	 1,380,006
 Cash and cash equivalents, end of year.....	 <u>\$ 3,013,408</u>	 <u>\$ 1,457,155</u>

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

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Building Homes for Heroes, Inc. and its subsidiary (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. 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. As such, the accompanying consolidated financial statements primarily represent the financial activities of Building Homes for Heroes, Inc.

Nature of Operations: Building Homes for Heroes, Inc. 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. Building Homes for Heroes, Inc. 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, Building Homes for Heroes, Inc. offers financial planning services, family funding, and emergency support. Building Homes for Heroes, Inc. 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 Building Homes for Heroes, Inc.'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.

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 2018 and 2017. The Organization has determined that it has registered in all states where it is required to be registered.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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. The ASU has been applied retrospectively to all periods presented.

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.

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, 2018 and 2017, will be collected in full.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018 and 2017, 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 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, 2018 and 2017, the Organization received contributed materials and labor with an estimated fair value of \$519,871 and \$1,744,886, respectively, which are reflected as contributions in the accompanying consolidated statements of activities and 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.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

- Property related costs are allocated based upon the respective use of the facilities.
- 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.

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, 2019 and March 31, 2019, 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, 2018 and 2017, the Organization received contributed homes with estimated fair values of \$3,569,450 and \$4,914,530, 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.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 - PROPERTY HELD FOR TRANSFER (continued)

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, 2018 and 2017, 37% and 41%, respectively, of the Organization's total revenue received was from one donor.

As of December 31, 2018 and 2017, 93% and 59%, 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.:

	<u>2018</u>	<u>2017</u>
Donated property restricted for transfer to veterans	\$ 10,209,882	\$ 11,214,822
Pledges restricted for use related to specific homes.....	10,000	138,118
Total net assets with donor restrictions	<u>\$ 10,219,882</u>	<u>\$ 11,352,940</u>

During the years ended December 31, 2018 and 2017, the Organization received \$1,684,168 and \$2,063,886, 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 serves 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 total occupancy expense incurred for the office space during the years ended December 31, 2018 and 2017 was \$55,586 and \$49,930, respectively. The future minimum payments under the office lease for the year ending December 31, 2019 are \$50,551.

Subsequent to year-end, 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 within the first year of the agreement.

BUILDING HOMES FOR HEROES, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 - OCCUPANCY (continued)

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 and \$46,500 for the years ended December 31, 2018 and 2017, respectively, 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, 2018 and 2017.

NOTE 7 - AVAILABILITY AND LIQUIDITY

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

	<u>2018</u>	<u>2017</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,013,408	\$ 1,457,155
Investments	11,286	-
Contributions receivable	427,689	1,684,670
Total financial assets	<u>3,452,383</u>	<u>3,141,825</u>
Less amounts not available to be used within one year:		
Accounts payable and accrued expenses	<u>(293,140)</u>	<u>(486,509)</u>
Financial assets available to meet general expenditures over the next twelve months.....	<u>\$ 3,159,243</u>	<u>\$ 2,655,316</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$700,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.