



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

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

***FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020***

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CERTIFIED PUBLIC ACCOUNTANTS

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

***CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
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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

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

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, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

## *Auditors' Responsibilities for the Audits of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

## *Report on Other Legal and Regulatory Requirements*

In accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General, we have also issued our report dated August 5, 2022, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with the audit requirements of Uniform Guidance and Chapter 10.650, Rules of the Auditor General and should be read in conjunction with this report in considering the results of our audits.

*Covin & Associates LLP*

August 5, 2022  
Bohemia, New York

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

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

**2021**                      **2020**

<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents.....	\$ 7,268,060	\$ 3,701,632
Investments.....	973,274	1,062
Property held for transfer, current portion .....	1,487,689	6,216,365
Contributions and grants receivable .....	1,354,799	2,732,210
Other current assets.....	17,996	39,981
<b>TOTAL CURRENT ASSETS</b>	11,101,818	12,691,250
Property held for transfer, net of current portion and property assignments.....	4,341,881	1,672,580
Property and equipment, net of accumulated depreciation.....	47,414	79,065
<b>TOTAL ASSETS</b>	<b>\$ 15,491,113</b>	<b>\$ 14,442,895</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses.....	\$ 336,169	\$ 794,399
<b>Net Assets:</b>		
Without donor restrictions.....	8,765,984	6,393,508
With donor restrictions .....	6,388,960	7,254,988
<b>TOTAL NET ASSETS</b>	15,154,944	13,648,496
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,491,113</b>	<b>\$ 14,442,895</b>

*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, 2021**

<b>REVENUE AND SUPPORT:</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Contributions .....	\$ 5,756,960	\$ 2,042,477	\$ 7,799,437
Government grants.....	1,444,617	-	1,444,617
In-kind donations.....	1,278,621	2,066,200	3,344,821
Homes received as donations.....	-	745,700	745,700
Gross proceeds from fundraising events.....	495,849	-	495,849
Less: direct expenses .....	(224,536)	-	(224,536)
Net proceeds from fundraising events.....	271,313	-	271,313
Net investment loss.....	(10,469)	-	(10,469)
Loss on sale of land.....	(38,829)	-	(38,829)
Paycheck Protection Program loan forgiveness income.....	204,360	-	204,360
Net assets released from restrictions.....	5,720,405	(5,720,405)	-
<b>TOTAL REVENUE AND SUPPORT</b>	14,626,978	(866,028)	13,760,950
<b>EXPENSES:</b>			
<b>Program Services:</b>			
Home award program.....	11,301,376	-	11,301,376
Team building, educational, inspirational.....	64,402	-	64,402
Emergency and family support.....	278,290	-	278,290
Financial planning.....	20,460	-	20,460
<b>TOTAL PROGRAM SERVICES</b>	11,664,528	-	11,664,528
<b>Supporting Services:</b>			
Management and general.....	268,776	-	268,776
Fundraising.....	321,198	-	321,198
<b>TOTAL SUPPORTING SERVICES</b>	589,974	-	589,974
<b>TOTAL EXPENSES</b>	12,254,502	-	12,254,502
<b>CHANGE IN NET ASSETS</b>	2,372,476	(866,028)	1,506,448
Net assets, beginning of year.....	6,393,508	7,254,988	13,648,496
Net assets, end of year.....	<u>\$ 8,765,984</u>	<u>\$ 6,388,960</u>	<u>\$ 15,154,944</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, 2020**

<b>REVENUE AND SUPPORT:</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Contributions .....	\$ 5,337,782	\$ 2,078,345	\$ 7,416,127
Government grants.....	662,855	-	662,855
In-kind donations.....	740,250	-	740,250
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
Net investment 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)	-
<b>TOTAL REVENUE AND SUPPORT</b>	11,375,855	(1,142,319)	10,233,536
<b>EXPENSES:</b>			
<b>Program Services:</b>			
Home award program.....	9,559,837	-	9,559,837
Team building, educational, inspirational.....	28,516	-	28,516
Emergency and family support.....	401,886	-	401,886
Financial planning.....	38,862	-	38,862
<b>TOTAL PROGRAM SERVICES</b>	10,029,101	-	10,029,101
<b>Supporting Services:</b>			
Management and general.....	216,839	-	216,839
Fundraising.....	459,349	-	459,349
<b>TOTAL SUPPORTING SERVICES</b>	676,188	-	676,188
<b>TOTAL EXPENSES</b>	10,705,289	-	10,705,289
<b>CHANGE IN NET ASSETS</b>	670,566	(1,142,319)	(471,753)
Net assets, beginning of year.....	5,722,942	8,397,307	14,120,249
Net assets, end of year.....	<u>\$ 6,393,508</u>	<u>\$ 7,254,988</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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services					Supporting Services		Total Expenses
	Home Award Program	Team Building, Educational, Inspirational	Emergency and Family Support	Financial Planning	Total Program Services	Management and General	Fundraising	
Homes, construction, closing, key turnover, and support .....	\$ 9,117,063	\$ -	\$ 134,566	\$ 12,825	\$ 9,264,454	\$ -	\$ -	\$ 9,264,454
Veteran COVID-19 relief.....	-	-	46,781	-	46,781	-	-	46,781
Veteran summit and rehabilitation.....	-	54,546	-	-	54,546	-	-	54,546
Travel: construction, meetings, and key ceremonies, etc.....	113,702	-	-	-	113,702	2,527	10,106	126,335
Travel: home recipients, veterans, and family members.....	16,246	9,856	-	-	26,102	-	-	26,102
Veteran ambassador program.....	140,100	-	-	-	140,100	-	-	140,100
Salaries.....	500,144	-	60,298	7,073	567,515	101,980	109,938	779,433
Salaries: veterans and family members.....	288,189	-	27,675	-	315,864	12,086	15,819	343,769
Payroll taxes and health benefits.....	176,781	-	6,992	562	184,335	25,449	20,000	229,784
Advertising and web hosting.....	282,977	-	-	-	282,977	1,016	45,496	329,489
Veteran highlight and performance.....	193,589	-	-	-	193,589	2,361	40,134	236,084
Signage and printing.....	7,630	-	-	-	7,630	-	4,477	12,107
Insurance.....	179,262	-	-	-	179,262	8,182	1,716	189,160
Occupancy.....	55,291	-	-	-	55,291	17,610	12,314	85,215
Donated occupancy.....	5,100	-	-	-	5,100	-	900	6,000
Building maintenance, supplies, and utilities.....	9,066	-	-	-	9,066	1,661	1,080	11,807
Office supplies.....	23,967	-	-	-	23,967	5,819	3,473	33,259
Telecommunication.....	12,303	-	-	-	12,303	1,447	724	14,474
Technology and computer expenses.....	63,855	-	-	-	63,855	15,736	11,042	90,633
Professional fees.....	29,666	-	-	-	29,666	29,189	-	58,855
Donated legal and advertising.....	8,406	-	-	-	8,406	2,729	-	11,135
Meals.....	33,046	-	-	-	33,046	730	2,185	35,961
Postage and shipping.....	7,911	-	1,978	-	9,889	1,318	1,978	13,185
Outside event support.....	9,862	-	-	-	9,862	-	10,265	20,127
Credit card processing fees.....	-	-	-	-	-	9,112	27,335	36,447
Depreciation expense.....	27,220	-	-	-	27,220	2,215	2,216	31,651
State registration fees.....	-	-	-	-	-	27,609	-	27,609
<b>TOTAL EXPENSES</b>	<b>\$ 11,301,376</b>	<b>\$ 64,402</b>	<b>\$ 278,290</b>	<b>\$ 20,460</b>	<b>\$ 11,664,528</b>	<b>\$ 268,776</b>	<b>\$ 321,198</b>	<b>\$ 12,254,502</b>

*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**

	Program Services				Supporting Services			Total Expenses
	Home Award Program	Team Building, Educational, Inspirational	Emergency and Family Support	Financial Planning	Total Program Services	Management and General	Fundraising	
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 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 ambassador 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
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 expense.....	27,220	-	-	-	27,220	2,216	2,215	31,651
State registration fees.....	-	-	-	-	-	15,978	-	15,978
<b>TOTAL EXPENSES</b>	<b>\$ 9,559,837</b>	<b>\$ 28,516</b>	<b>\$ 401,886</b>	<b>\$ 38,862</b>	<b>\$ 10,029,101</b>	<b>\$ 216,839</b>	<b>\$ 459,349</b>	<b>\$ 10,705,289</b>

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,**

**2021                      2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets.....	\$ 1,506,448	\$ (471,753)
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Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:

Homes received as donations.....	(745,700)	(1,010,000)
Land received as donations.....	(3,203,191)	(578,892)
Assignment of homes to veterans.....	5,799,109	5,379,691
Net increase in value of homes not assigned.....	(328,843)	(1,121,703)
Depreciation expense.....	31,651	31,651
Proceeds from donated stock.....	(38,813)	(129,826)
Net realized and unrealized loss.....	13,919	-
Paycheck Protection Program forgiveness income.....	(204,360)	(204,360)
Loss/(gain) on sale of land.....	38,829	(47,207)

Change in operating assets and liabilities:

Contributions and grants receivable.....	1,377,411	(2,681,826)
Other current assets.....	21,985	7,078
Accounts payable and accrued expenses.....	(458,230)	580,322
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>3,810,215</b>	<b>(246,825)</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of investments.....	(980,055)	-
Proceeds from sales of investments.....	32,737	132,708
Proceeds from sale of land.....	499,171	223,809
<b>NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES</b>	<b>(448,147)</b>	<b>356,517</b>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from Paycheck Protection Program loans.....	204,360	204,360
Net increase in cash and cash equivalents.....	3,566,428	314,052
Cash and cash equivalents, beginning of year.....	3,701,632	3,387,580
Cash and cash equivalents, end of year.....	\$ 7,268,060	\$ 3,701,632

*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, 2021 AND 2020***

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### **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 Building Homes for Heroes, Inc., 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. 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 families' financial burdens, but they also help to restore the individuals' freedom, and enable the veterans to lead more independent and productive civilian lives. 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 served 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, 2021 AND 2020***

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### **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 2021 and 2020. 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.

Fair Value Measurement: Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs to be used when available. The fair value hierarchy is categorized into three levels (see Note 2).

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in investment income/(loss) in the statements of activities.

Recent Accounting Pronouncement: Effective for the year ending December 31, 2022, the Organization will be required to adopt Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 842, Leases, for all material, long-term operating leases. Under this new accounting pronouncement, the Organization will recognize a right-of-use asset and a lease liability calculated based on the present value of the lease payments not yet paid, discounted using an appropriate discount rate at the lease commencement date. The right-of-use asset will initially be equal to the lease liability plus any initial direct costs and prepaid lease payments less any lease incentives received. Under this approach, amortization of right-of-use assets is charged to rent expense, which is recorded on the straight-line basis over the term of each lease, unless another systematic and rational basis is more representative of the time pattern in which the use benefit is derived from the leased property, in which case that basis will be used.

Effective for the year ending December 31, 2022, the Organization will also be required to adopt Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, nonfinancial assets will be presented as a separate line item in the consolidated statement of activities and require additional disclosures regarding valuation of nonfinancial assets, restrictions on use, and monetization/use of assets within programs during the fiscal year.

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

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020***

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

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, 2021 and 2020.

Cash and Cash Equivalents: 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 and Grants 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.

Property and Equipment: Property and equipment are stated at cost. All significant acquisitions or betterments over \$5,000 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

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

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020***

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

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. Conditional contributions are accounted for as liabilities or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point contributions are recognized as unconditional and classified as either net assets with donor restrictions or 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 2021, two homes received were donated by the bank and all homes received in 2020 were donated by the bank.

Government Grants: The Organization's government grants are nonreciprocal transactions that are conditioned upon certain conditions, such as incurring allowable expenses, and the contract awards are not recorded as revenue until appropriate expenses have been incurred. Grant revenue is subject to audit and retroactive adjustment. Provisions for estimated settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported as changes in net assets in the year of settlement. Management is of the opinion that such settlements will not have a material adverse effect on the consolidated financial statements.

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 when the events take place. Costs incurred for which donors receive direct benefits have been offset against the revenue earned in the consolidated statements of activities. Other costs related to events for which the donors do not receive direct benefits are included within fundraising costs in the accompanying consolidated statements of activities and 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, 2021 and 2020, the Organization received contributed materials and labor with an estimated fair value of \$92,751 and \$740,250, respectively, which are reflected as in-kind donations in the accompanying consolidated statements of activities and corresponding homes, construction, closing, key turnover, and support, and donated legal and advertising expenses within the accompanying consolidated statements of functional expenses.

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

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020***

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

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, 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.

Events Occurring After the Report Date: The Organization has evaluated events and transactions that occurred between January 1, 2022 and August 5, 2022, 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 - INVESTMENTS**

The Organization presents investments in the consolidated statements of financial position at fair value. A fair value hierarchy has been established based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date. The three-level valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value levels (Level 1, 2, and 3):

- Level 1: Level 1 instruments are valued using quoted prices in active markets for identical assets or liabilities.
- Level 2: Level 2 instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are

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

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020***

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### **NOTE 2 - INVESTMENTS (continued)**

observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3: Level 3 instruments are valued using unobservable inputs that are significant and reflect substantial management judgment or estimation, including the use of pricing models, discounted cash flow methodologies or similar techniques.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

All investments are considered level 1 because they are regularly traded and have quoted prices in active markets.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the accompanying consolidated statements of financial position.

### **NOTE 3 - 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 residences are assigned and transferred. During the years ended December 31, 2021 and 2020, the Organization received contributed homes with estimated fair values of \$3,948,891 and \$1,397,300, respectively, which are reflected as homes received as donations and in-kind 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 4 - CONCENTRATION OF RISK**

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 and Securities Investor Protection Corporation limits.



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

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020***

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### **NOTE 4 - CONCENTRATION OF RISK (continued)**

The Organization receives donations and grants from various donors throughout the United States of America. For the years ended December 31, 2021 and 2020, 13% and 21%, respectively, of the Organization's contributions received was from one donor. For the year ended December 31, 2021, 63% of the Organization's in-kind donations were received from one donor. There were no concentrations of in-kind donations for the year ended December 31, 2020. For both years ended December 31, 2021 and 2020, all of the Organization's homes received as donations income was from one contributor.

As of December 31, 2021 and 2020, 72% and 89% of the Organization's total contributions and grants receivable were due from two funders, respectively. Management believes that all outstanding receivables as of December 31, 2021 and 2020 will be collected in full.

The Organization was involved in pending litigation involving a lawsuit in the State of Texas with an individual who was gifted a home. Both parties entered into an agreement in 2022 with no admission of liability. The settlement amount was covered by insurance.

### **NOTE 5 - NET ASSETS**

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

	<u>2021</u>	<u>2020</u>
Donated property restricted for transfer to veterans.....	\$ 5,971,590	\$ 6,799,407
Pledges restricted for use related to specific homes .....	417,370	455,581
Total net assets with donor restrictions .....	<u>\$ 6,388,960</u>	<u>\$ 7,254,988</u>

During the years ended December 31, 2021 and 2020, the Organization received \$2,872,664 and \$1,622,764, respectively, in contributions and properties held for transfer whose restrictions had been met within the year of contribution and have been reflected as increases in net assets with donor restrictions and as releases from restrictions in the accompanying consolidated statements of activities.

During the year ended December 31, 2021, management became aware that certain amounts historically reported as net assets with donor restrictions should have been reported as net assets without donor restrictions. As a result of correcting the classification of these balances, as of December 31, 2019, net assets with donor restrictions were decreased by \$883,343 and net assets without donor restrictions were decreased by \$883,343.

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.

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

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020***

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### **NOTE 6 - OCCUPANCY**

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 original intention of the Organization in 2021. However, the Organization did not exercise this purchase option; instead a new lease was entered into on March 1, 2022.

The total occupancy expense incurred for the office spaces during the years ended December 31, 2021 and 2020 was \$93,054 and \$87,504, respectively.

Subsequent to year-end, the Organization entered into a new lease on March 1, 2022 for a space in Island Park, New York. The lease term is from March 1, 2022, to February 28, 2025. The lease calls for monthly rent payments of \$10,000 subject to annual monthly rent escalations of \$300 through its expiration date of February 28, 2025.

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

2022.....	\$	115,472
2023.....		123,000
2024.....		126,690
2025.....		21,218
Total.....	\$	<u>386,380</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, 2021 and 2020 was \$29,515 and \$26,256, 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, 2021 and 2020, and has been recorded as an in-kind donation.

### **NOTE 7 - 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, 2021 and 2020.

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

## ***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020***

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### **NOTE 8 - AVAILABILITY AND LIQUIDITY**

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents.....	\$ 7,268,060	\$ 3,701,632
Investments.....	973,274	1,062
Contributions and grants receivable.....	1,354,799	2,732,210
Financial assets available to meet general expenditures over the next twelve months.....	<u>\$ 9,596,133</u>	<u>\$ 6,434,904</u>

The Organization's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately \$3,017,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

### **NOTE 9 - 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 forgivable loan 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 during 2020. The loan was formally forgiven in full on February 19, 2021. As such, management recognized \$204,360 of Paycheck Protection Program loan forgiveness income within the accompanying consolidated statement of activities for the year ended December 31, 2020.

On March 20, 2021, the Organization received a second PPP loan through the CARES Act totaling \$204,360. The Organization expended the balance of the loan on qualified expenditures subsequent to the funding date through the year ended December 31, 2021. The loan was formally forgiven in full subsequent to year end on February 17, 2022. As such, management recognized \$204,360 of Paycheck Protection Program loan forgiveness income within the accompanying consolidated statement of activities for the year ended December 31, 2021.

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.