

OPERATION FINALLY HOME
FINANCIAL STATEMENTS
DECEMBER 31, 2013

Randy Walker & Co., Certified Public Accountants

**OPERATION FINALLY HOME
FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Operation FINALLY HOME
New Braunfels, Texas

We have audited the accompanying statement of financial position of Operation FINALLY HOME (a non-profit organization) as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

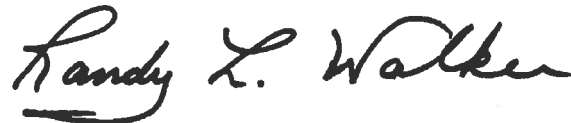
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation FINALLY HOME as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a large, stylized "R" and "W".

San Antonio, Texas
September 2, 2014

OPERATION FINALLY HOME
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

Cash and Cash Equivalents	\$ 568,941
Investments	49,247
Undeposited Funds	21,000
Accounts Receivable	37,876
Construction and Acquisition Costs for Veterans' Homes (Note 7)	551,599
House Inventory Pending Commitment	166,257
Other Assets	1,800
Property and Equipment (net)	194,755
Total Assets	\$ 1,591,475

LIABILITIES AND NET ASSETS

Liabilities

Contractual Commitment to Transfer Homes to Veterans (Note 7)	\$ 551,599
Accounts Payable	123,141
Accrued Expenses	18,161

Total Liabilities	692,901
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Net Assets

Unrestricted	898,574
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Total Net Assets	898,574
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Total Liabilities and Net Assets	\$ 1,591,475
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The accompanying notes are an integral part of these financial statements.

OPERATION FINALLY HOME
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Support and Revenue

Contributions	\$ 2,489,633
Contributed Materials and Services	949,322
Fundraising	671,415
Interest Income	35,246
Other Income	3,960
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Total Support and Revenue	4,149,576
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Expenses

Program Expenses	2,871,767
General and Administrative	521,652
Fundraising	517,656
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Total Expenses	3,911,075
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Change in Net Assets	238,501
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Net Assets, Beginning of Year	660,073
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Net Assets, End of Year	\$ 898,574
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The accompanying notes are an integral part of these financial statements.

OPERATION FINALLY HOME
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

Cash Flows from Operating Activities

Increase in Net Assets From Operations	\$ 238,501
Adjustments to Reconcile Net Increase to Net Cash	
Provided by Operations:	
Depreciation Expense	33,553
Realized and Unrealized Gains on Investments	(32,184)
Donated Property and Equipment Received	(22,240)
Donated Property and Equipment Transferred to Veterans	60,000
Increase in Assets:	
Undeposited Funds	(21,000)
Accounts Receivable	(37,876)
Construction and Acquisition Costs for Veterans' Homes	(551,599)
House Inventory Pending Commitment	(166,257)
Other Assets	(1,800)
Increase in Liabilities:	
Contractual Commitment to Transfer Homes to Veterans	551,599
Accounts Payable	113,432
Accrued Expenses	11,704
Net Cash Provided By Operating Activities	175,833

Cash Flows from Investing Activities

Proceeds from Sale of Investments	850,000
Purchases of Investments	(463,472)
Proceeds from Sale of Land	10,000
Purchases of Property and Equipment	(15,123)
Net Cash Provided By Investing Activities	381,405

Cash Flows from Financing Activities

Principal Payments on Notes Payable	(45,495)
Net Cash Used for Financing Activities	(45,495)
Net Increase in Cash and Cash Equivalents	511,743
Cash and Cash Equivalents, Beginning of Year	57,198
Cash and Cash Equivalents, End of Year	\$ 568,941

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

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies

Basis of Accounting

Operation FINALLY HOME (the Organization) was founded in 2005 as a non-profit organization with the mission to provide Americans the ability to honor and thank America's wounded and disabled veterans and the widows of the fallen. The Organization brings together corporate sponsors, builder associations, builders, developers, individual contributors, and volunteers to help these Heroes and their families by providing custom-built, mortgage free homes.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to the following classes of net assets:

- Unrestricted – Resources that are expendable at the discretion of the Organization for conducting the operations.
- Temporarily Restricted – Resources that are limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and otherwise removed by actions of the Organization pursuant to those stipulations.
- Permanently Restricted – Net assets subject to donor-imposed stipulations of which the principal must be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

The Organization had no temporarily or permanently restricted net assets at December 31, 2013.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with an original maturity of three months or less.

Investments

Investments are carried at market, and realized and unrealized gains and losses are reflected in the Statement of Activities. Investments acquired by gift are valued at amounts representing estimated fair market value at the date of the gift.

Accounts Receivable

Accounts receivable are considered fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment are recorded at cost at the time of purchase, and donations of property and equipment are recorded at fair market value upon receipt. The Organization follows the practice of capitalizing all purchases of land, vehicles, furniture, and equipment in excess of \$250 that have a life of more than one year. Property and equipment are depreciated over estimated useful lives of 3 to 7 years using the straight-line method.

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Revenue is reported as an increase in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. These costs of advertising are expensed as incurred. Advertising expense for the year ended December 31, 2013 was \$10,517.

Contributed Material and Services

The Organization receives a significant amount of donated services and materials from corporate sponsors, builder associations, builders, developers and individual contributors in carrying out the Organization's mission. The following have been reflected as both expenses and contribution revenue in the accompanying financial statements for the year ended December 31, 2013:

Building Materials and Construction Services	\$ 908,219
Website	19,710
Advertising, Printing, and Misc.	<u>21,393</u>
Total Contributed Materials and Services	\$ <u>949,322</u>

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent Events

The Organization has evaluated subsequent events through September 2, 2014 which is the date the financial statements were available to be issued.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents include the following as of December 31, 2013:

Cash in Bank	\$	546,267
Direct Mailing Checking		14,025
PayPal and Crowdrise		<u>8,649</u>
Total Cash and Cash Equivalents	\$	<u>568,941</u>

Note 3 – Concentration of Credit Risk

The Organization maintains cash and investment balances at multiple financial institutions and investment organizations. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000 per bank. The Securities Investor Protection Corporation insures the balances in investment accounts up to \$500,000. The uninsured balances in the Organization's cash accounts totaled \$298,741 at December 31, 2013, without consideration of reconciling items.

Note 4 – Investments

Investments consist of the following at December 31, 2013:

	<u>Cost</u>	<u>Market</u>
Short-Term Investments:		
Cash and Equivalents	\$ 34,322	\$ 34,322
Corporate Bond Fixed Income	<u>14,925</u>	<u>14,925</u>
Total Investments	\$ <u>49,247</u>	\$ <u>49,247</u>

Investment income for the year ended December 31, 2013 is comprised of:

Dividends and Interest	\$	9,850
Net Realized and Unrealized Gains on Investments Reported at Fair Value		<u>25,298</u>
Total Investment Income	\$	<u>35,148</u>

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5 – Fair Value of Financial Instruments

The Organization adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the Organization's financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Organization does not have Level 2 or Level 3 assets or liabilities.

The Organization's financial instruments include cash and cash equivalents, accounts receivable, other assets, accounts payable, and accrued expenses. The carrying amounts reported in the Statement of Financial Position approximate fair values because of the short maturities of those instruments.

The Organization's financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments.

Note 6 – Property and Equipment

Property and equipment, less accumulated depreciation, was as follows at December 31, 2013:

Land	\$ 88,200
Furniture and Equipment	61,076
Automobiles	101,278
Software	10,219
	<u>260,773</u>
Less: Accumulated Depreciation	<u>(66,018)</u>
Net Property and Equipment	<u>\$ 194,755</u>

Depreciation expense for the year ended December 31, 2013 was \$33,553.

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 7 – Construction and Acquisition Costs for Veterans’ Homes and Commitment to Transfer Homes to Veterans

Construction and acquisition costs for veterans’ homes represent construction costs of homes that will be transferred to veterans.

When constructing a new home, title and ownership of the property is retained by the Organization until such time the Organization transfers ownership to the veteran. Prior to transfer of ownership, costs incurred and donations of materials and services received by the Organization for these activities are recorded as an asset of the Organization in the Statement of Financial Position.

To the extent that all significant conditions are met, a liability representing the commitment to transfer the home to a veteran is established. Upon transfer of ownership, the full cost of the property and the corresponding liability are both reduced to zero. As of December 31, 2013, both the Construction and Acquisition Costs for Veterans’ Homes and the Commitment to Transfer Homes to Veterans were \$551,599.

Note 8 – House Inventory Pending Commitment

House Inventory Pending Commitment consists of a purchased home, stated at cost, that will be transferred to a veteran upon completion of the selection process. As of December 31, 2013, this inventory totaled \$166,257.

Supplemental Information

OPERATION FINALLY HOME
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Program Expense	General and Administrative	Fundraising	Total
<u>Expenses</u>				
Building Costs	\$ 2,389,940	\$ -	\$ -	\$ 2,389,940
Salaries and Benefits	228,774	237,662	-	466,436
Printing and Production	280	29,359	188,272	217,911
Postage	459	6,976	132,060	139,495
Travel	62,060	51,909	19,664	133,633
Direct Mailing	-	-	102,685	102,685
Taxes	74,855	-	-	74,855
Fundraising	-	-	62,635	62,635
Professional	20,302	32,592	-	52,894
Auto	10,975	25,826	1,782	38,583
Depreciation	28,525	3,033	1,995	33,553
Rent	-	24,021	-	24,021
Meals	9,317	9,427	4,551	23,295
Website	-	23,249	-	23,249
Awards	3,005	13,235	4,012	20,252
Insurance	13,150	6,726	-	19,876
Utilities	15,391	-	-	15,391
Supplies	-	14,585	-	14,585
Bank Fees	-	13,070	-	13,070
Advertising and Promotion	10,517	-	-	10,517
Telephone	-	7,301	-	7,301
Builder Show	-	5,887	-	5,887
Uniforms	-	4,608	-	4,608
Equipment Rental	4,217	-	-	4,217
Storage	-	3,924	-	3,924
Dues and Subscriptions	-	3,340	-	3,340
Conferences and Meetings	-	2,671	-	2,671
Other Expenses	-	2,251	-	2,251
Total Expenses	\$ 2,871,767	\$ 521,652	\$ 517,656	\$ 3,911,075

See accountant's report.