

OPERATION FINALLY HOME, INC.

Audited Financial Statements

December 31, 2020

ADKF, P.C.
Certified Public Accountants

OPERATION FINALLY HOME, INC.
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Accounting Oversight Board.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Operation FINALLY HOME, Inc.
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Operation FINALLY HOME, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U. S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U. S. generally accepted auditing standards. 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 risk 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation FINALLY HOME, Inc. as of December 31, 2020 and 2019, and the results of its activities, functional expenses and cash flows for the years then ended in accordance with U. S. generally accepted accounting principles.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
April 16, 2021

OPERATION FINALLY HOME, INC.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,463,122	\$ 887,157
Investments, at fair value	2,682,105	2,143,428
Accounts receivable	360,692	142,160
Construction and acquisition costs for veterans' homes	616,111	503,645
Other assets	1,800	1,800
Property and equipment, net	<u>143,339</u>	<u>174,450</u>
Total Assets	<u><u>\$ 5,267,169</u></u>	<u><u>\$ 3,852,640</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 44,869	\$ 54,664
Accrued expenses	22,039	100,033
Construction commitment to transfer homes to veterans	616,111	503,645
Line of credit	20,000	-
Notes payable	109,093	65,484
PPP loan payable	168,460	-
Total liabilities	<u>980,572</u>	<u>723,826</u>
Net Assets:		
Without donor restrictions:		
Undesignated	1,648,434	996,309
Board designated for:		
Future home build projects	705,830	599,732
Future home remodel projects	20,928	95,615
Future operations	<u>1,911,405</u>	<u>1,437,158</u>
Total board designated	<u>2,638,163</u>	<u>2,132,505</u>
Total without donor restrictions	<u>4,286,597</u>	<u>3,128,814</u>
With donor restrictions	-	-
Total net assets	<u>4,286,597</u>	<u>3,128,814</u>
Total Liabilities and Net Assets	<u><u>\$ 5,267,169</u></u>	<u><u>\$ 3,852,640</u></u>

See notes to audited financial statements.

OPERATION FINALLY HOME, INC.
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and Revenues			
Support:			
Contributions	\$ 5,753,272	\$ -	\$ 5,753,272
Contributed materials and services	853,692	-	853,692
Fundraising	121,203	-	121,203
Grants	863,982	-	863,982
Grants, noncash	49,812	-	49,812
Total support	<u>7,641,961</u>	<u>-</u>	<u>7,641,961</u>
Other Revenues:			
Investment (loss), net	(280,974)	-	(280,974)
Gain on sale of assets	25,377	-	25,377
Other income	164,396	-	164,396
	<u>7,550,760</u>	<u>-</u>	<u>7,550,760</u>
Expenses			
Program services	3,914,844	-	3,914,844
General and administrative	440,940	-	440,940
Fundraising	2,037,193	-	2,037,193
	<u>6,392,977</u>	<u>-</u>	<u>6,392,977</u>
Change in Net Assets	1,157,783	-	1,157,783
Net assets at beginning of year	<u>3,128,814</u>	<u>-</u>	<u>3,128,814</u>
Net Assets at Year End	<u><u>\$ 4,286,597</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,286,597</u></u>

See notes to audited financial statements.

OPERATION FINALLY HOME, INC.
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and Revenues			
Support:			
Contributions	\$ 4,525,739	\$ -	\$ 4,525,739
Contributed materials and services	1,162,465	-	1,162,465
Fundraising	388,960	-	388,960
Grants	356,901	-	356,901
Grants, noncash	57,894	-	57,894
Total support	<u>6,491,959</u>	<u>-</u>	<u>6,491,959</u>
Other Revenues:			
Investment earnings, net	239,281	-	239,281
Gain on sale of assets	18,321	-	18,321
Other income	19,247	-	19,247
	<u>6,768,808</u>	<u>-</u>	<u>6,768,808</u>
Expenses			
Program services	4,338,801	-	4,338,801
General and administrative	570,434	-	570,434
Fundraising	2,130,081	-	2,130,081
	<u>7,039,316</u>	<u>-</u>	<u>7,039,316</u>
Change in Net Assets	(270,508)	-	(270,508)
Net assets at beginning of year	<u>3,399,322</u>	<u>-</u>	<u>3,399,322</u>
Net Assets at Year End	<u>\$ 3,128,814</u>	<u>\$ -</u>	<u>\$ 3,128,814</u>

See notes to audited financial statements.

OPERATION FINALLY HOME, INC.
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Expense	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 579,292	\$ 175,218	\$ 32,183	\$ 786,693
Payroll taxes	47,231	14,286	2,624	64,141
Total payroll expenses	626,523	189,504	34,807	850,834
Building costs	2,762,105	-	-	2,762,105
Direct mailing	-	-	1,898,204	1,898,204
Travel	35,307	-	1,671	36,978
Professional	95,943	37,210	13,697	146,850
Meals	10,096	80	976	11,152
Advertising and promotion	87,834	112,504	62,657	262,995
Fundraising	77,343	4,092	3,352	84,787
Depreciation	22,308	5,618	2,363	30,289
Dues and subscriptions	49,963	13,754	3,223	66,940
Rent	13,831	3,688	922	18,441
Auto	5,496	7,762	1,348	14,606
Bank fees	96,552	1,939	12,821	111,312
Postage	5,075	4,162	358	9,595
Printing and publication	315	-	-	315
Insurance	936	12,354	-	13,290
Supplies	3,079	13,824	435	17,338
Telephone	6,713	1,699	359	8,771
Website	817	-	-	817
Builder show	5,084	-	-	5,084
Other expenses	16	4,664	-	4,680
Interest expense	-	5,781	-	5,781
Storage	9,508	2,305	-	11,813
Miscellaneous expense	-	20,000	-	20,000
Total expenses	<u>\$ 3,914,844</u>	<u>\$ 440,940</u>	<u>\$ 2,037,193</u>	<u>\$ 6,392,977</u>

See notes to audited financial statements.

OPERATION FINALLY HOME, INC.
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program Expense</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 631,920	\$ 278,163	\$ 93,243	\$ 1,003,326
Payroll taxes	46,131	17,134	5,272	68,537
Total payroll expenses	678,051	295,297	98,515	1,071,863
Building costs	3,069,917	-	-	3,069,917
Direct mailing	-	-	1,843,823	1,843,823
Travel	114,229	17,689	4,053	135,971
Professional	96,228	34,567	24,757	155,552
Meals	19,854	23,039	1,682	44,575
Advertising and promotion	146,923	117,692	44,333	308,948
Fundraising	89,088	4,686	91,518	185,292
Depreciation	16,845	7,558	1,500	25,903
Dues and subscriptions	23,867	11,285	3,871	39,023
Rent	12,040	4,630	1,852	18,522
Auto	19,926	9,935	2,067	31,928
Bank fees	22,941	3,326	5,934	32,201
Postage	5,590	3,912	1,824	11,326
Insurance	2,533	12,114	-	14,647
Supplies	3,530	12,016	1,375	16,921
Telephone	9,700	3,603	1,109	14,412
Website	5,989	2,334	1,868	10,191
Builder show	214	1,200	-	1,414
Other expenses	-	1,660	-	1,660
Interest expense	-	3,158	-	3,158
Uniforms	-	65	-	65
Storage	1,336	668	-	2,004
Total expenses	<u>\$ 4,338,801</u>	<u>\$ 570,434</u>	<u>\$ 2,130,081</u>	<u>\$ 7,039,316</u>

See notes to audited financial statements.

OPERATION HOMEFRONT, INC.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 1,157,783	\$ (270,508)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	30,289	25,903
Realized and unrealized (gain) loss on investments	292,845	(196,812)
(Gain) on disposal of property and equipment	(25,377)	(18,321)
Change in operating assets and liabilities:		
Accounts receivable	(218,532)	(92,949)
Other assets	-	8,562
Accounts payable	(9,795)	(76,561)
Accrued expenses	(77,994)	85,302
Net cash provided (used) by operating activities	<u>1,149,219</u>	<u>(535,384)</u>
Investing Activities		
Purchase of investments and earnings reinvestment	(831,522)	(144,632)
Purchase of property and equipment	(114,951)	(86,699)
Proceeds from sale of property and equipment	141,150	18,800
Net cash (used) by investing activities	<u>(805,323)</u>	<u>(212,531)</u>
Financing Activities		
Proceeds on notes payable	97,693	69,094
Payments on notes payable	(54,084)	(12,522)
Line of credit advances	20,000	-
PPP loan proceeds	168,460	-
Net cash provided by financing activities	<u>232,069</u>	<u>56,572</u>
Change in cash and cash equivalents	575,965	(691,343)
Cash and cash equivalents at beginning of year	<u>887,157</u>	<u>1,578,500</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,463,122</u>	<u>\$ 887,157</u>
Supplemental Disclosures		
Cash paid for interest	\$ 5,781	\$ 3,158

See notes to audited financial statements.

OPERATION FINALLY HOME, INC.
Notes to Audited Financial Statements
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Operation FINALLY HOME, Inc. (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, first responders and the widows of the fallen. The Organization brings together corporate sponsors, builder associations, builders, developers, individual contributors, and volunteers to help these Veteran Heroes and their families by providing custom-built mortgage-free homes and home modifications.

The past few years have allowed for Operation FINALLY HOME, Inc. to increase its ability to provide more homes and home modifications to more Heroes. During this period, the Organization has held four pillar events for each build that include an announcement event, ground-breaking ceremony, town hall meeting, and dedication of the home and home modification. The Board of Directors recognizes that to successfully promote the Organization through these events, high travel costs are incurred each year. In addition, in-kind donors are also showcased at these events as a form of appreciation to those donors who have a major impact on Operation FINALLY HOME, Inc.’s ability to fulfill its mission.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. **Grants and contributions gifted for recurring programs, including those for directly specified Veteran Heroes or geographic regions, are generally not considered “restricted” under GAAP**, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that are more restrictive than the Organization’s mission and purpose, that will be met by actions of the Organization and/or the passage of time. Donor imposed restrictions are released when the restriction expires, and are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Grants received with restrictions, and whose restrictions are met in the same fiscal year, are reported as unrestricted in the statement of activities.

Revenue Recognition: The Organization recognizes contributions and grants either when a valid promise to give (generally in writing) is received or as collected in the case of most smaller denomination gifts. Contributions and grants are reported as without or with donor restriction, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution.

Donated goods and services are reported as “in-kind contributions” by the Organization. Donated goods are recorded at fair value at the time of donation. The value of donated services is based on an amount determined to be appropriate if individuals were employed by the Organization to perform such services and is recorded as contributed services revenue and expense in the period during which the services are rendered.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash on hand and deposits held by financial institutions with maturities of three months or less.

OPERATION FINALLY HOME, INC.
Notes to Audited Financial Statements
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments: Investments are reported at fair market value determined by quoted market prices. Gains and losses (realized and unrealized) are reported as investment earnings, net of expenses in the accompanying statements of activities. Donated investment instruments are recorded at fair value at the date of donation.

Accounts Receivable: Accounts receivable are reported at outstanding principal, net of an allowance for doubtful accounts if deemed necessary. The allowance is generally determined based on an account-by-account review and historic trends. Accounts are charged off when collection efforts have failed, and the account is deemed uncollectible. An allowance was not required at December 31, 2020 and 2019. Interest is generally not charged on the receivables.

Property and Equipment: Property and equipment is valued at historical cost or estimated fair value at the date of donation. Expenditures for betterments greater than \$250 that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which is generally three to five years for furniture and equipment.

Income Taxes: Operation FINALLY HOME, Inc. is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3). In addition, the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Organization is not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

Functional Allocation of Expenses: The costs of providing the services and other activities of the Organization have been summarized on a functional basis in the statement of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which are allocated on the basis of estimates of time and effort, as well as depreciation, office and occupancy, which are allocated on square-footage or other reasonable basis.

Advertising: Advertising and promotion costs are expensed as incurred.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

Recently Adopted Accounting Pronouncements: In May 2014, the FASB issued Accounting Standard Update 2014-09, regarding revenue recognition, effective for periods beginning after December 15, 2018. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. The Organization adopted this new standard effective January 1, 2019. This standard was implemented using the modified retrospective method. While adoption of this standard required additional disclosures, adoption did not have a material impact on the financial statements and no adjustments were made to prior periods.

New Accounting Pronouncements: In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

OPERATION FINALLY HOME, INC.
Notes to Audited Financial Statements
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which requires the application of a current expected credit loss (CECL) impairment model to financial assets measured at amortized cost, including trade accounts receivable. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. Furthermore, financial assets with similar risk characteristics are analyzed on a collective basis. This ASU, as amended, is effective for periods beginning after December 15, 2022 with early adoption permitted. The Organization is evaluating the impact on its financial statements.

Use of Estimates: The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization places its cash and investments (including restricted assets) with financial institutions, and limits the amount of credit exposure, although it may from time to time have cash balances or investments in excess of that insured by the FDIC. The Organization periodically assesses the financial condition of the institutions and believes the risk of loss is minimal.

Reclassifications: Certain reclassification of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no effect on the previously reported net assets.

NOTE B – INVESTMENTS

Investments are stated at fair value. Investment earnings (including interest earned on accounts classified as cash and cash equivalents) is summarized as follows at December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 19,531	\$ 49,782
Net realized and unrealized gains (losses) on change in market value	(292,845)	196,812
Investment fees	<u>(7,660)</u>	<u>(7,313)</u>
Investment earnings (loss), net	<u>\$ (280,974)</u>	<u>\$ 239,281</u>

OPERATION FINALLY HOME, INC.
Notes to Audited Financial Statements
December 31, 2020 and 2019

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land held for sale	\$ 13,000	\$ 96,800
Furniture and equipment	48,402	48,402
Vehicles	189,678	168,506
Software	<u>16,039</u>	<u>16,039</u>
Total property and equipment	267,119	329,747
Less accumulated depreciation	<u>(123,780)</u>	<u>(155,297)</u>
Property and equipment, net	<u><u>\$ 143,339</u></u>	<u><u>\$ 174,450</u></u>

NOTE D – 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 upon completion. 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 statements 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 in the same amount as the related asset. Upon transfer of ownership, the full cost of the property and the corresponding liability are both reduced to zero. Construction and Acquisition Costs for Veterans’ Homes and the related liability Commitment to Transfer Homes to Veterans totaled \$616,111 at December 31, 2020 and \$503,645 at December 31, 2019.

NOTE E – LINE OF CREDIT

The Organization has a revolving line of credit with Frost Bank for \$650,000 with interest at 3% over the adjusted LIBOR rate (5.82% at December 31, 2020). Interest is due monthly and all unpaid principal is due at maturity. The line of credit matures October 1, 2021. The Organization had an outstanding balance of \$20,000 at December 31, 2020 and \$0 at December 31, 2019.

NOTE F – PAYCHECK PROTECTION PROGRAM

On May 1, 2020, the Organization received a \$168,460 loan from the Paycheck Protection Program (PPP) offered by the Small Business Administration (SBA). The funds were used for approved payrolls cost over the eight-week period following their receipt. The Organization received forgiveness approval for the full loan amount on January 16, 2021. The forgiven funds will be recognized as grant income in 2021.

OPERATION FINALLY HOME, INC.
Notes to Audited Financial Statements
December 31, 2020 and 2019

NOTE G – NOTES PAYABLE

Notes payable consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Note payable to Ford Credit, due June 2020 with interest at 6.39%, due in monthly installments of \$581, including interest; secured by vehicle. Paid in full in 2020.	\$ -	\$ 2,266
Note payable to Ford Credit, due July 2024 with interest at 6.99%, due in monthly installments of \$1,360, including interest; secured by vehicle. Paid in full in 2020.	-	40,998
Note payable to Ford Credit, due July 2024 with interest at 6.99%, due in monthly installments of \$481, including interest; secured by vehicle.	18,129	22,220
Note payable to Ally Credit, due February 2025 with interest at 6.99%, due in monthly installments of \$836, including interest; secured by vehicle.	35,475	-
Note payable to Ford Credit, due November 2025 with interest at 6.54%, due in monthly installments of \$936, including interest; secured by vehicle.	55,489	-
	<u> </u>	<u> </u>
Total notes payable	<u>\$ 109,093</u>	<u>\$ 65,484</u>

The future maturities of these notes payable are as follows:

<u>Years ended December 31,</u>	
2021	\$ 20,903
2022	21,695
2023	23,222
2024	22,308
2025	11,204
Thereafter	<u>9,761</u>
Total	<u>\$ 109,093</u>

OPERATION FINALLY HOME, INC.
Notes to Audited Financial Statements
December 31, 2020 and 2019

NOTE H – CONTRIBUTED MATERIAL AND SERVICES

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

	<u>2020</u>	<u>2019</u>
Building materials and construction services	\$ 853,692	\$ 1,152,843
Fundraising event costs	-	9,270
Advertising and printing	-	352
	<u> </u>	<u> </u>
Total contributed materials and services	<u>\$ 853,692</u>	<u>\$ 1,162,465</u>

NOTE I – LEASES

The Organization leases office space for its field office under a non-cancellable operating lease with a monthly payment of \$1,312 expiring on October 31, 2021. Rent expense totaled \$18,441 in 2020 and \$18,522 in 2019.

The aggregate minimum future lease payments on this non-cancellable lease at December 31, 2020, are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 13,120

NOTE J – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, the Organization utilizes a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets
 - quoted prices for identical or similar assets or liabilities in inactive markets
 - inputs other than quoted prices that are observable for the asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

OPERATION FINALLY HOME, INC.
Notes to Audited Financial Statements
December 31, 2020 and 2019

NOTE J – FAIR VALUE MEASUREMENTS – continued

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used nor transfers between levels. Following is a description of the valuation methodologies used for investments measured at fair value:

Cash and Money Market Funds (MMFs): Valued at its carry amount due to short-term maturity of the instrument.

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds and Exchange Traded Funds: Valued at the daily closing price (net asset value) as reported by the fund.

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table sets forth, by level within the fair value hierarchy, the Organization’s investments measured at fair value as follows:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>December 31, 2020</i>				
Cash and money market funds	\$ 1,010,924	\$ -	\$ -	\$ 1,010,924
Stocks	178,124	-	-	178,124
Mutual funds	734,409	-	-	734,409
Exchange traded funds	121,472	-	-	121,472
Corporate bonds	-	637,176	-	637,176
	<u>\$ 2,044,929</u>	<u>\$ 637,176</u>	<u>\$ -</u>	<u>\$ 2,682,105</u>
<i>December 31, 2019</i>				
Cash and money market funds	\$ 206,441	\$ -	\$ -	\$ 206,441
Stocks	159,924	-	-	159,924
Mutual funds	214,093	-	-	214,093
Exchange traded funds	940,963	-	-	940,963
Corporate bonds	-	622,007	-	622,007
	<u>\$ 1,521,421</u>	<u>\$ 622,007</u>	<u>\$ -</u>	<u>\$ 2,143,428</u>

OPERATION FINALLY HOME, INC.
Notes to Audited Financial Statements
December 31, 2020 and 2019

NOTE K – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has approximately \$4,500,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. This consists of cash, investments (which are not endowed), accounts receivable and other assets. The Organization has a goal to maintain approximately twelve months of operating reserves throughout the year which, on the average, total approximately \$150,000 per month given full programmatic expenditures.

NOTE L – COVID-19

The coronavirus outbreak (pandemic) has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering certain nonessential businesses.

The pandemic has impacted the operational and financial performance of the Organization and there is uncertainty in the nature and degree of its continued effects on our business over time. The extent to which it will impact operations going forward, either positively or negatively, will depend on a variety of factors including the duration and continued spread of the outbreak, impact on our clients, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates.