

Financial Statements and
Report of Independent Certified Public Accountants

HOMES FOR OUR TROOPS, INC.

September 30, 2018

HOMES FOR OUR TROOPS, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors **Homes For Our Troops, Inc.**

We have audited the accompanying financial statements of Homes For Our Troops, Inc. (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, 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 Homes for Our Troops, Inc. as of September 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in Note 2 to the financial statements, Homes For Our Troops, Inc. has adopted new accounting guidance, as of October 1, 2017, related to accounting for a contribution or exchange transaction. Our opinion is not modified with respect to this matter.

Grant Thornton LLP

Boston, Massachusetts
May 6, 2019

HOMES FOR OUR TROOPS, INC.
Statement of Financial Position
As of September 30, 2018

ASSETS

Cash	\$ 652,863
Investments	6,015,315
Pledges receivable, net	4,493,021
Construction and acquisition costs for veterans' homes	13,041,763
Prepaid expenses and other assets	229,678
Property and equipment, net	<u>1,442,495</u>
Total assets	<u>\$ 25,875,135</u>

LIABILITIES AND NET ASSETS

Commitment to transfer homes to veterans	\$ 3,448,381
Accounts payable and accrued expenses	<u>2,001,079</u>
Total liabilities	<u>5,449,460</u>
Net assets	
Unrestricted	15,932,654
Temporarily restricted	<u>4,493,021</u>
Total net assets	<u>20,425,675</u>
Total liabilities and net assets	<u>\$ 25,875,135</u>

The accompanying notes are an integral part of this financial statement.

HOMES FOR OUR TROOPS, INC.
Statement of Activities
For the year ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 20,688,832	\$ 4,024,635	\$ 24,713,467
Contributed public service announcements	14,428,496	-	14,428,496
Contributed materials and services	3,615,470	-	3,615,470
Special events revenue, net:			
Special events revenue	850,202	-	850,202
Cost of direct benefit to donors	(445,875)	-	(445,875)
Net revenue from special events	404,327	-	404,327
Investment income	290,800	-	290,800
Other revenue	636,269	-	636,269
Releases from restrictions	2,230,033	(2,230,033)	-
 Total revenues and other support	 <u>42,294,227</u>	 <u>1,794,602</u>	 <u>44,088,829</u>
EXPENSES			
Program services	22,516,856	-	22,516,856
Program services - Public service announcements	14,428,496	-	14,428,496
 Total program services	 36,945,352	 -	 36,945,352
General and administrative	1,783,720	-	1,783,720
Fundraising	3,640,628	-	3,640,628
 Total expenses	 <u>42,369,700</u>	 <u>-</u>	 <u>42,369,700</u>
 Change in net assets	 (75,473)	 1,794,602	 1,719,129
 Net assets, beginning of year - as restated, Note 2	 <u>16,008,127</u>	 <u>2,698,419</u>	 <u>18,706,546</u>
 Net assets, end of year	 <u>\$ 15,932,654</u>	 <u>\$ 4,493,021</u>	 <u>\$ 20,425,675</u>

The accompanying notes are an integral part of this financial statement.

HOMES FOR OUR TROOPS, INC.
Statement of Functional Expenses
For the year ended September 30, 2018

	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Cost of veterans' homes	\$ 18,351,527	\$ -	\$ -	\$ 18,351,527
Public service announcements	14,428,496	-	-	14,428,496
Salaries and benefits	2,313,930	1,337,512	926,483	4,577,925
Professional services	613,763	159,411	1,961,873	2,735,047
Travel	320,988	23,044	48,644	392,676
Advertising and message communication	274,514	1,020	156,068	431,602
Payroll taxes	175,542	97,943	69,841	343,326
Home project and fundraising events	160,375	-	11,934	172,309
Telephone and computers	109,411	54,154	45,221	208,786
Fundraising appeals	-	439	241,350	241,789
Postage and shipping	21,492	6,589	32,646	60,727
Promotional materials	8,779	-	20,858	29,637
Office supplies and expenses	41,176	23,992	29,604	94,772
Miscellaneous	65,656	44,619	72,278	182,553
Depreciation	28,481	17,065	12,187	57,733
Occupancy	<u>31,222</u>	<u>17,932</u>	<u>11,641</u>	<u>60,795</u>
Total expenses	<u>\$ 36,945,352</u>	<u>\$ 1,783,720</u>	<u>\$ 3,640,628</u>	<u>\$ 42,369,700</u>

The accompanying notes are an integral part of this financial statement.

HOMES FOR OUR TROOPS, INC.
Statement of Cash Flows
For the year ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,719,129
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	57,733
Realized gains on investments	(334,145)
Unrealized depreciation of investments	212,841
Investment interest and dividends	(169,496)
Donated stock	(470,783)
Changes in operating assets and liabilities	
Increase in pledges receivable	(1,794,601)
Increase in construction and acquisition costs for veterans' homes	(3,343,343)
Decrease in prepaid expenses and other assets	383,700
Decrease in contractual commitment to transfer homes to veterans	2,761,715
Decrease in accrued expenses	<u>(1,255,991)</u>
Total adjustments	<u>(3,952,370)</u>
Net cash used in operating activities	<u>(2,233,241)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(28,441)
Sales of investments	4,505,048
Purchases of investments	<u>(2,000,000)</u>
Net cash provided by investing activities	<u>2,476,607</u>
Net increase in cash and cash equivalents	243,366
Cash and cash equivalents, beginning of year	<u>409,497</u>
Cash and cash equivalents, end of year	<u>\$ 652,863</u>
Non-cash operating activities:	
Costs related to construction and acquisition costs for veteran's homes in accounts payable	<u>\$ 1,135,547</u>

The accompanying notes are an integral part of this financial statement.

HOMES FOR OUR TROOPS, INC.
Notes to Financial Statements
September 30, 2018

1. NATURE OF THE ORGANIZATION

Homes For Our Troops, Inc. (the “Organization”) was organized in 2004 as a not-for-profit corporation for the purpose of building specially adapted, barrier-free homes for severely injured military veterans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which requires the application of the accrual basis of accounting.

Basis of Presentation

Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Presentation of Financial Statements of Not-For-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions.

To ensure observance of limitations and restrictions that may be placed on the use of resources available to the Organization, its accounts are maintained in the following net asset categories:

Unrestricted Net Assets - Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Donor-restricted gains and investment income and contributions whose restrictions are met in the same reporting period are also classified as unrestricted.

Temporarily restricted net assets - Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met whether by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Permanently restricted net assets are net assets subject to donor-imposed stipulations that they 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 permanently restricted net assets as of September 30, 2018.

Restatement of Net Assets

The beginning net assets of the Organization have been restated due to two items, as follows:

- 1) Adoption of accounting pronouncement
- 2) Correction of an error related to pledges receivable

Adoption of accounting pronouncement

In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope of the Accounting Guidance of Contributions Received and Contributions Made*. This ASU impacts organizations that receive or make contributions of cash or other assets and includes specific criteria to consider when

HOMES FOR OUR TROOPS, INC.
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determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional, which impacts the timing of revenue recognition. A contribution with a donor imposed condition has a barrier and a right of return which must be overcome prior to recognition. The determining factor for whether an organization accounts for a grant/contract/agreement as a contribution or as an exchange transaction is whether the asset provider is receiving commensurate value in return for those assets. If commensurate value is received, the transaction will be accounted for as an exchange transaction and revenue recognition or other applicable standards will be followed. If commensurate value is not received by the asset provider, the transaction is accounted for as a contribution and follows guidance amended by update (ASU 2018-08). If some value, but not commensurate value, is received, then the contribution is accounted for as both an exchange transaction and a contribution.

Management has elected to early adopt the amended guidance as of October 1, 2017, using the retrospective approach. In connection with the adoption of ASU 2018-08, the Organization is restating the beginning of year net assets (October 1, 2017). The adoption resulted in an increase in unrestricted net assets of \$7,876,205, which is shown in the table below and an equal decrease to the Commitment to transfer homes to veterans liability.

Correction of an error related to pledges receivable

In connection with the preparation of the fiscal year 2018 financial statements, management identified an error in the classification of certain net assets related to time-restricted pledge receivables, which is shown in the table below.

The adjustments to beginning net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Beginning of year net assets, as reported	\$ 10,830,341	\$ -	\$ 10,830,341
Adjustments:			
Adoption of ASU 2018-08	7,876,205	-	7,876,205
Net pledges receivable restricted due to time	<u>(2,698,419)</u>	<u>2,698,419</u>	<u>-</u>
Beginning of year net assets, as restated	<u>\$ 16,008,127</u>	<u>\$ 2,698,419</u>	<u>\$ 18,706,546</u>

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include estimates of potentially uncollectible pledge receivables and useful lives of land, buildings, and equipment. Actual results could differ from those estimates.

HOMES FOR OUR TROOPS, INC.
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Investment Valuation

Investments in securities with readily determinable fair values (mutual and exchange-traded funds) are carried at fair value as determined by major securities markets. Changes in fair value are recorded as unrealized gains or losses on investments and reflected within investment gains in the Statement of Activities. Realized gains or losses from the sale of investment securities are computed on the specific-identification cost basis.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions to be received after one year are recorded as temporarily restricted due to time, and discounted at an appropriate rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support

Pledges receivable are stated at the amount management expects to collect from outstanding balances, less a present value discount. Management provides for potentially uncollectible amounts through a provision for uncollectible pledges and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Contributed Public Service Announcements and Other Goods and Services

The Organization produces and distributes public service television and radio announcements that focus attention on the home building program that the Organization provides to Veterans, which enables the Veterans to rebuild their lives. These public service announcements are distributed to television and radio stations nationwide, who then provide airtime to deliver announcements to assist the Organization in its mission, free of charge.

The Organization contracts with a third party valuation company to value each television and radio airing, based on the number of impressions (number of people exposed to the spot) using the third party's proprietary database of Nielsen audience data. The amount recognized as both gift in kind revenue and expense is the fair market value of each airing that occurred during the fiscal year.

Contributed goods and services are reflected in the accompanying financial statements at their estimated fair value, if reasonably determined. The contributions of services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

Construction and Acquisition Costs for Veterans' Homes

Construction and acquisition costs for veterans' homes represents real estate acquisition and home construction costs incurred as of the period end for specially adapted home projects. When acquiring land and constructing a new home, title and ownership of the property is retained by the Organization until such

HOMES FOR OUR TROOPS, INC.
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time the Organization transfers ownership to the veteran. The Organization enters an agreement with the veteran prior to construction. The contribution payable to the veteran is conditional upon the veteran meeting certain barriers. Before the barriers are overcome, the Organization has the right to cancel the agreement. Near to the end of construction, the parties agree that the barriers have been overcome and the contribution becomes unconditional at this date, called the Key Ceremony Date. The construction costs are expensed at this date, and closing occurs soon thereafter.

Contractual Commitment to Transfer Homes to Veterans

At the Key Ceremony Date, when all significant conditions of the contractual agreement between the Organization and the veteran have been met, a liability representing the contractual commitment to transfer the home to the veteran is recorded, with corresponding program expense recognition. Upon transfer of ownership, the full cost of the property and the corresponding contractual liability are derecognized. Several variables may impact the recognition or the derecognition of the asset and the liability in a given year; such as bad weather or General Contractor delays.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair value on the date of donation. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is reflected in the accompanying Statement of Activities.

Depreciation of property and equipment is computed on the straight-line method based on the estimated useful lives of the respective assets, which range from three to forty years.

Fundraising and Special Events

The direct cost of fundraising and special events that provide a benefit to the contributors are deducted from the gross revenues raised at such events.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the accompanying Statements of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries and other expenses, which are associated with a specific function, are charged directly to that function. Salaries and other expenses, which benefit more than one function, are allocated to the various functions based on the time spent.

Income Taxes

The Organization is recognized as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. During the year ended September 30, 2018, there was no significant unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service ("IRS") not to be a private foundation within the meaning of Section 509(a) of the Code.

HOMES FOR OUR TROOPS, INC.
Notes to Financial Statements
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The Organization recognizes and measures its unrecognized tax positions and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The Organization has not identified any uncertain tax positions at September 30, 2018.

The Organization is currently not subject to any audits by its taxing jurisdictions.

Subsequent Events

Subsequent events have been evaluated through May 6, 2019, which is the date the financial statements were available to be issued. No events requiring recognition or disclosures in the financial statements were identified.

Accounting Pronouncements Effective in Future Years

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This standard intends to make certain improvements to the current reporting requirements for not-for-profit entities including: (1) the presentation for two classes of net assets at the end of the period, rather than the currently required three classes, as well as the annual change in each of the two classes; (2) the removal of the requirement to present or disclose the indirect method (reconciliation) when using the direct method for the statement of cash flows; and (3) the requirement to provide various enhanced disclosures relating to various not-for-profit specific topics. The new standard is effective for annual financial statements beginning after December 15, 2017 (fiscal year ending September 30, 2019 for the Organization). Although the changes will impact the Organizations' reporting method, there are no changes to the current accounting for transactions, therefore, this ASU will impact financial statement presentation and disclosures, but not the underlying accounting for balances and activities presented within the financial statements.

3. INVESTMENTS

Investments are comprised of the following at September 30:

	2018	
	Cost	Fair Value
Money market funds	\$ 1,045,432	\$ 1,045,432
Mutual and exchange traded funds	<u>4,978,303</u>	<u>4,969,883</u>
Total	<u>\$ 6,023,735</u>	<u>\$ 6,015,315</u>

HOMES FOR OUR TROOPS, INC.
Notes to Financial Statements
September 30, 2018

Total investment income is comprised of the following for the year ended September 30:

	<u>2018</u>
Change in unrealized appreciation	\$ (212,841)
Net realized gains	356,592
Dividend and interest income	<u>169,496</u>
Subtotal	313,247
Less: Custodial and investment advisor fee	<u>(22,447)</u>
Total investment income	<u>\$ 290,800</u>

4. PLEDGES RECEIVABLE

Pledges receivable, one of which is discounted at a rate of 2.58%, consists of the following at September 30, 2018:

	<u>2018</u>
Amounts due	
Within one year	\$ 4,688,326
After one year, through five years	<u>48,305</u>
Total pledges receivable	<u>4,736,631</u>
Discounts	(1,695)
Allowance for uncollectible pledges	<u>(241,915)</u>
Pledges receivable, net	<u>\$ 4,493,021</u>

At September 30, 2018, \$3,485,400, or approximately 78% of pledges receivable, are attributable to pledges from two corporate partner organizations.

HOMES FOR OUR TROOPS, INC.
Notes to Financial Statements
September 30, 2018

5. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at September 30:

	<u>2018</u>
Land	\$ 50,500
Buildings and improvements	1,661,819
Furniture and equipment	<u>374,581</u>
	2,086,900
Less: accumulated depreciation	<u>(644,405)</u>
	<u>\$ 1,442,495</u>

Depreciation expense amounted to \$57,733 for the year ended September 30, 2018.

6. TEMPORARILY RESTRICTED NET ASSETS AND ASSETS RELEASED FROM RESTRICTION

Temporarily restricted net assets consists of four (4) grants that are restricted by time, and two (2) grants restricted for the purpose of building a specially adapted, barrier-free home for a severely injured military veteran within a specific geographic location which is specified by the donors.

Net assets released from donor restrictions are as follows:

	<u>2018</u>
Time and purpose restrictions	
Specially adapted housing grants	\$ 1,224,768
Payment on pledges receivable	415,273
Release of timing restrictions	<u>589,992</u>
Total	<u>\$ 2,230,033</u>

HOMES FOR OUR TROOPS, INC.
Notes to Financial Statements
September 30, 2018

7. CONTRIBUTED MATERIALS AND SERVICES

The following have been reflected as contribution revenue and program expense in the accompanying financial statements for the year ended September 30:

	<u>2018</u>
Building materials and construction services	\$ 2,856,966
Public service announcements	14,428,496
Professional services	<u>758,504</u>
Total contributed materials and services revenue	<u>\$ 18,043,966</u>

8. COMMITMENTS AND CONTINGENCIES

Commitment to Transfer Homes to Veterans

As of September 30, 2018, the Organization's estimated commitment to fund the completion of current (in-process) and future projects are approximately \$59.9 million. These commitments are expected to be met between fiscal years 2019 through 2024.

Contingencies

The Organization is subject to certain claims encountered in the normal course of business. The resolution of these matters is not expected to have a material effect on the Organization's financial position or results of operations.

9. EMPLOYEE BENEFIT PLAN

The Organization maintains an employee benefit plan established under IRS Code Section 401(k) which covers substantially all of its eligible employees. Under the terms of the plan, the Organization makes contributions on a non-discretionary basis in a maximum amount equal to 3% of the participating employees' eligible salaries. Contribution expense under this plan amounted to \$98,624 for the year ended September 30, 2018.

10. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at a bank located in Massachusetts. The cash balances are insured, with certain limitations, by the Federal Deposit Insurance Corporation ("FDIC"). At certain times during the year, cash balances exceeded the insured amounts. Management monitors, on a regular basis, the financial condition of the financial institution, along with their balances, to keep this potential risk to a minimum.

The Organization also maintains an investment accounts with a broker/dealer, which is not insured by the FDIC. These accounts may be subject to insurance by the Securities Investor Protection Corporation ("SIPC"). Management believes that the risk of loss with respect to maintaining these accounts with the broker/dealer has been limited by choosing a strong institution with which to do business.

HOMES FOR OUR TROOPS, INC.
Notes to Financial Statements
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Refer to Note 4 for disclosure regarding concentration of credit risk within pledges receivable.

11. RELATED PARTY TRANSACTIONS

Included in the financial statements are cash and gifts in kind from various members of the Board of Directors or related entities they are associated with, valued at \$557,466 for the year ended September 30, 2018. Cash donations totaled \$358,613, and gifts in kind, which included professional legal services, travel, and meals provided at build project events, are valued at \$198,853.

12. FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments, when applicable, to certain assets and liabilities to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic of FASB ASC 820, the fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices.

Fair Value Hierarchy

The Organization utilizes a fair value hierarchy that prioritizes the inputs to 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 - Valuation is based on quoted market prices in active markets for identical assets that the Organization has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.
- Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation must be based on quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset.
- Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Organization had no Level 3 assets as of September 30, 2018.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

There have been no changes in the methodology used at September 30, 2018.

HOMES FOR OUR TROOPS, INC.
Notes to Financial Statements
September 30, 2018

A description of the valuation techniques applied to the Organization's major categories of assets and liabilities measured at fair value on a recurring basis is as follows:

Level 1 - The securities measured at fair value Level 1 are based on quoted market prices in an active exchange market. These investments include money market funds and exchange traded funds.

The preceding method 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.

All investments as of September 30, 2018 are values based on Level 1 inputs.