

Operation Homefront

Financial Statements
Years ended December 2023 and 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Operation Homefront

Financial Statements
Years Ended December 31, 2023 and 2022

Operation Homefront

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Independent Auditor's Report

The Board of Directors
Operation Homefront
San Antonio, Texas

Opinion

We have audited the financial statements of Operation Homefront (the Organization), which comprise the statement of financial position as of December 31, 2023, the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the change in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The 2022 financial statements of the Organization were audited by other auditors, whose report dated June 6, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the 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 within one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit 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 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

April 15, 2024

Operation Homefront
Statements of Financial Position

<i>December 31,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 9,142,542	\$ 9,021,171
Investments, at fair value	12,194,451	16,721,923
Contributions receivable, net	9,334,817	7,413,339
Other receivables	864,286	881,110
Inventory, houses	4,805,395	5,100,303
Inventory, other	999,349	625,962
Prepaid expenses and other assets	503,120	297,915
Right-of-use asset	1,251,206	547,893
Property and equipment, net	12,842,307	10,408,387
Beneficial interest, at fair value	2,919,179	-
Total Assets	\$ 54,856,652	\$ 51,018,003
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 918,051	\$ 932,268
Accrued expenses	1,214,504	1,124,868
Accrued escrow accounts	141,116	152,858
Operating lease liabilities	1,276,816	547,893
Finance lease liabilities	815,698	1,025,503
Total Liabilities	4,366,185	3,783,390
Net Assets		
Without donor restrictions	29,618,874	33,171,864
With donor restrictions	20,871,593	14,062,749
Total Net Assets	50,490,467	47,234,613
Total Liabilities and Net Assets	\$ 54,856,652	\$ 51,018,003

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

Operation Homefront

Statements of Activities

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributed houses	\$ 323,000	\$ 741,435	\$ 1,064,435
Contributed goods, services, and facilities	13,816,179	34,077	13,850,256
Contributions	15,031,431	17,408,302	32,439,733
Other revenues:			
Investment earnings, net	1,432,865	-	1,432,865
Change in fair value of beneficial interest	-	171,179	171,179
Gain on sale of homes	46,248	-	46,248
Other revenues, net	40,908	-	40,908
Total Support and Revenues	30,690,631	18,354,993	49,045,624
Expenses			
Program services	38,085,210	-	38,085,210
Management and general	2,515,977	-	2,515,977
Fundraising	5,188,583	-	5,188,583
Total Expenses	45,789,770	-	45,789,770
Net Assets Released from Restrictions	11,546,149	(11,546,149)	-
Change in Net Assets	(3,552,990)	6,808,844	3,255,854
Net Assets, beginning of year	33,171,864	14,062,749	47,234,613
Net Assets, end of year	\$ 29,618,874	\$ 20,871,593	\$ 50,490,467

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

Operation Homefront

Statements of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributed houses	\$ -	\$ 2,226,535	\$ 2,226,535
Contributed goods, services, and facilities	12,622,165	177,458	12,799,623
Contributions	36,422,698	13,126,745	49,549,443
Special events, net of expenses of \$506,254	145,553	-	145,553
Other revenues:			
Investment loss, net	(101,837)	-	(101,837)
Gain on sale of homes	350,808	-	350,808
Other revenues	95,811	-	95,811
Total Support and Revenues	49,535,198	15,530,738	65,065,936
Expenses			
Program services	39,452,077	-	39,452,077
Management and general	2,362,375	-	2,362,375
Fund raising	4,689,843	-	4,689,843
Total Expenses	46,504,295	-	46,504,295
Net Assets Released from Restrictions	22,293,042	(22,293,042)	-
Change in Net Assets	25,323,945	(6,762,304)	18,561,641
Net Assets, beginning of year	7,847,919	20,825,053	28,672,972
Net Assets, end of year	\$ 33,171,864	\$ 14,062,749	\$ 47,234,613

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

Operation Homefront
Statements of Functional Expenses

Year ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries, taxes, and employee benefits	\$ 8,840,728	\$ 1,604,837	\$ 1,877,704	\$ 12,323,269
Professional services	1,727,510	477,855	1,064,250	3,269,615
Supplies	125,065	20,499	17,579	163,143
Communications	131,686	31,812	8,878	172,376
Postage and shipping	744,007	8,075	883,882	1,635,964
Occupancy	395,291	170,819	494	566,604
Equipment rental and maintenance	12,098	5,072	52	17,222
Printing and publications	819,586	3,790	915,098	1,738,474
Travel	149,927	22,382	72,744	245,053
Conferences and meetings	110,486	61,372	24,982	196,840
Specific assistance to individuals	9,217,088	-	-	9,217,088
Event expenses	467,224	-	72,303	539,527
Memberships and dues	22,100	3,170	10,944	36,214
In-kind expenses	14,628,821	18,187	8,374	14,655,382
Miscellaneous	84,932	44,838	228,463	358,233
Depreciation/amortization	608,661	43,269	2,836	654,766
Total Expenses	\$ 38,085,210	\$ 2,515,977	\$ 5,188,583	\$ 45,789,770

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

Operation Homefront
Statements of Functional Expenses

Year ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries, taxes, and employee benefits	\$ 7,839,403	\$ 1,557,258	\$ 1,707,466	\$ 11,104,127
Professional services	1,397,582	401,087	840,459	2,639,128
Supplies	117,141	19,687	29,588	166,416
Communications	122,166	28,072	7,741	157,979
Postage and shipping	760,692	10,224	888,998	1,659,914
Occupancy	582,392	205,500	264	788,156
Equipment rental and maintenance	15,997	6,313	24	22,334
Printing and publications	851,289	6,233	958,274	1,815,796
Travel	120,619	20,501	77,400	218,520
Conferences and meetings	62,416	37,900	26,070	126,386
Specific assistance to individuals	7,788,031	-	-	7,788,031
Special events expenses	424,809	-	81,445	506,254
Memberships and dues	18,359	3,198	6,732	28,289
In-kind expenses	19,102,508	11,779	86,589	19,200,876
Depreciation	486,590	25,495	1,590	513,675
Miscellaneous	186,892	29,128	58,648	274,668
	39,876,886	2,362,375	4,771,288	47,010,549
Less: expense netted in revenue	(424,809)	-	(81,445)	(506,254)
Total Expenses	\$ 39,452,077	\$ 2,362,375	\$ 4,689,843	\$ 46,504,295

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

Operation Homefront

Statements of Cash Flows

Year ended December 31,	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 3,255,854	\$ 18,561,641
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	654,766	513,675
Right-of-use asset amortization	1,011,901	975,726
Bad debt expenses	192,083	-
Realized/unrealized (gain) loss on investments	(1,009,701)	457,351
Beneficial interest contribution	(2,748,000)	-
Change in fair value of beneficial interest	(171,179)	-
Contributed houses	(1,064,435)	(2,226,535)
Contributed goods, services and facilities	(13,850,256)	(12,799,623)
In-kind expenses	14,655,382	19,200,876
Gain on disposal of contributed houses	(46,248)	(221,822)
Changes in operating assets and liabilities:		
Contributions receivable	(2,113,561)	149,842
Other receivables	16,824	(64,368)
Prepaid expenses and other assets	(205,205)	(6,869)
Inventory - homes and other	107,760	(849,769)
Operating lease right-of-use asset	-	(1,388,113)
Accounts payable	(14,217)	225,752
Accrued expenses	89,636	301,683
Accrued escrow accounts	(11,742)	(288,581)
Operating lease liabilities	(999,590)	547,893
Net Cash Provided by (Used In) Operating Activities	(2,249,928)	23,088,759
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,339,923)	(4,515,717)
Proceeds from the sale of houses	297,363	861,245
Purchases of investments	(12,165,760)	(64,324,459)
Proceeds from sale of investments	17,702,933	49,150,705
Net Cash Provided by (Used in) Investing Activities	2,494,613	(18,828,226)
Cash Flows from Financing Activities		
Payments on finance lease obligations	(123,314)	(189,285)
Net Cash Used in Financing Activities	(123,314)	(189,285)
Net Change in Cash and Cash Equivalents	121,371	4,071,248
Cash and Cash Equivalents, beginning of year	9,021,171	4,949,923
Cash and Cash Equivalents, end of year	\$ 9,142,542	\$ 9,021,171
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 2,917	\$ 21,888
Supplemental Disclosures of Non-Cash Flow Information		
Items contributed and held in inventory at year end	\$ 146,680	\$ -
Property and equipment obtained through operating lease	1,715,214	-
Property and equipment obtained through finance lease	-	1,053,956

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

Operation Homefront

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Operation Homefront, Inc. (the Organization or Operation Homefront), was incorporated in 2002 as CinHouse.com, Inc., an Arizona not-for-profit, for the purpose of providing assistance to deployed military troops and their families. The Organization changed its name to Operation Homefront, Inc. in 2006. The Organization receives its funding from community sponsorships, corporate, foundations and individual donations and also participates in numerous fundraising events throughout the year. The Organization provides financial and other assistance/services to military families and wounded warriors across the United States through its two headquarter offices (San Antonio, Texas and McLean, Virginia) and its various field offices that serve all 50 states and territories.

Operation Homefront provides direct services to military families to alleviate financial burdens as well as financial counseling and disaster recovery support. Key service areas include:

- Financial assistance (rent/mortgage payments, home/car repairs, utility/grocery bills, and other essential items).
- Transitional and permanent housing.
- Recurring family support (back-to-school supplies, holiday meals, holiday toys, and other essential items).

These key service areas are provided through the contribution of goods, gift cards and other services which are recognized at fair value and reflected in the accompanying financial statements as contributed goods, services and facilities contributions which are offset by a like amount included as in kind expenses of the Organization.

Operation Homefront also operates two programs called Permanent Homes for Veterans (formally known as Homes on the Homefront) and Transitional Homes for Veterans, that receive donated houses from certain financial institutions and national home builders. These homes are located throughout the United States and are made available to eligible military families and veteran candidates. Operation Homefront is tasked with identifying and placing eligible candidates in those homes, mortgage free. Contributions of these homes are recognized at the estimated fair value as provided by an appraisal less the present value of the estimated closing costs of transferring these homes to the deserving candidate when deeded to Operation Homefront.

A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Organization's classes of net assets included in the accompanying financial statements are defined as follows:

Net Assets Without Donor Restrictions - The class consists of resources that are not subject to donor-imposed restrictions. Board designated net assets are considered unrestricted in accordance with GAAP. There were no board restricted net assets as of December 31, 2023 or 2022.

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Notes to Financial Statements

Net Assets with Donor Restrictions - This class consists of resources that are the result of contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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.

Concentrations of Credit Risk and Contributions

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 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.

Contributed non-financial assets totaling \$8,292,821 were received from one donor for the year ended December 31, 2023, which represent 17% of total support and revenues. Contributed non-financial assets totaling \$7,871,475 were received from one donor for the year ended December 31, 2022, which represent 12% of total support and revenues. Should these contribution levels decrease, the Organization may be adversely affected.

Cash contributions totaling \$3,408,860 and \$20,000,000 were received from one donor for the year ended December 31, 2023 and 2022, respectively, which represents 7% and 31% of total support and revenues for 2023 and 2022, respectively.

Investments

Investments in marketable securities are stated at fair value as of the statement of financial position date. Investments acquired by gift are valued at amounts representing estimated fair value at the date of the gift.

Beneficial Interest in Assets Held by Community Foundation

During 2023, the Organization received the benefit of a donor established fund, the Christel DeHaan Fund for Support of Operation Homefront (the Fund) which is held in perpetuity in a Community Foundation. The Fund shall be a component part of the Community Foundation. All money and property in the Fund shall be held as general assets of the Community Foundation and not segregated as trust property of a separate trust; provided that the fund shall be allocated its pro rata share of the net earnings of the Community Foundation's long-term pool, such percentage interest being subject to adjustment at the time of each addition to, or reduction of, assets in the long-term pool. The Community Foundation's long-term pool is a well-diversified investment pool with long-term investment return objectives.

The Community Foundation shall have all powers necessary, or in its sole discretion desirable, to carry out the purposes of the Fund, including, but not limited to, the power to retain, invest

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and reinvest the Fund and the power to commingle the assets of the Fund with those of other funds for investment purposes.

At the date we receive notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual fund is recorded in the statements of financial position at the fair value of the underlying fund assets. Thereafter, beneficial interests in the fund is reported at the fair value of the percentage fund' assets in the statements of financial position, with changes in fair value recognized in the statements of activities.

The fund shall specifically support the Organization's programs and services for veterans in Central Indiana. Notwithstanding the foregoing, the fund may be used for any purpose including operating support, so long as such purpose is tied to the Organization's work in Central Indiana.

Contributions Receivable

Contributions are recorded as receivables and revenue in the year made unless the contribution is dependent upon the occurrence of a specified future and uncertain event. Contributions are recognized when the conditions upon which they depend are substantially met or when the possibility that the condition will not be met is remote. Allowance for doubtful contributions receivable was \$192,083 and \$0 at December 31, 2023 and 2022, respectively.

Contributed property and equipment are recorded at fair value at the date of donation. Operation Homefront records contributed property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. If a donor stipulates how long the assets must be used, the contribution is recorded as restricted support.

Contributed Houses Inventory

Contributed houses inventory, included in Inventory, houses on the statement of financial position, consists of in-kind contributions of houses from various financial institutions and national home builders received by Operation Homefront for distribution in the Organization's programs. Revenue for the contributed houses is recognized in circumstances in which Operation Homefront has sufficient discretion over the use and disposition of the houses to recognize a contribution in conformity with accounting standards. Contributed houses are valued and recorded as revenue on the statement of activities at the estimated fair value as of the date contributed, less the present value of the estimated closing costs to Operation Homefront. The distribution of these houses for Operation Homefront's programs is recorded as in-kind program expenses in the statements of functional expenses. See Note 9.

Contributed Goods Inventory

Contributed goods inventory, included in Inventory, other on the statement of financial position, consists of in-kind contributions of goods, including gift cards, children's toys and other household items acquired through major retail donations, for distribution and use in Operation Homefront's programs. Revenue for the contributed goods is recognized in circumstances in which Operation Homefront has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with accounting standards. Contributed goods are valued and recorded as revenues on the statement of activities at the estimated fair value as of the date the goods are

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contributed. The distribution of these contributed goods for Operation Homefront's programs are recorded as in-kind program expenses in the statements of functional expenses. See Note 9.

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 \$1,000 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 ten years for furniture, equipment, and software, and 40 years for buildings.

Accrued Escrow Accounts

Operation Homefront's accrued escrow accounts consists of funds collected from the military families or veterans for escrowed deposits, real estate taxes, home insurance and homeowners' association fees that are participating in the Permanent Homes for Veterans program.

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 or notification of a beneficial interest is received. 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.

Gifts of houses or other tangible goods are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Special events revenue consists of donations received by the Organization during the Military Child of the Year annual gala and golf events. Revenue from these events is recognized when cash or an unconditional promise to give is made. These amounts are netted against their related expenses on the statement of activities.

Advertising

Advertising, printing, and publication costs are expensed as incurred and amounted to \$15,000 and \$10,000 for 2023 and 2022, respectively.

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Notes to Financial Statements

Functional Allocation of Expenses

The statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include all expenses, which are allocated on the basis of estimates of time and effort, except specific assistance to individuals.

Employee Benefit Plan

The Organization has a 401 (k) employee benefit plan covering all employees after three months of service and are a least 21 years old. Employees may contribute a percentage of their annual compensation up to the limit allowed by the IRS. The Organization matches up to 4% of the employees' contributions. The Organization's contributions to the Plan were approximately \$301,000 and \$256,000, respectively, in the years ended December 31, 2023 and 2022, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Income Taxes

Operation Homefront 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 after 2020 remain subject to examination.

Leases

The Organization has elected the package of practical expedients under Accounting Standards Codification (ASC) 842 *Leases*, to account for any existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under ASC Topic 842, (b) whether the classification of capital leases or operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

In 2022, a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 lease liabilities of approximately \$2,442,000, which represents the net present value of the remaining lease payments, and right-of-use (ROU) assets of approximately \$2,442,000.

The standard had a material impact on the statement of financial position, but did not have an impact on the statement of activities, nor statements of cash flows. The most significant impact was the recognition of ROU and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

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Notes to Financial Statements

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2023 financial statements.

2. Fair Value Measurements

In accordance with GAAP, 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 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.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used.

Cash and Cash Equivalents - Cash and cash equivalents are valued at their carrying amount due to short-term maturity of the instrument.

Certificates of Deposit - Certificates of deposit are valued at cost plus accrued interest which approximates fair value.

Fixed Income - Fixed income is valued based on quoted prices of securities with similar characteristics or independent asset pricing services and pricing models that use market-based inputs or independently sourced market parameters, including, but not limited to yield curves, matrix pricing, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows.

Equities - Equities are valued at the daily closing price reported on the active market.

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Beneficial Interest - The fair value of our beneficial interest in assets held by the Community Foundation is based on the fair value of fund investments as reported by the Community Foundation. These are considered to be Level 2 measurements.

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:

December 31, 2023

	Level 1	Level 2	Level 3	Total
Equities	\$ 5,694,197	\$ -	\$ -	\$ 5,694,197
Fixed income	-	4,250,254	-	4,250,254
Beneficial interest	-	2,919,179	-	2,919,179
Total Investments, at fair value	\$ 5,694,197	\$ 7,169,433	\$ -	12,863,630
Certificate of deposit				<u>2,250,000</u>
Total Investments and Beneficial Interest				\$15,113,630

December 31, 2022

	Level 1	Level 2	Level 3	Total
Equities	\$ 2,538,384	\$ -	\$ -	\$ 2,538,384
Fixed income	-	12,490,388	-	12,490,388
Total Investments, at fair value	\$ 2,538,384	\$12,490,388	\$ -	15,028,772
Certificates of deposit				<u>1,693,151</u>
Total Investments				\$16,721,923

Operation Homefront
Notes to Financial Statements

3. Contributions Receivable

Contributions receivable are due as follows:

<i>December 31,</i>	2023	2022
Due within one year	\$ 6,700,390	\$ 6,242,778
Due in one to five years	3,126,082	1,361,217
Total Contributions Receivable, gross	9,826,472	7,603,995
Less:		
Discount at 5.8% and 5.2%, respectively	(299,572)	(190,656)
Allowance for doubtful accounts	(192,083)	-
Total Contributions Receivable, net of discounts	\$ 9,334,817	\$ 7,413,339

4. Employee Retention Credit

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. For the year ended December 31, 2022, the Organization complied with the conditions of Employee Retention Credit (ERC) funding as established by the Coronavirus Aid, Relief, and Economic Security Act and recognized \$814,791 of ERC revenue and grants receivable related to performance requirements being met and costs being incurred in compliance with the program during the year ended December 31, 2021. The receivable balance is included in other receivables on the statement of financial position as of December 31, 2022. In 2023, the Organization determined that the wrong amount was applied for and returned the amount received during the year. The Organization then reapplied for the correct amount which is in other receivables at December 31, 2023 in the amount of \$792,650.

5. Property and Equipment

Property and equipment consist of the following:

<i>December 31,</i>	2023	2022
Land	\$ 1,578,388	\$ 1,320,109
Buildings	10,355,813	7,992,701
Computers and equipment	419,464	390,568
Furniture and fixtures	259,120	259,120
Vehicles	50,664	54,006
Software	2,121,372	1,598,135
Finance lease ROU asset	1,053,956	1,053,956
Software development in progress	-	105,073
Total Property and Equipment	15,838,777	12,773,668
Less: accumulated depreciation	(2,996,470)	(2,365,281)
Property and Equipment, Net	\$ 12,842,307	\$ 10,408,387

Operation Homefront
Notes to Financial Statements

6. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following:

<i>December 31,</i>	2023	2022
Beneficial Interest- Christel DeHaan Fund		
Restricted in Perpetuity	\$ 2,748,000	\$ -
Restricted for Central Indiana community	171,179	-
Total Beneficial Interest	2,919,179	-
Subject to expenditure for specified purpose:		
Critical financial assistance	6,765,556	5,437,540
Transitional housing	695,411	897,910
Transitional homes for veterans	2,667,455	970,259
Permanent homes for veterans	1,808,181	1,452,257
Field programs	1,120,203	506,444
Program growth and innovation	2,767,811	2,621,600
Subject to time restrictions	2,127,797	2,176,739
Total Donor Restricted Net Assets	\$ 20,871,593	\$ 14,062,749

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, as shown below:

<i>Year ended December 31,</i>	2023	2022
Satisfaction of program restriction:		
Critical financial assistance	\$ 4,495,124	\$ 7,311,363
Transitional housing	1,323,683	1,232,287
Transitional homes for veterans	804,306	1,286,416
Permanent homes for veterans	1,221,069	8,000,279
Field programs	2,159,484	2,605,740
Program growth and innovation	1,195,722	1,561,037
Satisfaction of time restriction	346,761	295,920
Total Net Assets, released from donor restrictions	\$ 11,546,149	\$ 22,293,042

7. Leases

Operation Homefront leases office space in various cities where its field offices and headquarters are located under non-cancelable operating leases with monthly payments ranging from \$450 to \$18,272 and expiration dates through August 2029. In addition, the Organization leases apartment units for service members discharged from military service who are transitioning from military base housing to permanent housing. These agreements have monthly payments ranging from \$1,266 to \$3,870 with varying expiration dates through February 2025.

Operation Homefront

Notes to Financial Statements

The Organization determines if an arrangement is a lease at inception. Operating leases are included in Right of use (ROU) assets, and operating lease liabilities on the statements of financial position. Finance leases are included in property and equipment, net, and finance lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses the incremental borrowing rate or a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

None of the Organization's lease agreements contain contingent rental payments, material residual value guarantees or material restrictive covenants. The Organization has no sublease agreements and no lease agreements in which it is named as a lessor. The Organization performs interim reviews of its long-lived assets for impairment when evidence exists that the carrying value of an asset group, including a lease asset, may not be recoverable, and the Organization did not recognize an impairment expense associated with operating lease assets during 2023 or 2022.

The Organization has elected to apply the short-term lease exemption to apartments with initial lease agreements of 12 months or less and to warehouse and storage facilities that are rented on a month-to-month basis for the storage of inventories of in-kind donations. The short-term lease cost recognized and disclosed for those leases for the year ended December 31, 2023 was approximately \$269,851. The remaining lease payments due in 2024 are approximately \$150,695.

The Company has also made an accounting policy election as a private entity to use a risk-free discount rate for its leases when the rate implicit in the lease is not readily determinable for any individual lease.

Operation Homefront
Notes to Financial Statements

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. However, by electing by class of underlying asset the available practical expedient, the Company has elected to account for the lease and non-lease components as a single lease component, which may cause variability in future lease payments as the amount of non-lease components is revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

<i>Year ending December 31, 2023</i>	2023	2022
Lease cost:		
Finance lease cost	\$	\$
Amortization of ROU assets	138,641	135,506
Interest of lease liabilities	14,000	15,220
Operating lease cost	999,590	1,457,356
Total Lease Cost	\$ 1,152,231	\$ 1,608,082
Other information		
ROU assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 1,716,624	\$ 1,388,113
Weighted-average remaining lease term (in years):		
Operating leases	3.0	0.9
Financing leases	5.4	6.6
Weighted-average discount rate (%):		
Operating leases	2.7	3.0
Financing leases	1.6	1.6

Future minimum lease payments under non-cancellable leases as of December 31, 2023 were as follows:

<i>Year ending December 31,</i>	<u>Operating leases</u>	<u>Finance leases</u>
2024	\$ 686,935	\$ 153,810
2025	216,790	145,682
2026	164,646	150,052
2027	167,391	154,554
2028	108,676	260,948
Total Future Minimum Lease Payments	1,344,438	865,046
Less: imputed interest	(67,622)	(49,348)
Present Value of Net Minimum Lease Payments	\$ 1,276,816	\$ 815,698

Operation Homefront
Notes to Financial Statements

8. Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities included:

<i>Year ended December 31,</i>	2023	2022
Gift cards	\$ 132,635	\$ 329,994
Facilities	89,152	137,165
Goods	11,748,777	9,725,563
Media and other services	1,707,003	2,344,782
Vehicles	172,689	262,119
Houses	1,064,435	2,226,535
Total	\$ 14,914,691	\$ 15,026,158

The nonfinancial assets listed above were recognized within support and revenues. Contributed houses were restricted for the permanent housing program. Contributed gift cards were restricted for various field programs, critical financial assistance, or the permanent housing program. All other contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed nonfinancial assets were utilized in the following programs:

Contributed Items	Programs
Gift cards	Back to school program and holiday meals
Facilities	Regional offices
Goods	Back to school program, holiday meals, and other direct community assistance
Media and other services	Various program events and development
Vehicles	Various program events and supporting services
Houses	Permanent homes for veterans

The following basis was used for valuing contributed items:

Contributed Items	Valuation Basis
Gift cards	Face value of the individual gift cards
Facilities	Estimates of market value for similar spaces
Goods	Estimates of retail values
Media and other services	Estimates of market value for similar services
Vehicles	Estimates of market value for similar products and services
Houses	Broker price opinion or county assessed value

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the services would typically need to be purchased if not donated.

Operation Homefront
Notes to Financial Statements

9. Allocation of Joint Costs

In accordance with accounting standards, Operation Homefront conducts activities that include a fundraising appeal. Those activities include direct mail campaigns. For the year ending December 31, 2023, the costs of conducting these activities included a total of \$4,805,175 of joint costs, with \$2,114,277 allocated to program expenses and \$2,690,898 allocated to fundraising expenses. For the year ending December 31, 2022, the costs of conducting these activities included a total of \$4,423,149 of joint costs, with \$1,946,186 allocated to program expenses and \$2,476,963 allocated to fundraising expenses. These amounts are allocated on the statement of functional expense between program and fundraising by the natural classification of the cost incurred.

10. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash	\$ 9,142,542	\$ 9,021,171
Investments	12,194,451	16,721,923
Contributions receivable, current	6,700,390	6,242,778
Other receivables, current	864,286	881,110
Less:		
Escrow funds	(141,116)	(152,858)
Donor restricted cash and contributions receivable	(15,626,194)	(7,997,552)
Total Financial Assets Available for General Expenditures in the Next 12 Months	\$ 13,134,359	\$ 24,716,572

The Organization believes it has sufficient financial assets available with normal levels of operations to meet its financial obligations for general expenditures for the next year. The Organization obtained an available line of credit of up to \$2,000,000 in July 2023, secured through their investment account with interest rate of SOFR +1.5%. There were no draws on the line of credit during 2023.

11. Subsequent Events

Management has evaluated subsequent events through April 15, 2024, which is the date the financial statements were available to be issued. During this period, there were no material subsequent events that required recognition or additional disclosure in these financial statements.