

Operation Homefront, Inc.

Financial Statements
Years Ended December 2024 and 2023

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, Inc.

Financial Statements
Years Ended December 31, 2024 and 2023

Operation Homefront, Inc.

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Independent Auditor's Report

The Board of Directors
Operation Homefront, Inc.
San Antonio, Texas

Opinion

We have audited the financial statements of Operation Homefront, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2024 and 2023, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2024 and 2023, and the change in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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 14, 2025

Operation Homefront, Inc.
Statements of Financial Position

<i>December 31,</i>	2024	2023
Assets		
Cash and cash equivalents	\$ 8,414,417	\$ 9,142,542
Investments, at fair value	10,056,102	12,194,451
Contributions receivable, net	8,069,889	9,334,817
Other receivables	865,476	864,286
Inventory, houses	6,503,168	4,805,395
Inventory, other	620,375	999,349
Prepaid expenses and other assets	480,428	503,120
Right-of-use asset	981,451	1,251,206
Property and equipment, net	15,238,664	12,842,307
Beneficial interest, at fair value	3,100,850	2,919,179
Total Assets	\$ 54,330,820	\$ 54,856,652
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 906,201	\$ 918,051
Accrued expenses	1,443,275	1,214,504
Accrued escrow accounts	199,340	141,116
Operating lease liabilities	1,009,056	1,276,816
Finance lease liabilities	20,546	815,698
Total Liabilities	3,578,418	4,366,185
Net Assets		
Without donor restrictions	25,284,747	29,618,874
With donor restrictions	25,467,655	20,871,593
Total Net Assets	50,752,402	50,490,467
Total Liabilities and Net Assets	\$ 54,330,820	\$ 54,856,652

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

Operation Homefront, Inc.

Statements of Activities and Changes in Net Assets

Year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributed houses	\$ -	\$ 3,201,868	\$ 3,201,868
Contributed goods, services, and facilities	14,955,807	115,664	15,071,471
Contributions	11,830,024	16,905,486	28,735,510
Other revenues:			
Investment earnings, net	1,473,110	-	1,473,110
Change in fair value of beneficial interest	-	327,629	327,629
Loss on disposal of assets	(43,194)	-	(43,194)
Other revenues, net	50,427	-	50,427
Total Support and Revenues	28,266,174	20,550,647	48,816,821
Expenses			
Program services	40,514,392	-	40,514,392
Management and general	3,001,874	-	3,001,874
Fundraising	5,038,620	-	5,038,620
Total Expenses	48,554,886	-	48,554,886
Net Assets Released from Restrictions	15,954,585	(15,954,585)	-
Change in Net Assets	(4,334,127)	4,596,062	261,935
Net Assets, beginning of year	29,618,874	20,871,593	50,490,467
Net Assets, end of year	\$ 25,284,747	\$ 25,467,655	\$ 50,752,402

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

Operation Homefront, Inc.

Statements of Activities and Changes in Net Assets

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 disposal of assets	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, Inc.
Statements of Functional Expenses

Year ended December 31, 2024

	Program Services	Management and General	Fundraising	Total
Salaries, taxes, and employee benefits	\$ 9,734,052	\$ 1,871,662	\$ 1,799,206	\$ 13,404,920
Professional fees	1,914,188	592,571	1,093,116	3,599,875
Supplies	122,141	18,726	10,996	151,863
Communications	121,501	27,026	9,138	157,665
Postage and shipping	844,049	8,966	867,943	1,720,958
Occupancy	464,772	149,054	489	614,315
Equipment rental and maintenance	9,451	3,807	10	13,268
Printing and publications	748,946	5,403	712,553	1,466,902
Travel	184,830	18,308	52,057	255,195
Conferences and meetings	130,800	81,329	31,820	243,949
Specific assistance to individuals	8,557,589	-	-	8,557,589
Event expenses	503,072	10,101	13,223	526,396
Memberships and dues	17,143	3,150	9,157	29,450
Contributions - nonfinancial assets - houses	1,810,996	-	-	1,810,996
Contributions - nonfinancial assets - goods	14,866,268	174,687	312,433	15,353,388
Miscellaneous expenses	88,876	17,650	125,278	231,804
Depreciation/amortization	395,718	19,434	1,201	416,353
Total Expenses	\$ 40,514,392	\$ 3,001,874	\$ 5,038,620	\$ 48,554,886

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

Operation Homefront, Inc.
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 fees	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
Contributions - nonfinancial assets - houses	1,369,385	-	-	1,369,385
Contributions - nonfinancial assets - goods	13,259,436	18,187	8,374	13,285,997
Miscellaneous expenses	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, Inc.

Statements of Cash Flows

<i>Year ended December 31,</i>	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 261,935	\$ 3,255,854
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	416,353	654,766
Right-of-use asset amortization	1,141,874	1,011,901
Gain on extinguishment on lease liability	(48,191)	-
Bad debt expenses	204,409	192,083
Realized/unrealized loss (gain) on investments	(772,812)	(1,009,701)
Beneficial interest contribution	-	(2,748,000)
Change in fair value of beneficial interest	(327,629)	(171,179)
Contributed houses	(3,201,868)	(1,064,435)
Contributed goods, services, and facilities	(15,071,471)	(13,850,256)
Contributed non-financial assets	17,164,384	14,655,382
Loss (gain) on disposal of assets	43,194	(46,248)
Changes in operating assets and liabilities:		
Contributions receivable	1,060,519	(2,113,561)
Other receivables	(1,190)	16,824
Prepaid expenses and other assets	22,692	(205,205)
Inventory - homes and other	(429,744)	107,760
Accounts payable	(11,850)	(14,217)
Accrued expenses	228,771	89,636
Accrued escrow accounts	58,224	(11,742)
Operating lease liabilities	(1,045,660)	(999,590)
Net Cash Used in Operating Activities	(308,060)	(2,249,928)
Cash Flows from Investing Activities		
Purchase of property and equipment	(4,212,547)	(3,339,923)
Proceeds from the sale of assets	815,993	297,363
Purchases of investments	(6,680,121)	(12,165,760)
Distribution from beneficial interest	145,958	-
Proceeds from sale of investments	9,591,282	17,702,933
Net Cash Provided by (Used in) Investing Activities	(339,435)	2,494,613
Cash Flows from Financing Activities		
Payments on finance lease obligations	(80,630)	(123,314)
Net Cash Used in Financing Activities	(80,630)	(123,314)
Net Change in Cash and Cash Equivalents	(728,125)	121,371
Cash and Cash Equivalents, beginning of year	9,142,542	9,021,171
Cash and Cash Equivalents, end of year	\$ 8,414,417	\$ 9,142,542
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 15,093	\$ 2,917
Supplemental Disclosures of Non-Cash Flow Information		
Right-of-use assets acquired by assumption of lease liabilities	\$ 777,900	\$ 1,175,214

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

Operation Homefront, Inc.

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 headquarters office in San Antonio, Texas 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 - This 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, 2024 or 2023.

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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 \$9,165,494 were received from one donor for the year ended December 31, 2024, which represent 19% of total support and revenues. 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. Should these contribution levels decrease, the Organization may be adversely affected.

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 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 changes in net assets, and a

Operation Homefront, Inc.

Notes to Financial Statements

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 are reported at the fair value of the percentage fund's assets in the statements of financial position, with changes in fair value recognized in the statements of activities and changes in net assets.

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 \$204,409 and \$192,083 at December 31, 2024 and 2023, respectively. The Organization wrote off \$134,511 and \$21,947 contributions receivable during the fiscal years ended December 31, 2024 and 2023, 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 statements 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 statements of activities and changes in net assets 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 statements 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 statements of activities and changes in net assets at the estimated fair value as of the date the goods are 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.

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Notes to Financial Statements

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 statements of activities and changes in net assets.

Advertising

Advertising, printing, and publication costs are expensed as incurred and amounted to \$15,000 for 2024 and 2023, each.

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.

Operation Homefront, Inc.

Notes to Financial Statements

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 Internal Revenue Service (IRS). The Organization matches up to 4% of the employees' contributions. The Organization's contributions to the plan were approximately \$330,000 and \$301,000 in the years ended December 31, 2024 and 2023, respectively, \$35,486 and \$11,592 of which were included in accrued expenses as of December 31, 2024 and 2023, 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 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 records leases in accordance with Accounting Standards Codification (ASC) 842, *Leases*. The guidance requires to recognize a lease liability and a right-of-use (ROU) asset for all leases with the exception of short-term leases whose terms are 12 months or less. Additionally, the Organization elected the package of practical expedients permitted under ASC 842, and accordingly, did not reassess whether existing contracts contain leases, lease classifications, or the treatment of initial direct costs capitalized under the previous standard. The Organization has elected to apply the practical expedient to not separate non-lease components from associated lease components.

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 - This level consists of inputs to the valuation methodology that are quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Operation Homefront, Inc.

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Level 2 - This level consists of inputs to the valuation methodology that 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 - This level consists of inputs to the valuation methodology that 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.

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.

Operation Homefront, Inc.

Notes to Financial Statements

The following tables set forth, by level within the fair value hierarchy, the Organization's investments measured at fair value:

December 31, 2024

	Level 1	Level 2	Level 3	Total
Equities	\$ 5,677,125	\$ -	\$ -	\$ 5,677,125
Fixed income	-	4,378,977	-	4,378,977
Beneficial interest	-	3,100,850	-	3,100,850
Total Investments and Beneficial Interest	\$ 5,677,125	\$ 7,479,827	\$ -	\$ 13,156,952

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				2,250,000
Total Investments and Beneficial Interest				\$ 15,113,630

3. Contributions Receivable

Contributions receivable are due as follows:

<i>December 31,</i>	2024	2023
Due within one year	\$ 6,188,373	\$ 6,700,390
Due in one to five years	2,262,500	3,126,082
Total Contributions Receivable, gross	8,450,873	9,826,472
Less:		
Discount at 4.2% and 5.8%, respectively	(176,575)	(299,572)
Allowance for doubtful accounts	(204,409)	(192,083)
Total Contributions Receivable, net of discounts	\$ 8,069,889	\$ 9,334,817

Operation Homefront, Inc.

Notes to Financial Statements

4. Employee Retention Credit

Prior to 2023, the Organization complied with the conditions of Employee Retention Credit (ERC) funding as established by the Coronavirus Aid, Relief, and Economic Security Act and applied for ERC credits under the program. As of December 31, 2024 and 2023, the Organization has \$792,650 in other receivables from these credits. Subsequent to year-end, the IRS notified the Organization that the credit has been approved and processed.

5. Property and Equipment

Property and equipment consist of the following:

<i>December 31,</i>	2024	2023
Land	\$ 1,787,907	\$ 1,578,388
Buildings	13,206,543	10,355,813
Computers and equipment	495,063	419,464
Furniture and fixtures	482,192	259,120
Vehicles	50,664	50,664
Software	2,317,023	2,121,372
Finance lease ROU asset	293,406	1,053,956
Total Property and Equipment	18,632,798	15,838,777
Less: accumulated depreciation	(3,394,134)	(2,996,470)
Property and Equipment, Net	\$ 15,238,664	\$ 12,842,307

6. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following:

<i>December 31,</i>	2024	2023
Beneficial interest- Christel DeHaan Fund:		
Restricted in Perpetuity	\$ 2,748,000	\$ 2,748,000
Restricted for Central Indiana community	352,849	171,179
Total Beneficial Interest	3,100,849	2,919,179
Subject to expenditure for specified purpose:		
Critical financial assistance	8,446,107	6,765,556
Transitional housing	579,138	1,120,203
Transitional homes for veterans	2,525,583	2,667,455
Permanent homes for veterans	3,101,244	1,808,181
Field programs	2,789,340	695,411
Program growth and innovation	1,474,455	2,767,811
Subject to time restrictions	3,450,939	2,127,797
Total Donor Restricted Net Assets	\$ 25,467,655	\$ 20,871,593

Operation Homefront, Inc.

Notes to Financial Statements

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>	2024	2023
Satisfaction of program restriction:		
Critical financial assistance	\$ 4,196,727	\$ 4,495,124
Transitional housing	777,324	1,323,683
Transitional homes for veterans	1,011,940	804,306
Permanent homes for veterans	2,058,806	1,221,069
Field programs	3,372,421	2,159,484
Program growth and innovation	2,409,570	1,195,722
Satisfaction of time restriction	2,127,797	346,761
Total Net Assets, released from donor restrictions	\$ 15,954,585	\$ 11,546,149

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 \$146 to \$11,106 and expiration dates through August 2028. 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 \$1,317 to \$4,377 with varying expiration dates through December 2025.

The Organization determines if an arrangement is a lease at inception. Operating leases are included in 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

Operation Homefront, Inc.

Notes to Financial Statements

group, including a lease asset, may not be recoverable, and the Organization did not recognize an impairment expense associated with operating lease assets during 2024 or 2023.

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, 2024, was approximately \$327,000. The remaining lease payments due in 2025 are approximately \$147,000.

The Organization 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.

The Organization 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.

During the year, the Organization decided to not utilize its right to extend the finance lease associated to its Virginia headquarters, which had been previously recorded as a lease liability. The finance lease was originally due to expire in August 2024 with the option to extend the lease to August 2029. A gain amounting to approximately \$48,000 was recognized from not utilizing the extension option. This was netted with the occupancy expense in the statements of functional expenses. This resulted in the removal of the leased asset and associated liability from the statements of financial position, which had a net book value of approximately \$666,000 and \$714,000, respectfully.

<i>Year ended December 31,</i>	2024	2023
Lease cost:		
Finance lease cost:		
Amortization of ROU assets	\$ 94,219	\$ 138,641
Interest on lease liabilities	15,093	14,000
Operating lease cost	1,045,660	999,590
Total Lease Cost	\$ 1,154,972	\$ 1,152,231
Weighted-average remaining lease term:		
Operating leases	2.0 years	3.0 years
Financing leases	3.6 years	5.4 years
Weighted-average discount rate:		
Operating leases	3.9%	2.7%
Financing leases	2.1%	1.6%

Operation Homefront, Inc.

Notes to Financial Statements

Future minimum lease payments under non-cancellable leases as of December 31, 2024 were as follows:

Year ending December 31,

	Operating Leases	Finance Leases
2025	\$ 537,592	\$ 5,801
2026	218,320	5,975
2027	184,424	6,154
2028	111,513	3,652
Total Future Minimum Lease Payments	1,051,849	21,582
Less: imputed interest	(42,793)	(1,036)
Present Value of Net Minimum Lease Payments	\$ 1,009,056	\$ 20,546

8. Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statements of activities and changes in net assets included:

<i>Year ended December 31,</i>	2024	2023
Gift cards	\$ 74,388	\$ 132,635
Facilities	64,868	89,152
Goods	10,900,252	11,748,777
Media and other services	3,841,277	1,707,003
Vehicles	190,686	172,689
Houses	3,201,868	1,064,435
Total	\$ 18,273,339	\$ 14,914,691

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.

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Operation Homefront, Inc.

Notes to Financial Statements

The following basis was used for valuing contributed nonfinancial assets and was utilized in the following programs:

Contributed Items	Valuation Basis	Programs
Gift cards	Face value of the individual gift cards	Back to school program and holiday meals
Facilities	Estimates of market value for similar spaces	Regional offices
Goods	Estimates of retail values	Back to school program, holiday meals, and other direct community assistance
Media and other services	Estimates of market value for similar services	Various program events and development
Vehicles	Estimates of market value for similar products and services	Various program events and supporting services
Houses	Broker price opinion or county assessed value	Permanent homes for veterans

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.

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, 2024, the costs of conducting these activities included a total of \$4,763,097 of joint costs, with \$2,286,287 allocated to program expenses and \$2,476,810 allocated to fundraising expenses. 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. These amounts are allocated on the statements of functional expenses between program and fundraising by the natural classification of the cost incurred.

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Operation Homefront, Inc.

Notes to Financial Statements

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:

<i>December 31,</i>	2024	2023
Cash	\$ 8,414,417	\$ 9,142,542
Investments	10,056,102	12,194,451
Contributions receivable, current	6,188,373	6,700,390
Other receivables, current	865,476	864,286
Less:		
Escrow funds	(199,340)	(141,116)
Donor restricted cash and contributions receivable	(14,914,854)	(12,707,015)
Total Financial Assets Available for General Expenditures in the Next 12 Months	\$ 10,410,174	\$ 16,053,538

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 with a maturity date of September 30, 2025, secured through their investment account with interest rate of SOFR +1.5%. There were no draws on the line of credit during 2024 and 2023.

11. Subsequent Events

Management has evaluated subsequent events through April 14, 2025, 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.