

OPERATION FINALLY HOME

FINANCIAL STATEMENTS

December 31, 2015 and 2014

OPERATION FINALLY HOME
FINANCIAL STATEMENTS
December 31, 2015 and 2014

TABLE OF CONTENTS

| | |
|---|-------|
| Independent Auditor's Report | 1-2 |
| Financial Statements: | |
| Statements of Financial Position | 3 |
| Statement of Activities | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6-11 |
| Supplemental Information Section: | |
| Schedule of Functional Expenses | 12 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 13-14 |

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying statements of financial position of Operation FINALLY HOME (a non-profit organization) as of December 31, 2015 and 2014, and the related statements of activities (with comparative totals for 2014) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation FINALLY HOME as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

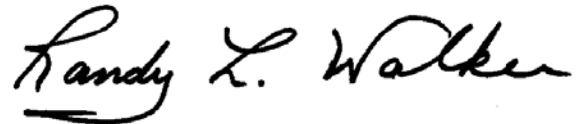
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2016 on pages 13-14 on our consideration of Operation FINALLY HOME's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Operation FINALLY HOME's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline under the first letter of the first name.

San Antonio, Texas
May 17, 2016

OPERATION FINALLY HOME
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

| | 2015 | 2014 |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents | \$ 837,793 | \$ 469,164 |
| Investments | 2,984,206 | 2,202,835 |
| Accounts Receivable | 83,395 | 393,443 |
| Construction and Acquisition Costs for Veterans' Homes (Note 9) | 1,067,859 | 614,981 |
| Other Assets | 5,234 | 9,374 |
| Property and Equipment (net) | 234,461 | 251,456 |
| TOTAL ASSETS | \$ 5,212,948 | \$ 3,941,253 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| Contractual Commitment to Transfer Homes to Veterans (Note 9) | \$ 1,067,859 | \$ 614,981 |
| Accounts Payable | 32,495 | 68,378 |
| Accrued Expenses | 30,330 | 20,498 |
| Note Payable | 26,922 | - |
| TOTAL LIABILITIES | 1,157,606 | 703,857 |
| NET ASSETS | | |
| Unrestricted: | | |
| Undesignated | 1,545,000 | 1,889,648 |
| Designated | 658,236 | 57,345 |
| | 2,203,236 | 1,946,993 |
| Temporarily Restricted | 1,852,106 | 1,290,403 |
| TOTAL NET ASSETS | 4,055,342 | 3,237,396 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,212,948 | \$ 3,941,253 |

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

OPERATION FINALLY HOME
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(with comparative totals for 2014)

| | 2015 | | | 2014 Total |
|---------------------------------------|---------------------|-----------------------------------|----------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | |
| <u>SUPPORT AND REVENUE</u> | | | | |
| Contributions | \$ 1,250,558 | \$ 2,959,637 | \$ 4,210,195 | \$ 4,911,261 |
| Contributed Materials and Services | 1,960,758 | - | 1,960,758 | 2,402,227 |
| Fundraising | 580,938 | 137,337 | 718,275 | 919,815 |
| Grants | 49,839 | 665,549 | 715,388 | 509,146 |
| Other Income | 24,377 | - | 24,377 | 4,864 |
| Interest Income | 18,265 | - | 18,265 | 9,056 |
| (Loss) Gain on Investments | (9,299) | - | (9,299) | 3,744 |
| Net Assets Released from Restrictions | <u>3,200,820</u> | <u>(3,200,820)</u> | <u>-</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>7,076,256</u> | <u>561,703</u> | <u>7,637,959</u> | <u>8,760,113</u> |
| <u>EXPENSES</u> | | | | |
| Program Expense | 5,035,536 | - | 5,035,536 | 4,629,087 |
| General and Administrative | 548,565 | - | 548,565 | 682,664 |
| Fundraising | <u>1,235,912</u> | <u>-</u> | <u>1,235,912</u> | <u>1,109,540</u> |
| TOTAL EXPENSES | <u>6,820,013</u> | <u>-</u> | <u>6,820,013</u> | <u>6,421,291</u> |
| CHANGE IN NET ASSETS | 256,243 | 561,703 | 817,946 | 2,338,822 |
| NET ASSETS, Beginning of Year | <u>1,946,993</u> | <u>1,290,403</u> | <u>3,237,396</u> | <u>898,574</u> |
| NET ASSETS, END OF YEAR | <u>\$ 2,203,236</u> | <u>\$ 1,852,106</u> | <u>\$ 4,055,342</u> | <u>\$ 3,237,396</u> |

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

OPERATION FINALLY HOME
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|--|-------------------|--------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Increase in Net Assets from Operations | \$ 817,946 | \$ 2,338,822 |
| Adjustments to Reconcile Net Increase to Net Cash | | |
| Provided by Operations: | | |
| Depreciation Expense | 50,971 | 40,056 |
| Realized and Unrealized Loss (Gain) on Investments | 9,299 | (3,744) |
| (Gain) Loss on Disposal of Assets | (1,784) | 1,697 |
| Donated Property and Equipment | (13,186) | (45,000) |
| Decrease (Increase) in Assets: | | |
| Undeposited Funds | - | 21,000 |
| Accounts Receivable | 310,048 | (355,567) |
| Construction and Acquisition Costs for Veterans' Homes | (452,878) | (63,382) |
| House Inventory Pending Commitment | - | 166,257 |
| Other Assets | 4,140 | (7,574) |
| Increase (Decrease) in Liabilities: | | |
| Contractual Commitment to Transfer Homes to Veterans | 452,878 | 63,382 |
| Accounts Payable | (35,883) | (54,763) |
| Accrued Expenses | 9,832 | 2,337 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,151,383 | 2,103,521 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Proceeds from Sale of Investments | - | 125,000 |
| Purchases of Investments | (790,670) | (2,274,844) |
| Proceeds from Sale of Land | 15,000 | - |
| Purchases of Property and Equipment | (34,006) | (53,454) |
| NET CASH USED BY INVESTING ACTIVITIES | (809,676) | (2,203,298) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Proceeds from Borrowings on Note Payable | 29,788 | - |
| Principal Payments on Note Payable | (2,866) | - |
| NET CASH PROVIDED FROM FINANCING ACTIVITIES | 26,922 | - |
| NET INCREASE (DECREASE) IN CASH FLOWS | 368,629 | (99,777) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 469,164 | 568,941 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 837,793 | \$ 469,164 |

Supplemental Information

| | | |
|---------------|----------|--------|
| Interest Paid | \$ 1,172 | \$ 557 |
|---------------|----------|--------|

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

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying statements of Operation FINALLY HOME (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization and Nature of Activities

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

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

- Unrestricted – Resources that are expendable at the discretion of the Organization for conducting the operations.
- Temporarily Restricted – Resources that are limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and otherwise removed by actions of the Organization pursuant to those stipulations.
- Permanently Restricted – Net assets subject to donor-imposed stipulations of which the principal must be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2015 and 2014.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

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

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Property and Equipment

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

Investments

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

Accounts Receivable

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

Income Tax Status

Operation FINALLY HOME is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, as such, qualifies for the maximum charitable contributions deduction by donors. As of December 31, 2015, the tax years subject to examination by taxing authorities begin with 2013.

Revenue Recognition

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. These costs of advertising are expensed as incurred. Advertising expense was \$104,817 and \$26,329 for the years ended December 31, 2015 and 2014, respectively.

Subsequent Events

The Organization has evaluated subsequent events through May 17, 2016, which is the date the financial statements were available to be issued.

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 2 - LINE OF CREDIT

On January 16, 2014, the Organization entered into an unsecured revolving line of credit agreement for up to \$150,000. The line of credit has an interest rate of prime plus 3.7% per annum and matured on January 17, 2015. The Organization renewed the line of credit for another year under the existing terms. As of December 31, 2015 and 2014, the outstanding balance was \$-0-.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following as of December 31:

| | 2015 | 2014 |
|---------------------------------|-------------------|-------------|
| Cash in Bank | \$ 816,590 | \$ 417,829 |
| Mobile Cause | 773 | 31,362 |
| Direct Mailing Checking | 16,671 | 16,154 |
| PayPal and Crowdise | 3,759 | 3,819 |
| Total Cash and Cash Equivalents | \$ 837,793 | \$ 469,164 |

NOTE 4 - INVESTMENTS

Investments consisted of the following at December 31:

| | 2015 | | 2014 | |
|-----------------------------|---------------------|---------------------|-------------------|--------------|
| | Fair Value | Cost | Fair Value | Cost |
| Short Term Investments: | | | | |
| Cash and Cash Equivalents | \$ 772,012 | \$ 772,012 | \$ 68,275 | \$ 68,274 |
| Corporate Bond Fixed Income | 3,560 | 3,909 | 4,161 | 3,909 |
| Long Term Investments: | | | | |
| Exchange Traded Funds-LP | 21,171 | 10,975 | 10,947 | 10,975 |
| Diversified Large Capital | - | - | 13,669 | 13,629 |
| Mutual Funds | 2,057,179 | 2,065,348 | 2,005,314 | 2,005,312 |
| Stocks-Long Position | 130,284 | 96,301 | 100,469 | 96,301 |
| Total Investments | \$ 2,984,206 | \$ 2,948,545 | \$ 2,202,835 | \$ 2,198,400 |

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

| | 2015 | 2014 |
|---|------------------|-------------|
| Dividends and Interest | \$ 19,064 | \$ 8,157 |
| Net Realized and Unrealized (Losses) Gains on Investments Reported at Fair Value | (9,299) | 3,744 |
| Total Investment Income | \$ 9,765 | \$ 11,901 |

NOTE 5 - RELATED PARTIES

Three members of the Board of Directors receive a salary for services provided to the Organization. Total payments to the board members for these services for the years ended December 31, 2015 and 2014 were \$326,868 and \$204,953, respectively.

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 6 - CONTRIBUTED MATERIALS AND SERVICES

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

| | 2015 | 2014 |
|--|---------------------|--------------|
| Building Materials and Construction Services | \$ 1,861,558 | \$ 2,388,759 |
| Fundraising Event Costs | 36,839 | 9,633 |
| Advertising, Printing, and Misc. | 62,361 | 3,835 |
| Total Contributed Materials and Services | \$ 1,960,758 | \$ 2,402,227 |

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash and investment balances at multiple financial institutions and investment organizations. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000 per bank. The Securities Investor Protection Corporation insures the balances in investment accounts up to \$500,000. The uninsured balances in the Organization's cash accounts totaled \$534,206 and \$180,907 at December 31, 2015 and 2014, respectively, without consideration of reconciling items. The uninsured balances in the Organization's investments accounts totaled \$1,984,206 and \$1,505,182 at December 31, 2015 and 2014, respectively.

NOTE 8 - BOARD DESIGNATED NET ASSETS

Unrestricted net assets were designated by the Board of Directors for the following purposes at December 31:

| | 2015 | 2014 |
|-----------------------|-------------------|-----------|
| Future Projects | \$ 404,138 | \$ 20,000 |
| Future Fundraisers | 130,242 | 37,345 |
| Future Operations | 123,856 | - |
| Tota Board Designated | \$ 658,236 | \$ 57,345 |

NOTE 9 - CONSTRUCTION AND ACQUISITION COSTS FOR VETERANS' HOMES AND COMMITMENTS TO TRANSFER HOMES TO VETERANS

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

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

To the extent that all significant conditions are met, a liability representing the commitment to transfer the home to a veteran is established. Upon transfer of ownership, the full cost of the property and the corresponding liability are both reduced to zero. As of December 31, 2015 and 2014, both the Construction and Acquisition Costs for Veterans' Homes and the Commitment to Transfer Homes to Veterans were \$1,067,859 and \$614,981, respectively.

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 10 - PROPERTY AND EQUIPMENT

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

| | 2015 | 2014 |
|--------------------------------|-------------------|-------------|
| Land | \$ 120,200 | \$ 133,200 |
| Furniture and Equipment | 69,955 | 66,238 |
| Automobiles | 183,085 | 139,826 |
| Software | 16,039 | 16,039 |
| | 389,279 | 355,303 |
| Less: Accumulated Depreciation | (154,818) | (103,847) |
| Net Property and Equipment | \$ 234,461 | \$ 251,456 |

Depreciation expense for the years ended December 31, 2015 and 2014 was \$50,971 and \$40,056, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

| | 2015 | 2014 |
|------------------------------|---------------------|--------------|
| Assigned Veteran Projects | \$ 936,229 | \$ 921,701 |
| Location-Specific Projects | 485,690 | 191,965 |
| Future Operations | 331,111 | 124,000 |
| San Angelo Projects | 99,076 | 52,737 |
| Total Temporarily Restricted | \$ 1,852,106 | \$ 1,290,403 |

NOTE 12 - NOTE PAYABLE

In May 2015, the Organization entered into a note agreement with Ford Credit to finance the purchase of a new vehicle. The note is currently payable in monthly payments of \$581 with interest at 6.39% and maturing in June 2020. The outstanding balance of the note payable at December 31, 2015 and 2014 was \$26,922 and \$-0-, respectively.

The future maturities of this note payable are as follows:

| Years Ended December 31, | | |
|--------------------------|----|--------|
| 2016 | \$ | 5,392 |
| 2017 | | 5,747 |
| 2018 | | 6,125 |
| 2019 | | 6,529 |
| 2020 | | 3,129 |
| Total | \$ | 26,922 |

Interest expense for the years ended December 31, 2015 and 2014 was \$1,172 and \$-0-, respectively.

NOTE 13 - RECLASSIFICATION

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the 2015 presentation.

OPERATION FINALLY HOME
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Organization's financial instruments (Level 1) were as follows at December 31:

| | <u>2015</u> | | <u>2014</u> | |
|---|----------------------------|-----------------------|----------------------------|-------------------|
| | <u>Carrying Amount</u> | <u>Fair Value</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
| Financial Assets: | | | | |
| Cash and Cash Equivalents | \$ 837,793 | \$ 837,793 | \$ 469,164 | \$ 469,164 |
| Accounts Receivable | \$ 83,395 | \$ 83,395 | \$ 393,443 | \$ 393,443 |
| Construction and Acquisition Costs for Veterans' Homes | \$1,067,859 | \$1,067,859 | \$ 614,981 | \$ 614,981 |
| Other Assets | \$ 5,234 | \$ 5,234 | \$ 9,374 | \$ 9,374 |
| Financial Liabilities: | | | | |
| Contractual Commitment to Transfer Homes to Veterans | \$1,067,859 | \$1,067,859 | \$ 614,981 | \$ 614,981 |
| Accounts Payable | \$ 32,495 | \$ 32,495 | \$ 68,378 | \$ 68,378 |
| Accrued Expenses | \$ 30,330 | \$ 30,330 | \$ 20,498 | \$ 20,498 |

The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

The Organization's financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments and are disclosed in Note 4.

Supplemental Information

OPERATION FINALLY HOME
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015
(with comparative totals for 2014)

| | 2015 | | | | 2014 Total |
|---------------------------------|---------------------|-------------------------------|---------------------|---------------------|---------------------|
| | Program Expense | General and Administrative | Fundraising | Total | |
| Salaries and Benefits | \$ 383,472 | \$ 276,100 | \$ 107,373 | \$ 766,945 | \$ 592,464 |
| Payroll Taxes | 22,270 | 20,805 | 14,718 | 57,793 | 46,161 |
| TOTAL PAYROLL EXPENSES | 405,742 | 296,905 | 122,091 | 824,738 | 638,625 |
| Building Costs | 3,879,623 | - | - | 3,879,623 | 3,958,192 |
| Direct Mailing | - | - | 874,201 | 874,201 | 767,075 |
| Fundraising | 150,094 | 1,557 | 197,491 | 349,142 | 283,657 |
| Travel | 164,147 | 65,895 | 20,139 | 250,181 | 235,947 |
| Professional | 124,933 | 15,787 | - | 140,720 | 99,744 |
| Advertising and Promotion | 83,853 | 10,482 | 10,482 | 104,817 | 26,329 |
| Meals | 34,502 | 50,726 | 4,926 | 90,154 | 54,090 |
| Depreciation | 44,344 | 4,078 | 2,549 | 50,971 | 40,056 |
| Repairs and Maintenance - Homes | 39,682 | 97 | - | 39,779 | 107 |
| Auto | 31,513 | 5,433 | 1,217 | 38,163 | 35,508 |
| Property Taxes | 33,929 | - | - | 33,929 | 33,312 |
| Postage | 12,880 | 8,402 | - | 21,282 | 11,174 |
| Dues and Subscriptions | 35 | 16,597 | 199 | 16,831 | 2,953 |
| Insurance | 3,699 | 12,491 | - | 16,190 | 15,262 |
| Supplies | 1,182 | 14,555 | 109 | 15,846 | 16,913 |
| Rent | 3,709 | 12,052 | - | 15,761 | 61,669 |
| Printing and Production | 12,564 | - | - | 12,564 | 21,823 |
| Telephone | 120 | 11,310 | - | 11,430 | 9,526 |
| Builder Show | - | 9,112 | - | 9,112 | 21,624 |
| Bank Fees | 2,019 | 2,907 | 2,508 | 7,434 | 14,821 |
| Uniforms | 3,041 | 3,119 | - | 6,160 | 5,268 |
| Website | 3,925 | - | - | 3,925 | 37,118 |
| Other Expenses | - | 3,176 | - | 3,176 | 6,564 |
| Storage | - | 2,658 | - | 2,658 | 1,535 |
| Interest Expense | - | 1,172 | - | 1,172 | 557 |
| Awards | - | 54 | - | 54 | 21,167 |
| Equipment Rental | - | - | - | - | 675 |
| TOTAL EXPENSES | \$ 5,035,536 | \$ 548,565 | \$ 1,235,912 | \$ 6,820,013 | \$ 6,421,291 |

See accountant's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Operation FINALLY HOME (the Organization), a non-profit organization, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

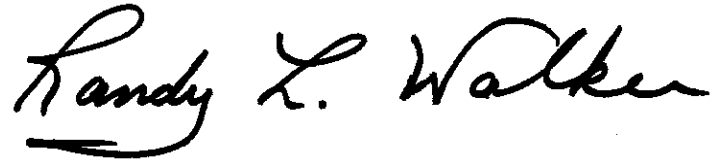
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

San Antonio, Texas
May 17, 2016