

HOMES NOT BORDERS, INC.

FINANCIAL STATEMENTS

December 31, 2020

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To Management
Homes Not Borders, Inc.
Hyattsville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Homes Not Borders, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of Homes Not Borders, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ryan + Wetmore, PC

Bethesda, MD
December 8, 2021

HOMES NOT BORDERS, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	47,476
Pledges receivable, net of allowance for doubtful accounts of \$0		500
Prepaid expenses		993
Inventory, lower of cost or net realizable value		<u>13,750</u>

Total current assets 62,719

\$ 62,719

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Notes payable, current portion	\$	411
Accrued interest		<u>230</u>

Total current liabilities 641

LONG-TERM LIABILITIES

Notes payable, net of current portion		<u>11,316</u>
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Total long-term liabilities 11,316

Total liabilities 11,957

NET ASSETS

Without donor restrictions		<u>50,762</u>
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Total net assets 50,762

\$ 62,719

The Notes to Financial Statements are an integral part of these statements.

HOMES NOT BORDERS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Grants and contributions of cash	\$ 76,660	\$ 3,428	\$ 80,088
Products	768	-	768
Contributions of nonfinancial assets	21,620	-	21,620
Other income	8,973	-	8,973
Net assets released from donor restrictions	3,428	(3,428)	-
Total revenue	111,449	-	111,449
Expenses			
Program services	79,831		79,831
Supporting services			
Management and general	9,321	-	9,321
Fundraising	7,882	-	7,882
Total supporting services	17,203	-	17,203
Total expenses	97,034	-	97,034
Change in net assets	14,415	-	14,415
Net assets at beginning of year	36,347		36,347
Net assets at end of year	\$ 50,762	\$ -	\$ 50,762

The Notes to Financial Statements are an integral part of these statements.

HOMES NOT BORDERS, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

Cash flows from operating activities	
Change in net assets	\$ 14,415
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Forgiveness of paycheck protection program loan	(5,833)
Noncash contribution of inventory	(6,450)
(Increase) Decrease in:	
Pledges receivable	(500)
Prepaid expenses	(993)
Inventory	(300)
Security deposit	1,200
Increase (Decrease) in:	
Accrued interest	230
Net cash provided by operating activities	<u>1,769</u>
Cash flows from financing activities	
Paycheck protection program loan	7,560
Economic injury disaster loan	10,000
Officer loan repayments	<u>(3,500)</u>
Net cash provided by financing activities	<u>14,060</u>
Net increase in cash and cash equivalents	15,829
Cash and cash equivalents, beginning of year	<u>31,647</u>
Cash and cash equivalents, end of year	<u>\$ 47,476</u>

No interest or income taxes were paid during the year ended December 31, 2020.

The Notes to Financial Statements are an integral part of these statements.

HOMES NOT BORDERS

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program	Supporting			Total expenses
		Management and General	Fundraising	Supporting subtotal	
Staffing	\$ 45,204	\$ 5,651	\$ 5,651	\$ 11,302	\$ 56,506
Set Up Supplies	11,500	-	-	-	11,500
Truck Rentals	9,769	-	-	-	9,769
Rent	6,720	840	840	1,680	8,400
Office Software and Fees	1,182	1,125	507	1,632	2,814
Utilities	1,715	215	215	430	2,145
Insurance	886	590	-	590	1,476
Fiscal Sponsorship Fee	1,139	285	-	285	1,424
Professional Fees	385	385	330	715	1,100
Donations	932	-	-	-	932
Artisan Supplies	399	-	-	-	399
Marketing and Fundraising	-	-	339	339	339
Interest	-	230	-	230	230
	<u>\$ 79,831</u>	<u>\$ 9,321</u>	<u>\$ 7,882</u>	<u>\$ 17,203</u>	<u>\$ 97,034</u>

The Notes to Financial Statements are an integral part of these statements.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 1 Summary of significant accounting policies

The accounting policies relative to the carrying value of property and equipment are indicated in the captions on the statements of financial position. Other significant accounting policies are as follows:

Organization

Homes Not Borders, Inc. (the Organization) was incorporated in the State of Maryland in 2017. Homes Not Borders, Inc. is a non-profit organization local to the D.C. Metro area and focuses on assisting with the resettlement of refugees.

Basis of accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Basis of presentation

Homes Not Borders, Inc. reports information regarding its financial position and activities to the following two classes of net assets in accordance with Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*:

Net assets without donor restrictions: Net assets without donor restrictions result from revenues derived from unrestricted contributions, grants, and other inflows of assets, the benefits of which are not limited by donor-imposed restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consists result from revenues derived from contributions, grants, and other inflows of assets, the benefits of which are limited by donor-imposed restrictions that expire either with the passage of time or the fulfillment of a specific programmatic purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, donor restricted net assets are reclassified as net assets without donor restriction and are reported in the statement of activities as net assets released from restriction. When the restrictions on contributions are met in the same time period that the contribution is received, the contribution is reported in the statement of activities as with donor restrictions and as net assets released from restrictions.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash and temporary investments with original maturities of three months or less.

Credit and financial risk

Substantially all of the promises to give are derived from donors. All of these promises are made on an unsecured basis. Historically, Homes Not Borders, Inc. has not incurred significant credit related losses.

Homes Not Borders, Inc. maintains its cash in bank deposit accounts, which generally do not exceed federally insured limits. Homes Not Borders, Inc. has not experienced any losses in such accounts. Homes Not Borders, Inc. believes it is not exposed to any significant financial risk on cash.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 1 Summary of significant accounting policies (continued)

Grants receivable

Grants receivable are stated at their net realizable value. The allowance method is used to determine the uncollectible amounts. The allowance is based on prior years' experience and management's analysis of subsequent collections. If actual collection experience changes, revisions to the allowance may be required.

For the year ended December 31, 2020, there were no grants receivable outstanding.

Pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free rates applicable to the years in which the promises are received. Amortization of the discount is recorded as additional contribution revenue. An allowance is made for uncollectible pledges based upon management's judgement and an analysis of the credit worthiness of the donors, past collection experience, and other relevant factors.

Inventory

The Organization holds inventory which consists of furniture, lumber, masks, etc. These items are obtained primarily from donations. The value of the inventory is based on historical averages which have been derived from retail sale prices of items in the various categories.

Property and Equipment

The Organization capitalizes property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 1 Summary of significant accounting policies (continued)

Revenue recognition

Grant revenue is recognized as revenue in the year when cash donations are received and deposited. Contribution revenue is recognized at the earlier of receipt of cash or an unconditional promise to give. Donations of supplies, property and equipment are recorded at their estimated fair value at the date of donation. Unconditional promises to give are recognized as revenues in the period received as assets, decreases in liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the residents' facilities, but these services do not meet the criteria for recognition as contributed services.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

Leases that meet certain criteria are classified as capital leases. Assets and liabilities are recorded at amounts equal to the fair value of the leased properties at the beginning of their respective lease terms. These assets are depreciated over their estimated useful lives. Interest expense relating to the lease liabilities is recorded to effect constant rates of interest over the terms of the leases. Leases that do not meet such criteria are classified as operating leases, and related rentals are charged to expenses as incurred. The Organization had no capital leases at December 31, 2020.

Advertising Policy

Advertising costs are expensed as incurred. Total advertising costs were \$0 for the year ended December 31, 2020.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

Note 1 Summary of significant accounting policies (continued)

Cost allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. The expense that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort.

Recent accounting pronouncements

During 2020, the Organization adopted ASU 2020-07 Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU specifies requirements for the recognition and initial measurements of contributions and disclosure requirements for contributed services. The Organization has applied the ASU using the retrospective basis. Adoption of the ASU had no effect on prior year financial information and beginning of the year net assets.

During 2020, Homes Not Borders, Inc. adopted ASU 2014-09 Revenue from Contracts with Customers (Topic 606), as amended. This update establishes a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance. The principle of the update is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Homes Not Borders, Inc. has applied the ASU using the modified retrospective approach. Adoption of the ASU had no effect on the prior year financial statements as Homes Not Borders Inc.'s contracts with customers were recognized the same way under old and new guidance.

In June 2018, FASB issued ASU 2018-08, Not- For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. The Organization has applied this ASU on a modified prospective basis. Adoption of the ASU had not effect on the prior year's financial information and beginning net assets.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a ROU asset or lease liability.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

Note 1 Summary of significant accounting policies (continued)

Recent accounting pronouncements (continued)

At inception, lessees must classify all leases as either finance or operating based on five criteria. Statement of Financial Position recognition of finance and operating leases is similar, but the pattern of expense recognition in the statement of activities, as well as the effect on the statement of cash flows, differs depending on the lease classification. The new leases standard requires a lessor to classify leases as either sales-type, direct financing, or operating, similar to existing U.S. GAAP. Classification depends on the same five criteria used by lessees plus certain additional factors. The subsequent accounting treatment for all three lease types is substantially equivalent to existing U.S. GAAP for sales-type leases, direct financing leases, and operating leases. However, the new standard updates certain aspects of the lessor accounting model to align it with the new lessee accounting model, as well as with the new revenue standard under Topic 606. Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 16, 2020. Management continues to evaluate the potential impact of this update on the financial statements.

Subsequent events

In preparing these financial statements, Homes Not Borders, Inc. has evaluated events and transactions for potential recognition or disclosure through December 8, 2021, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements besides those disclosed in Note 7 and Note 14.

Note 2 Concentration of credit risk

Homes Not Borders, Inc. maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2020 the Federal Deposit Insurance Corporation (FDIC) fully guaranteed accounts up to \$250,000. At December 31, 2020 Homes Not Borders, Inc. had no uninsured funds.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

Note 3 Availability of Financial Assets

The following reflects Homes Not Borders Inc.'s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets, at year end	\$ 47,476
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 47,476</u>

Note 4 Inventory

As of December 31, 2020, inventory was comprised of the following categories:

	<u>12/31/2020</u>
Set up goods (furniture, bedding, kitchen items, etc.)	\$ 13,000
Lumber	450
Masks	<u>300</u>
Total inventory	<u>\$ 13,750</u>

Note 5 Commitments and Contingencies

Operating Leases

In June 2019, Homes Not Borders, Inc. entered into a lease agreement for office space in Hyattsville, Maryland. The lease agreement requires lease payments of \$1,200 per month. Per the agreement, the leasing period ended on May 31, 2020 with the option for renewal. The Organization leased the space on a month-to-month basis through August 2020. July 2020 rent was waived as the office space was unusable as the result of a flood. August 2020 rent was paid for with the lease deposit. Rent expense for office space totaled \$8,400 for the year ended December 31, 2020.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

Note 6 Contributions of nonfinancial assets

The Organization recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. All contributions of nonfinancial assets were either utilized for program and administrative purposes during the year or held in inventory for future use. Contributions of nonfinancial assets are recorded at fair value on the date of their donation. For the year ended December 31, 2020, the contributions of nonfinancial assets consisted of:

	<u>12/31/2020</u>	
Set up materials	\$	13,500
Moving help services		7,870
Printing and mailing		<u>250</u>
Total contributions of nonfinancial assets	\$	<u>21,620</u>

Note 7 Notes payable

On May 7, 2020, Homes Not Borders, Inc. qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$7,560 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon Homes Not Borders Inc.'s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by Homes Not Borders, Inc. has accounted for the PPP Loan under FASB ASC 958-605 Contribution Model which requires revenue to be recognized when the conditions of asset transfer are met. As of December 31, 2020, Homes Not Borders, Inc. had met the conditions for partial forgiveness: maintaining employee and compensation levels, spending proceeds on eligible expenses, and at least 60% of proceeds used for payroll. Homes Not Borders, Inc. does not expect to receive full forgiveness of the loan and recognized as revenue the loan amount expected to be forgiven as of December 31, 2020.

As of the date of the financial statement issuance, Homes Not Borders, Inc. received notification of the PPP loan forgiveness in the amount of \$5,833 and had repaid the remainder of the loan in 2021.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 7 Notes payable (continued)

Notes payable consisted of the following at December 31, 2020:

	<u>12/31/2020</u>
Paycheck protection program loan payable to Bank of America, maturing in May 2022.	\$ 1,727
Economic Injury Disaster Loan payable to U.S. Small Business Administration. Principal payments are deferred 12 months and due in monthly installments of \$49 through June 19, 2050.	<u>10,000</u>
Total	<u>11,727</u>
Less: current portion	<u>411</u>
Notes payable, long-term portion	<u>\$ 11,316</u>

Future maturities

<u>Year Ended December 31</u>	<u>Amounts</u>
2021	\$ 411
2022	1,084
2023	809
2024	239
2025	248
2026 and thereafter	<u>8,937</u>
	<u>\$ 11,727</u>

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 8 Related parties

As of December 31, 2019, the Organization owed an officer \$3,500. During the year ended December 31, 2020, the Organization repaid \$3,500 to the officer. As of December 31, 2020, the Organization owed the officer \$0. There was no interest paid on the loan.

Note 9 Pledges receivable

Pledges receivable totaled \$500 for the year ended December 31, 2020 . The entire balance was evaluated by management as collectible within one year and is classified as current on the statement of financial position.

Note 10 Income taxes

Homes Not Borders, Inc. has received a determination letter from the IRS that grants an exemption from income taxes under Section 501(c)(3) of the IRC except for any income that may be a result of unrelated business transactions. Additionally, the IRS has classified Homes Not Borders, Inc. as an organization other than a private foundation.

Homes Not Borders, Inc. has adopted the provisions of FASB *Accounting Standards codification (ASC) 740-10-50-15, Accounting for Uncertainty in Income Taxes* – an interpretation of FASB statement 109 in accounting for uncertain tax positions. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than to that the position will be sustained. Homes Not Borders, Inc. does not believe that there are any material uncertain tax positions and accordingly it will not recognize any liability for unrecognized tax benefits. Homes Not Borders, Inc. has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Homes Not Borders, Inc. has filed Internal Revenue Service Form 990 tax returns as required and all other applicable returns in those jurisdictions where it is required. The taxable years 2019 through 2020 are open tax years subject to examination. For the years ended - December 31, 2020, no interest or penalties were recorded or included in the statements of activities.

Note 11 Net assets with donor restrictions:

Net assets with donor restrictions had a beginning and ending balance of \$0. During the year ended December 31, 2020 one grant received was restricted for use in purchasing computers and for COVID-19 relief. The entirety of this grant was used for the purposes set forth by the grantor within the year granted.

HOMES NOT BORDERS, INC.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

Note 12 Concentration of revenue

The Organization received a significant portion of its revenue (approximately 74% during this period) from individual donations and grants. During the year ended December 31, 2020, donations or grants from five donors/grantors made up 72% of all donations and grants received by the organization. The Organization commissioned previously resettled refugee women to sew masks to sell. Revenue from this activity accounted for 1% of total revenue in 2020. The Organization also received \$3,140 of insurance proceeds after their office space flooded in June 2020.

	Revenue	Percent of revenue
Grants & Contributions	\$ 80,088	72%
Products	768	1%
Contributions of nonfinancial assets	21,620	19%
Other	8,973	8%
Total revenue	<u>\$ 111,449</u>	<u>100%</u>

Note 13 Commitments and contingencies

In December 2019, a novel strain of coronavirus was reported in China. In the first several months of 2020, the virus and resulting disease, COVID-19, has spread to the United States and throughout the world. The spread of the virus has caused business disruption throughout the economy. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration.

Note 14 Subsequent events

In 2021, donations from individuals, fundraising, and grants increased significantly due to the events in Afghanistan. In August and September 2021, the Organization received a significant portion of their revenue for 2021.