

From Houses to Homes – Guatemala, Inc.

Financial Statements

December 31, 2022

(With Summarized Comparative Totals for 2021)



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From Houses to Homes – Guatemala, Inc.

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December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Trustees of
From Houses to Homes – Guatemala, Inc.
Mt. Tabor, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of From Houses to Homes - Guatemala, Inc. (the “Organization”), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ 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 audit. 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 for one year after the date that the financial statements are issued.

To the Board of Trustees of
From Houses to Homes – Guatemala, Inc.

Auditors’ 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 auditors’ 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:

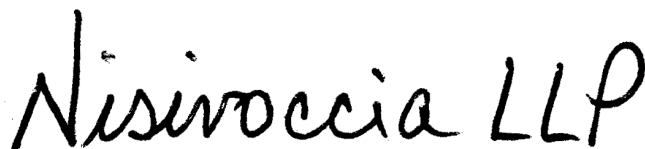
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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.

Report on Summarized Comparative Information

We have previously audited the Organization’s December 31, 2021 financial statements and we expressed an unmodified opinion on those financial statements in our report dated January 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mt. Arlington, New Jersey
January 3, 2024

A handwritten signature in black ink that reads "Nisiroccia LLP". The signature is written in a cursive, flowing style.

From Houses to Homes – Guatemala, Inc.
Statement of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 493,592	\$ 316,197
Accounts receivable	50,020	
Investments	<u>387,593</u>	<u>438,789</u>
Total assets	<u>\$ 931,205</u>	<u>\$ 754,986</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,712	\$ 11,759
Total liabilities	<u>16,712</u>	<u>11,759</u>
Net assets		
Without donor restrictions:		
Undesignated	814,612	626,438
With donor restrictions:		
Purpose restriction	<u>99,881</u>	<u>116,789</u>
Total net assets	<u>914,493</u>	<u>743,227</u>
Total liabilities and net assets	<u>\$ 931,205</u>	<u>\$ 754,986</u>

See Accompanying Notes to the Financial Statements

From Houses to Homes – Guatemala, Inc.
Statement of Activities
Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended 2021)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2022	2021
Revenue and other support:				
Contributions	\$ 996,367		\$ 996,367	\$ 914,124
Interest and dividend income	43		43	9,760
Governmental grant - PPP				10,480
Investment income (loss)	(15,017)	\$ (16,908)	(31,925)	71,290
Total revenue and other support	<u>981,393</u>	<u>(16,908)</u>	<u>964,485</u>	<u>1,005,654</u>
Expenses:				
Program services:				
Economic development	746,861		746,861	660,350
Supporting services:				
Management and general	46,358		46,358	44,141
Total supporting services	<u>46,358</u>		<u>46,358</u>	<u>44,141</u>
Total expenses	<u>793,219</u>		<u>793,219</u>	<u>704,491</u>
Change in net assets	188,174	(16,908)	171,266	301,163
Net assets, beginning of year	<u>626,438</u>	<u>116,789</u>	<u>743,227</u>	<u>442,064</u>
Net assets, end of year	<u>\$ 814,612</u>	<u>\$ 99,881</u>	<u>\$ 914,493</u>	<u>\$ 743,227</u>

See Accompanying Notes to the Financial Statements

From Houses to Homes – Guatemala, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022
(With Summarized Comparative Totals for the Year Ended 2021)

	Program Services	Supporting Services	Total	
	Economic Development	Management and General	2022	2021
Salaries	\$ 39,322	\$ 16,852	\$ 56,174	\$ 60,236
Payroll taxes and employee benefits	6,793	2,912	9,705	6,238
Total personnel services	46,115	19,764	65,879	66,474
Economic development	685,200		685,200	599,460
Insurance		438	438	677
Travel expense	3,284	580	3,864	17
Bank fees		9,304	9,304	8,884
Professional fees	8,908	8,908	17,816	13,980
Advertising	1,164		1,164	3,515
Rent		6,425	6,425	6,000
Office expense	2,190	939	3,129	5,484
Total expenses	\$ 746,861	\$ 46,358	\$ 793,219	\$ 704,491

See Accompanying Notes to the Financial Statements

From Houses to Homes – Guatemala, Inc.
Statement of Cash Flows
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 171,266	\$ 301,163
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Governmental grant - PPP		(10,480)
Unrealized loss (gain) on investments	31,925	(71,290)
Dividend income reinvested		(9,760)
Donation of investments	(16,122)	(269,529)
Changes in operating assets and liabilities:		
Accounts receivable	(50,020)	
Accounts payable and accrued expenses	4,953	(875)
Net cash provided by (used in) operating activities	<u>142,002</u>	<u>(60,771)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	<u>35,393</u>	<u>12,476</u>
Net cash provided by investing activities	<u>35,393</u>	<u>12,476</u>
Net increase (decrease) in cash and cash equivalents	177,395	(48,295)
Cash and cash equivalents, beginning of year	<u>316,197</u>	<u>364,492</u>
Cash and cash equivalents, end of year	<u>\$ 493,592</u>	<u>\$ 316,197</u>
<u>Supplemental disclosures of non-cash activities:</u>		
Donation of investments	<u>\$ 16,122</u>	<u>\$ 269,529</u>
Unrealized gain (loss) on investments	<u>\$ (31,925)</u>	<u>\$ 71,290</u>

See Accompanying Notes to the Financial Statements

From Houses to Homes – Guatemala, Inc.
Notes to the Financial Statements
December 31, 2022 and 2021

1. Nature of Activities

From Houses to Homes - Guatemala, Inc., is a New Jersey nonprofit corporation, (the "Organization"), established in 2004. The Organization's mission is to support economic development aid by donating money raised in the United States of America to "Association De Casas A Hogares" in Guatemala in order to strengthen community harmony in highland Guatemala by building lasting healthy homes, improving access to health care and education, and inspiring participation between the poor and civil society.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are described below:

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) *Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with this standard, the Organization is required to report information regarding its financial position and activities according to two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In addition, the standard requires the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements. The Organization also follows FASB's *Accounting for Contributions Received and Made*. The standard requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Accordingly, the net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of the Organization's programs and general operations. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions are comprised of revenue and expenses related to the operations of the Organization, which have no restrictions on the uses of the funds. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees. There were no board designated net assets as of December 31, 2022 and 2021.

From Houses to Homes – Guatemala, Inc.
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Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. Net assets with donor restrictions amounted to \$99,881 and \$116,789 as of December 31, 2022 and 2021, respectively.

Revenue and Contribution Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization accounts for funds received in advance of their usage as deferred revenue in the statement of financial position. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if the donor restriction is met during the accounting period in which the gift was received, the gifts are reported as contributions without donor restrictions in the statement of activities.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It is reasonably possible that the Organization's estimates may change in the near term.

Summarized Prior Year Information

The financial statements include summarized comparative information from the prior year, which is not presented by net asset class and does not include sufficient detail to conform with U.S. generally accepted accounting principles. This information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized comparative information was derived.

Cash and Cash Equivalents

The Organization considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Write offs are determined on a case-by-case basis. There was no allowance for uncollectible accounts at December 31, 2022 and 2021.

Functional Allocation of Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on level of activity expended or hours devoted, and support costs are allocated to a program based on total program costs. Program expenses are those related to the donation of money raised in the United States of America to support “Association De Casas A Hogares” in Guatemala. Support costs relate to administrative expenses associated to this program. The allocation of employee’s salaries and other costs are based on methods considered by management to be reasonable.

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements may report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from federal income taxes on related income pursuant to Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not-for-Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

The Organization follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition related to those tax positions.

From Houses to Homes – Guatemala, Inc.
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The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended December 31, 2022. However, the Organization is subject to audit by tax authorities, including a review of its nonprofit status which management believes would be upheld upon examination. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

The Organization files informational returns with both the Federal and New Jersey State governments on an annual basis – Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. These returns are subject to examination by these authorities within certain statutorily defined periods for Federal and for New Jersey.

Donated Services

The Board of Trustees makes significant contributions of time relative to general management and operations of the Organization. These donated services are not reflected in the financial statements for the years ended December 31, 2022 and 2021 since they do not meet the criteria for recognition as contributed services in accordance with U.S. generally accepted accounting principles.

A substantial number of unpaid volunteers have made significant contributions of their time to develop and supplement the Organization's programs. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria for recognition under U.S. generally accepted accounting principles.

Investments

Investments are recorded at their fair market value in accordance with FASB ASC, *Accounting for Certain Investments held by Not-for-Profit Organizations*. In accordance with this accounting standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest, dividends and realized gains and losses on sale of investments) are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended December 31, 2022 and 2021, the Organization did not record any impairment charge in the statement of activities.

Fair Value of Financial Instruments

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability. The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);

- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Equities: The carrying amounts are valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds: The carrying amounts are stated at the net asset value (NAV) of shares held.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's investments and the amounts reported in the statement of financial position and the statement of activities.

Credit Risk and Concentrations

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents. At times, such amounts may be in excess of FDIC insurance limits. The Organization has not experienced any losses in such accounts. The Organization maintains its cash balances with a financial institution located in New Jersey.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense amounted to \$1,164 and \$3,515 for the years ended December 31, 2022 and 2021, respectively.

Reclassification

Certain prior year amounts previously reported have been reclassified to conform to current year presentation.

Leases

In February 2016, FASB issued guidance ASC 842, *Leases* to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements.

The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. The Organization recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for their existing operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Accounting policy election for short-term leases: the Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

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The standard did not have an impact on the Organization’s statement of financial position, statement of activities, nor statement of cash flows.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2022, through the date of the independent auditors’ report and the date the financial statements were available to be issued, January 3, 2024. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

3. Liquidity and Availability

The provisions of FASB Update No. 2016-14 require the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements.

The following table reflects the Organization’s financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 493,592	\$ 316,197
Accounts receivable	50,020	
Investments	<u>387,593</u>	<u>438,789</u>
Total financial assets	931,205	754,986
Less amounts not available to be used within one year:		
Donor imposed restrictions:		
Funds subject to purpose restriction	<u>(99,881)</u>	<u>(116,789)</u>
Financial assets available to meet		
general expenditures within one year	<u>\$ 831,324</u>	<u>\$ 638,197</u>

The Organization strives to maintain liquid financial assets sufficient to meet three months of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to these available financial assets, a significant portion of the Organization’s annual expenditures will be funded by current year operating revenues including contribution revenue.

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4. Investments

The following tables set forth by level within the fair value hierarchy the Organization's investment assets valued at fair value as of December 31, 2022 and 2021:

	December 31, 2022		
	Cost or Donated Value	Fair Value (Level 1)	Unrealized Appreciation/ (Depreciation)
Equities	\$ 7,958	\$ 16,063	\$ 8,105
Mutual funds	283,084	371,530	88,446
Total	<u>\$ 291,042</u>	<u>\$ 387,593</u>	<u>\$ 96,551</u>

	December 31, 2021		
	Cost or Donated Value	Fair Value (Level 1)	Unrealized Appreciation/ (Depreciation)
Equities	\$ 7,958	\$ 38,525	\$ 30,567
Mutual Funds	302,355	400,264	97,909
Total	<u>\$ 310,313</u>	<u>\$ 438,789</u>	<u>\$ 128,476</u>

Management has evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to the total investments. For the years ended December 31, 2022 and 2021, there were no significant transfers in or out of levels 1, 2 or 3.

Investment activity for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Beginning balance	\$ 438,789	\$ 100,686
Interest and dividends reinvested		9,760
Donated investments	16,122	269,529
Sales	(35,393)	(12,476)
Unrealized gain (loss)	(31,925)	71,290
Ending balance	<u>\$ 387,593</u>	<u>\$ 438,789</u>

Return on investments is comprised of the following for the years ended December 31, 2022 and 2021:

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	<u>2022</u>	<u>2021</u>
Interest and dividends reinvested		\$ 9,760
Unrealized gain (loss)	\$ (31,925)	71,290
	<u>\$ (31,925)</u>	<u>\$ 81,050</u>

5. Commitments

The Organization leases office space on a month-to-month basis at approximately \$500 per month. Rent expense amounted to \$6,425 and \$6,000 for the years ending December 31, 2022 and 2021, respectively.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2022 and 2021 are restricted for the following purpose:

	<u>2022</u>	<u>2021</u>
Private pension fund	\$ 84,881	\$ 101,789
Funds for future endowment	15,000	15,000
	<u>\$ 99,881</u>	<u>\$ 116,789</u>

7. Governmental Grant - PPP

In June 2020, the Organization received \$10,480 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Organization has accounted for the PPP funding as a conditional contribution in the financial statements by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized only when conditions are met. PPP funding is subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. In January 2021, the Organization received full forgiveness in the amount of \$10,480 as the conditions were met, and subsequently recognized the funding as a governmental grant – PPP revenue on the statement of activities.

The Small Business Administration reserves the right to audit PPP funding forgiveness for ten years from the date that forgiveness was awarded.

8. Transfer of Net Assets

In 2021, the Board of Trustees and management of the Organization re-designated funds amounting to \$15,000, which were previously designated as net assets without donor restrictions to net assets with donor restrictions after reevaluation of the donors intended purpose of the funds.