



**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2019**

**PURPLE HEART HOMES, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Purple Heart Homes, Inc.  
Statesville, North Carolina

We have audited the accompanying financial statements of Purple Heart Homes, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows 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 audit. We conducted our audit 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 financial statements referred to above present fairly, in all material respects, the financial position of Purple Heart Homes, Inc. as of December 31, 2019, 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.

*Gantt Malzi & Associates, CPAs, P.A.*

Gantt Malzi & Associates, CPAs, P.A.

Statesville, NC

November 2, 2020

**PURPLE HEART HOMES, INC.**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

**Assets:**

Current Assets:

Cash and cash equivalents	\$	147,162
Investments at fair value		29,270
Contributions receivable, current		500
Accounts receivable		83,576
Sales tax receivable		41,847
Other receivables		1,019
Inventory		742,051
Total current assets		<u>1,045,425</u>

Long-Term Assets:

Real estate		2,198,498
Contributions receivable, long-term		5,500
Organization expenses, net of accumulated amortization		357
Purchase-money mortgages, net of accumulated amortization		544,315
Property, plant and equipment, net of accumulated depreciation		<u>880,698</u>
Total long-term assets		<u>3,629,368</u>

Total assets	\$	<u>4,674,793</u>
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*See accompanying notes to the financial statements.*

**PURPLE HEART HOMES, INC.**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

**Liabilities:**

Current Liabilities:

Accounts payable	\$	206,838
Accrued payroll and withholdings		53,336
Credit cards payable		35,104
Escrow taxes payable		2,062
Line of credit		75,000
Notes payable - current		<u>37,372</u>
Total current liabilities		409,712

Long-Term Liabilities:

Notes payable		<u>439,973</u>
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Total liabilities		<u>849,685</u>
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**Net Assets:**

Without donor restrictions		3,643,265
With donor restrictions		<u>181,843</u>
Total net assets		<u>3,825,108</u>

Total liabilities and net assets	\$	<u><u>4,674,793</u></u>
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*See accompanying notes to the financial statements.*

## PURPLE HEART HOMES, INC.

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gains and Other Support:</b>			
Contributions, monetary transactions	\$ 709,383	\$ 1,486,418	\$ 2,195,801
Contributed services and use of facilities	27,956	-	27,956
Contributed homes	1,882,253	-	1,882,253
Contributed materials	348,816	-	348,816
Other in-kind contributions	40,537	-	40,537
Interest and dividends	650	-	650
Miscellaneous	16,772	-	16,772
Realized and unrealized gains (losses) on investments	233	-	233
Other gains (losses)	(115,093)	-	(115,093)
Net assets released from restrictions:			
Expiration of time restrictions	830,250	(830,250)	-
Total revenues, gains, and other support	<u>3,741,757</u>	<u>656,168</u>	<u>4,397,925</u>
<b>Expenses:</b>			
Program Services:			
Veterans assistance	1,008,236	1,227,578	2,235,814
Supporting Services:			
Management and general	245,471	369,201	614,672
Fund-raising	416,904	-	416,904
Total expenses	<u>1,670,611</u>	<u>1,596,779</u>	<u>3,267,390</u>
Change in net assets	2,071,146	(940,611)	1,130,535
Net assets at beginning of year	<u>1,572,119</u>	<u>1,122,454</u>	<u>2,694,573</u>
Net assets at end of year	<u>\$ 3,643,265</u>	<u>\$ 181,843</u>	<u>\$ 3,825,108</u>

See accompanying notes to the financial statements.

## PURPLE HEART HOMES, INC

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019

	Program Services					Supporting Services				Total
	Veterans		Operation			Management & General	Fundraising	Total Supporting Services		
	Veterans Aging In Place (VAIP)	Home Ownership Program (VHOP)	Veteran Home Renovation (OVHR)	Ramps On Call (ROC)	Total Program Services					
Advertising & marketing	\$ 14,956	\$ 13,710	\$ 16,203	\$ 12,464	\$ 57,333	\$ 63,564	\$ 3,739	\$ 67,303	\$ 124,636	
Amortization	-	233,730	-	-	233,730	83	-	83	233,813	
Depreciation	-	-	-	-	-	34,736	-	34,736	34,736	
Community outreach	4,944	3,708	5,871	3,090	17,613	13,285	-	13,285	30,898	
Contract services	12,992	9,408	14,784	7,616	44,800	1,090	3,973	5,063	49,863	
Dues & subscriptions	549	366	549	366	1,830	16,462	-	16,462	18,292	
Facilities & equipment	-	-	-	-	-	55,232	-	55,232	55,232	
Maintenance	3,020	3,020	2,853	2,853	11,746	5,034	-	5,034	16,780	
Fundraising	-	-	-	-	-	-	104,012	104,012	104,012	
Insurance	8,149	7,721	9,436	4,718	30,024	6,435	6,434	12,869	42,893	
Interest expense	-	2,224	-	-	2,224	27,415	-	27,415	29,639	
Legal & professional	-	-	-	-	-	29,992	-	29,992	29,992	
Licenses & fees	-	-	-	-	-	6,612	-	6,612	6,612	
Meals & entertainment	2,444	1,806	2,869	1,488	8,607	-	2,019	2,019	10,626	
Office expenses	3,029	2,272	3,787	2,272	11,360	36,352	28,022	64,374	75,734	
Payroll	151,011	109,352	171,840	88,522	520,725	250,760	224,700	475,460	996,185	
Specific assistance	277,511	200,957	309,544	162,677	950,689	-	-	-	950,689	
Staff development	-	-	-	-	-	16,142	-	16,142	16,142	
Taxes	16,979	22,971	17,978	14,981	72,909	14,981	11,986	26,967	99,876	
Telecommunications	2,775	1,850	3,006	1,619	9,250	6,938	6,938	13,876	23,126	
Travel	23,565	17,418	26,639	14,344	81,966	10,246	10,245	20,491	102,457	
Utilities	2,041	2,041	1,814	1,814	7,710	7,483	7,482	14,965	22,675	
Donations	7,353	7,353	7,353	7,353	29,412	7,354	7,354	14,708	44,120	
(Gain) loss on disposal	-	143,886	-	-	143,886	4,476	-	4,476	148,362	
	<u>\$ 531,318</u>	<u>\$ 783,793</u>	<u>\$ 594,526</u>	<u>\$ 326,177</u>	<u>\$2,235,814</u>	<u>\$ 614,672</u>	<u>\$ 416,904</u>	<u>\$ 1,031,576</u>	<u>\$3,267,390</u>	

See accompanying notes to the financial statements.



**PURPLE HEART HOMES, INC.**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**

**Cash Flows from Operating Activities:**

Increase (decrease) in net assets \$ 1,130,535

Adjustments to reconcile net cash provided (used) by operating activities:

Depreciation and amortization 268,549

Unrealized (gain) loss from sale of investments (233)

Donated investments (29,037)

(Gain) loss from sale of real estate 115,093

(Gain) loss from sale of fixed assets 4,476

In-kind contributions - real estate & equipment (1,892,253)

(Increase) decrease in operating assets:

Accounts receivable (83,576)

Contributions receivable 500

Sales tax receivable (14,739)

Other receivables (26)

Inventory (320,035)

Real estate 765,814

Increase (decrease) in operating liabilities:

Accounts payable 106,582

Accrued payroll and withholdings 14,417

Credit card payable 14,041

Escrow taxes payable (7,308)

Total adjustments (1,057,735)

Net cash provided (used) by operating activities 72,800

**Cash Flows from Investing Activities:**

Proceeds from the sale of purchase-money mortgage 56,780

Purchase of property, plant and equipment (176,841)

Proceeds from the sale of fixed assets 6,351

Net cash provided (used) by investing activities (113,710)

**Cash Flows from Financing Activities:**

Proceeds from long term debt 36,209

Payments on long term debt (45,615)

Net cash provided (used) by financing activities (9,406)

Net increase (decrease) in cash and cash equivalents (50,316)

*See accompanying notes to the financial statements.*

**PURPLE HEART HOMES, INC.**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**

**Cash and Cash Equivalents:**

Beginning of year - January 1	197,478
End of year - December 31	\$ 147,162

**Supplemental Information:**

Interest paid	29,639
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**Non-cash Operating and Investing Transactions:**

Acquisition of property, plant and equipment:

Equipment	10,000
In-kind donation	(10,000)

Appreciation of investments:

Unrealized gain on investments	(233)
Investments	233

Issuance of purchase-money mortgage:

Purchase-money mortgage	400,000
Real estate	(400,000)

In-kind contributions:

Real estate	1,882,253
Expensed materials, services and other	378,272
Investments	29,037
In-kind donations	(2,289,562)

*See accompanying notes to the financial statements.*

# PURPLE HEART HOMES, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization.** Purple Heart Homes, Inc. (the Organization) is a not-for-profit corporation organized under the laws of the State of North Carolina in 2008. The Organization's purpose is to provide personalized housing solutions for service-connected disabled veterans and their families that are substantial in function, design, and quality. The Organization is supported primarily through donor contributions and grants.

**Basis of Accounting.** The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

**Cash and Cash Equivalents.** For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization had a money market account and store credit representing cash equivalents at December 31, 2019.

**Contributions Receivable.** The Organization has a contribution receivable from a donor which is to be paid over a period of time. See **NOTE D** for more information.

**Sales Tax Receivable.** The State of North Carolina imposes a sales tax of 4.75% plus applicable county sales tax ranging from -0-% to 2.75% on all of the Organization's purchases. The Organization pays the sales tax to vendors and suppliers, then requests reimbursement for the entire amount from the State. The Organization's accounting policy is to exclude the tax paid and requested from the State, from revenues and sales tax expense. The balance of sales tax receivable was \$41,847 at December 31, 2019.

**Provisions for Doubtful Accounts.** All receivables, as stated in the financial statements, are deemed by the Organization's management to be fully collectible. Accordingly, no allowance for doubtful accounts has been established as of December 31, 2019.

**Investments at Fair Value.** Investments are reported at fair value based upon quoted market prices. Investments classified as short-term are available for operations in the next year. Unrealized and realized gains and losses are included in the accompanying statement of activities. As of December 31, 2019, the Organization's investments consisted entirely of mutual funds.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Interest and dividend income was \$650 for the year ended December 31, 2019.

**Fair Value Measurements and Disclosure.** Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements.

# PURPLE HEART HOMES, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASC 820 defines fair value as the price to sell an asset or transfer a liability in an orderly transaction between market participants. Additionally, ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Observable inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks, and mutual funds.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Examples of level 3 assets include investments in limited partnerships.

There were no financial assets or liabilities classified as Level 2 or 3 at December 31, 2019. See **NOTE K** for assets or liabilities classified as level 1 at December 31, 2019.

**Inventory.** The Organization's inventory consists of building materials and merchandise and is valued at the lower of cost (first in, first out method) or net realizable value.

**Purchase-Money Mortgages.** Homes are available to service-connected disabled veterans at no less than fifty percent and up to sixty-five percent of the estimated value of the property. The Organization obtains a purchase-money mortgage for the difference between the contract sales price and the amount that the purchaser is required to pay for the home. The mortgage expires over a five-year period at no cost to the purchaser. Service-connected disabled veterans that demonstrate major improvement in credit repair and complete all required programs within five years can have the mortgage removed ratably over the five-year period. The purchase-money mortgages are amortized over the five-year period.

Amortization expense attributable to the purchase-money mortgages was \$233,730 for the year ended December 31, 2019.

# PURPLE HEART HOMES, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Property, Plant and Equipment.** The Organization capitalizes property, plant, and equipment over \$2,500. Lesser amounts are expensed. Purchased property, plant and equipment is capitalized at cost. Donations of property, plant and equipment are recorded as contributions at their estimated fair value. 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, plant 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, plant, and equipment are depreciated using the straight-line method over estimated useful lives of the assets. See **NOTE F** for more information.

**Organization Expenses.** Organization expenses include professional fees and other costs to the Organization. Amortization is computed using the straight-line method over the estimated useful life of 15 years. Amortization expense for organization expenses was \$83 for the year ended December 31, 2019.

**Net Assets.** In accordance with U.S. generally accepted accounting principles (U.S. GAAP), the Organization reports information regarding its financial position and activities according to two classes of net assets:

*Net Assets without Donor Restrictions* include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

*Net Assets with Donor Restrictions* include those net assets whose use by the Organization has been donor restricted by specific time or purpose limitations. Net assets are released from restrictions either as a result of the expiration of a time restriction or due to the satisfaction of a purpose restriction.

**Contributions.** The Organization recognizes contributions as revenue in the period received. Contributions received are recorded as support without restriction or support with restriction depending on the existence and nature of any donor restrictions, if any. Support that is restricted by the donor is reported as an increase in net assets with restriction, as applicable. Within net assets with restriction, amounts are reclassified to net assets without restriction when restrictions expire. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

**Contributed Services.** Contributed services are recognized by the Organization if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by

# PURPLE HEART HOMES, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

donation. The Organization records donated services which meet the recognition criteria at the fair market value of the services received. In 2019, the Organization recognized \$27,956 of contributed services revenue, related to services provided by contractors, architects, and other professionals who assisted with home renovations and other organizational functions.

A substantial number of volunteers have donated significant amounts of time and services to the Organization's program operations and to its fundraising campaigns. However, these services do not meet the criteria for recognition as contributed services and, accordingly, are not recognized in the accompanying financial statements.

**Contributed Homes and Materials.** In-kind contributions and the corresponding donated homes and materials inventory are recorded at their estimated fair value on the date of donation.

**Other Gains (Losses).** The Organization has received, as a donation, real estate from multiple sources. Upon receipt, these gifts in-kind were recorded at the home's estimated fair value. These homes are held for a specified period while the Organization attempts to locate a service-connected disabled veteran to place in the home. If the Organization is unable to identify a service-connected disabled veteran to place in the home, the home is sold to investors. A gain or loss is calculated on the difference between the sales price and the amount recorded at the time of donation.

**Program Services.** The Organization offers the following distinct programs:

The *Veterans Aging in Place Program* is specifically designed to help older service-connected disabled veterans and their caregivers who currently own their own home. The program is designed to provide a barrier free living environment at no cost to the veteran.

The *Veterans Home Ownership Program* is specifically designed to enable service-connected disabled veterans who do not already own a home, to become homeowners.

The *Operation Veteran Home Renovation* program is a campaign that works in tandem with the National League of Cities and credit unions around the country to provide home renovations for service-connected disabled veterans. This program service was discontinued December 31, 2019 as a named program service. All future projects in this category will fall under the Veterans Aging in Place (VAIP) program.

The *Ramps on Call* program is designed to provide service-connected disabled veterans who have limited mobility with accessibility within their own homes.

The goal of all of these programs is to help reintegrate the service-connected disabled veteran into the community in which they live and to proudly acknowledge the sacrifice they have made on their country's behalf. Whether it is adapting a veteran's existing home, building a home from the ground

# PURPLE HEART HOMES, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

up, or adapting and modifying a foreclosed home, the Organization is committed to guiding the veteran through the entire process.

**Supporting Services.** The Organization has two types of supporting services:

*Management and general.* The management and general services include expenditures to secure proper administrative functioning, maintaining the assets, and manage the financial responsibilities of the Organization.

*Fund-raising.* The fundraising service includes expenditures which provide the structure necessary to encourage and secure private financial support.

**Functional Allocation of Expenses.** The Organization allocates its expenses on a functional basis among its various programs and supporting services. Accordingly, certain shared costs have been allocated among the programs and supporting services benefited. Expenses that are identified with a specific program or support service are charged directly according to their natural expenditure classification.

**Advertising Costs.** The Organization's policy is to expense advertising costs as incurred. Advertising costs totaled \$124,636 for the year ended December 31, 2019.

**Use of Estimates.** The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Taxes.** The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization believes that it has appropriate support for income tax positions taken. Therefore, management has not identified any uncertain income tax positions.

The Organization files IRS Form 990, *Return of Organization Exempt from Income Tax*, annually with the Federal Government. Generally, returns remain open for examination by taxing authorities for three years after they have been filed. Therefore, returns related to the years ended December 31, 2016 through 2019 remain open for examination.

**Recent Accounting Pronouncements.** In February 2016, the Financial Accounting Standards Board (FASB) amended the leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for years beginning after December 15, 2020 and interim periods within years beginning after December 15, 2021. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

# PURPLE HEART HOMES, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On June 21, 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional, or conditional have been clarified. The focus is on whether a gift or grant agreement both (1) specified a “barrier or hurdle” that the recipient must overcome to be entitled to resources, and (2) releases the donor from its obligation to transfer resources if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required.

### NOTE B – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 147,162
Investments	29,270
Contributions receivable	500
Accounts receivable	83,576
Sales tax receivable	41,847
Other receivables	<u>1,019</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 303,374</u>

The Organization’s goal is to maintain financial assets to meet operating expenses over a period of time. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. The Organization has a revolving line of credit available to meet its short-term cash flow needs. See **NOTE G** for additional information.

### NOTE C – FINANCIAL INSTRUMENTS AND CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on its cash and cash equivalents.

The Organization maintains its cash balances at several institutions. The Federal Deposit Insurance Corporation ("FDIC") covers up to \$250,000 for substantially all depository accounts. From time to time, the Organization may have amounts on deposit in excess of FDIC limits. At December 31, 2019, the Organization had no deposits in excess of FDIC insured limits.



**PURPLE HEART HOMES, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE D – CONTRIBUTIONS RECEIVABLE**

Amounts due on the balance are paid yearly in payments of \$500 per year. There is an allowance of \$-0- as the Organization believes it is fully collectible. Amounts currently due by December 31, 2019 were as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2020	\$ 500
2021	500
2022	500
2023	500
2024	500
Thereafter	<u>3,500</u>
	<u>\$ 6,000</u>

**NOTE E – INVENTORY**

Inventory at December 31, 2019:

Materials	\$ 736,260
Merchandise	<u>5,791</u>
Total inventory	<u>\$ 742,051</u>

**NOTE F – PROPERTY, PLANT AND EQUIPMENT**

Property, plant, and equipment consist of the following at December 31, 2019:

Office equipment	\$ 27,642
Other equipment	66,734
Vehicles	82,900
Warehouse	804,202
Accumulated depreciation	<u>(100,780)</u>
Property, plant and equipment, net	<u>\$ 880,698</u>

Depreciation expense for the year ended December 31, 2019 was \$34,736.

**NOTE G - REVOLVING LINE OF CREDIT**

The Organization has a revolving line of credit with a bank allowing for borrowings up to \$75,000. Interest is payable monthly at a fluctuating rate equal to the Prime Rate, as set by the lender, plus 1.50%, with a floor of 5.00%. The line is secured by substantially all property, including inventory and equipment, owned by the Organization. The line was extended through May 15, 2021. There was an outstanding balance at December 31, 2019 of \$75,000.

**PURPLE HEART HOMES, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE H – LEASES AND NOTES PAYABLE**

At December 31, 2019, the notes payable consisted of the following:

Note payable to Blue Harbor Bank in monthly installments of \$2,771, which includes interest at 4.50%. The note matures April 10, 2022 and is secured by real estate.	\$ 396,528
Note payable to Wells Fargo Bank in monthly installments of \$981, which includes interest at 6.50%. The note matures August 15, 2023 and is secured by substantially all property, including inventory and equipment.	38,378
Note payable to John Deere in monthly installments of \$367, noninterest bearing. The note matures April 30, 2022 and is secured by equipment.	10,290
Lease payable to De Lage Landen in monthly installments of \$216, which includes interest at 5.94%. The note matures January 22, 2025 and is secured by a forklift.	11,209
Note payable to Ally Bank in monthly installments of \$313, which includes interest at 5.54%. The note matures October 24, 2024 and is secured by a vehicle.	15,902
Note payable to Ally Bank in monthly installments of \$286, which includes interest at 9.15%. The note matures July 23, 2021 and is secured by a vehicle.	<u>5,038</u> 477,345
Less: current portion	<u>(37,372)</u>
Long-term portion	<u>\$ 439,973</u>

At December 31, 2019, future maturities of long-term debt are as follows:

Year Ending <u>December 31</u>	
2020	\$ 37,372
2021	38,015
2022	382,093
2023	13,402
2024	5,986
Thereafter	<u>477</u>
	<u>\$ 477,345</u>

# PURPLE HEART HOMES, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 was \$181,843. This amount will be utilized to complete projects for the *Veterans Aging in Place*, *Veterans Home Renovation*, and *Ramps on Call* programs.

During 2019, the Organization released \$830,250 from net assets with donor restrictions. This amount went toward rehabilitating homes and providing barrier free accessible homes to service-connected disabled veterans.

### NOTE J – RELATED PARTIES

The Organization received contributions from three major donors who each have an employee on the Board of Directors of the Organization. The Organization received \$2,796,085 from those donors during 2019.

The Organization has chapter affiliates in North Carolina and other states around the country. The Organization re-grants funds to these chapters in the form of prepaid gift cards. Re-grants to the chapter affiliates totaled \$154,260 for the year ended December 31, 2019.

### NOTE K – FAIR VALUE OF INVESTMENTS

Investments at December 31, 2019 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	\$ 29,037	\$ 29,270

The fair value of the investments detailed above is determined by reference to market quotations at December 31, 2019.

The investments are managed by professional investment advisors and managers.

The Organization's holdings in equities consist entirely of mutual funds which are carried at their aggregate market values as determined by the quoted market prices at the end of each business day. The Organization includes these prices in the amounts disclosed in Level 1 of the hierarchy. The following table presents the Organization's assets at December 31, 2019 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

**PURPLE HEART HOMES, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE K – FAIR VALUE OF INVESTMENTS (CONTINUED)**

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Totals</u>			
Mutual Funds	\$ 29,270	\$ 29,270	\$ -	\$ -

**NOTE L – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 2, 2020, the date at which the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.