



**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

PURPLE HEART HOMES, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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, 2020, 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
September 22, 2021

PURPLE HEART HOMES, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

Assets:

Current Assets:

Cash and cash equivalents	320,323
Investments at fair value	71,273
Contributions receivable, current	5,500
Sales tax receivable	65,923
Prepaid expenses	13,935
Other receivables	2,513
Inventory	<u>456,227</u>
Total current assets	<u>935,694</u>

Long-Term Assets:

Real estate	2,295,957
Organization expenses, net of accumulated amortization	274
Purchase-money mortgages, net of accumulated amortization	449,602
Property, plant and equipment, net of accumulated depreciation	<u>1,036,639</u>
Total long-term assets	<u>3,782,472</u>

Total assets	<u>\$ 4,718,166</u>
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See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

Liabilities:

Current Liabilities:

Accounts payable	\$	100,834
Accrued payroll and withholdings		54,672
Credit cards payable		41,268
Due to chapters		17,778
Line of credit		75,000
Notes payable - current		<u>249,336</u>
Total current liabilities		538,888

Long-Term Liabilities:

Notes payable		<u>400,422</u>
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Total liabilities		<u>939,310</u>
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Net Assets:

Without donor restrictions		3,447,826
With donor restrictions		<u>331,030</u>
Total net assets		<u>3,778,856</u>

Total liabilities and net assets	\$	<u>4,718,166</u>
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See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Contributions, monetary transactions	1,324,293	\$ 1,541,439	\$ 2,865,732
Contributed services and use of facilities	10,087	-	10,087
Contributed homes	922,692	-	922,692
Contributed materials	134,921	-	134,921
Other in-kind contributions	18,344	-	18,344
Interest and dividends	66	-	66
Miscellaneous	24,473	-	24,473
Realized and unrealized gains (losses) on investments	10,490	-	10,490
Other gains (losses)	(309,934)	-	(309,934)
Net assets released from restrictions:			
Expiration of time restrictions	<u>1,392,252</u>	<u>(1,392,252)</u>	<u>-</u>
Total revenues, gains, and other support	<u>3,527,684</u>	<u>149,187</u>	<u>3,676,871</u>
Expenses:			
Program Services:			
Veterans assistance	2,644,388	-	2,644,388
Supporting Services:			
Management and general	635,686	-	635,686
Fund-raising	<u>443,049</u>	<u>-</u>	<u>443,049</u>
Total expenses	<u>3,723,123</u>	<u>-</u>	<u>3,723,123</u>
Change in net assets	(195,439)	149,187	(46,252)
Net assets at beginning of year	<u>3,643,265</u>	<u>181,843</u>	<u>3,825,108</u>
Net assets at end of year	<u>\$ 3,447,826</u>	<u>\$ 331,030</u>	<u>\$ 3,778,856</u>

See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services				Total
	Veterans				Management & General	Fundraising	Total Supporting Services		
	Veterans Aging In Place (VAIP)	Home Ownership Program (VHOP)	Ramps On Call (ROC)	Total Program Services					
Advertising & marketing	\$ 21,835	\$ 9,607	\$ 8,734	\$ 40,176	\$ 44,543	\$ 2,620	\$ 47,163	\$ 87,339	
Amortization	-	196,450	-	196,450	1,984	-	1,984	197,297	
Depreciation	-	-	-	-	41,868	-	41,868	41,868	
Community outreach	5,563	1,907	1,590	9,060	6,835	-	6,835	15,895	
Contract services	30,516	10,421	8,187	49,124	4,466	20,840	25,306	74,430	
Dues & subscriptions	970	324	323	1,617	14,554	-	14,554	16,171	
Facilities & equipment	-	-	-	-	99,766	-	99,766	99,766	
Maintenance	2,942	1,512	1,429	5,883	2,522	-	2,522	8,405	
Fundraising	-	-	-	-	-	59,708	59,708	59,708	
Insurance	6,660	2,924	1,787	11,371	2,437	2,437	4,874	16,245	
Interest expense	-	1,825	-	1,825	8,315	-	8,315	11,277	
Legal & professional	-	-	-	-	34,392	-	34,392	34,392	
Licenses & fees	-	-	-	-	3,806	-	3,806	3,806	
Meals & entertainment	1,404	477	393	2,274	-	533	533	2,807	
Office expenses	4,981	1,660	1,660	8,301	26,563	20,475	47,038	55,339	
Payroll	454,219	142,754	129,777	726,750	272,531	298,487	571,018	1,297,768	
Specific assistance	905,078	306,558	248,167	1,459,803	-	-	-	1,459,803	
Staff development	-	-	-	-	33,016	-	33,016	33,016	
Taxes	29,980	20,309	12,572	62,861	18,375	15,474	33,849	96,710	
Telecommunications	4,267	1,364	1,195	6,826	5,120	5,120	10,240	17,066	
Travel	5,942	2,061	1,698	9,701	1,213	1,213	2,426	12,127	
Utilities	4,498	2,381	2,117	8,996	8,732	8,732	17,464	26,460	
Miscellaneous expense	-	-	-	-	4,648	-	4,648	4,648	
E-Store expenses	-	-	-	-	-	7,410	7,410	7,410	
(Gain) loss on disposal	-	43,370	-	43,370	-	-	-	43,370	
	<u>\$ 1,478,855</u>	<u>\$ 745,904</u>	<u>\$ 419,629</u>	<u>\$ 2,644,388</u>	<u>\$ 635,686</u>	<u>\$ 443,049</u>	<u>\$ 1,078,735</u>	<u>\$ 3,723,123</u>	

See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:

Increase (decrease) in net assets \$ (46,252)

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

Depreciation and amortization 239,165

Unrealized (gain) loss on investments (10,490)

Donated investments (6,821)

(Gain) loss from sale of real estate 309,934

In-kind contributions - real estate & equipment (922,692)

(Increase) decrease in operating assets:

Accounts receivable 89,576

Contributions receivable (5,000)

Sales tax receivable (24,075)

Other receivables (1,467)

Investments (42,002)

Prepaid expenses (13,935)

Inventory 285,824

Real estate 466,303

Increase (decrease) in operating liabilities:

Accounts payable (106,004)

Accrued payroll and withholdings 1,335

Credit card payable 6,164

Due to chapters (17,778)

Escrow taxes payable (2,089)

Total adjustments 245,948

Net cash provided (used) by operating activities 199,696

Cash Flows from Investing Activities:

Purchase of property, plant and equipment (197,809)

Net cash provided (used) by investing activities (197,809)

Cash Flows from Financing Activities:

Proceeds from long term debt 605,851

Financing costs capitalized (9,748)

Payments on long term debt (424,827)

Net cash provided (used) by financing activities 171,276

Net increase (decrease) in cash and cash equivalents 173,163

See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

Cash and Cash Equivalents:

Beginning of year - January 1	147,160
End of year - December 31	\$ 320,323

Supplemental Information:

Interest paid	25,909
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Non-cash Operating and Investing Transactions:

Acquisition of property, plant and equipment:

Vehicle	2,678
In-kind donation	(2,678)

Appreciation of investments:

Unrealized gain on investments	(10,490)
Investments	10,490

Issuance of purchase-money mortgage:

Purchase-money mortgage	102,500
Real estate	(102,500)

In-kind contributions:

Real estate	922,692
Expensed materials, services and other	153,853
Investments	6,821
In-kind donations	(1,083,366)

See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020.

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 \$65,923 at December 31, 2020.

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, 2020.

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, 2020, 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 \$66 for the year ended December 31, 2020.

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, 2020

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, 2020. See **NOTE K** for assets or liabilities classified as level 1 at December 31, 2020.

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 \$197,213 for the year ended December 31, 2020.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020.

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, 2020

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 2020, the Organization recognized \$10,087 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 *Ramps on Call* program is designed to provide service-connected disabled veterans who have limited mobility with accessibility within their own homes. This program service was discontinued December 31, 2020 as a named program service. All future projects in this category will fall under the Veterans Aging in Place (VAIP) program.

The *Rental* program is designed for veterans who might be in a transitional phase in life or who are exiting congregative living environments who are not quite ready for home ownership but who are ready for independent living.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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 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 \$87,339 for the year ended December 31, 2020.

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, 2017 through 2020 remain open for examination.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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, 2021 and interim periods within years beginning after December 15, 2022. 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.

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, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 320,323
Investments	71,273
Contributions receivable	5,500
Sales tax receivable	65,923
Other receivables	<u>2,513</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 465,532</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.

PURPLE HEART HOMES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE C – FINANCIAL INSTRUMENTS AND CREDIT RISK (CONTINUED)

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, 2020, the Organization had no deposits in excess of FDIC insured limits.

NOTE D – CONTRIBUTIONS RECEIVABLE

Amounts due on the balance are paid yearly in payments of \$500 per year. There no allowance as the Organization believes it is fully collectible. Amounts currently due by December 31, 2020 were as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2021	\$ 5,500
2022	-
2023	-
2024	-
2025	-
Thereafter	-
	<u>\$ 5,500</u>

NOTE E – INVENTORY

Inventory at December 31, 2020:

Materials	\$ 438,557
Merchandise	<u>17,670</u>
Total inventory	<u>\$ 456,227</u>

NOTE F – PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consist of the following at December 31, 2020:

Office equipment	\$ 55,626
Other equipment	58,082
Vehicles	85,578
Warehouse	980,001
Accumulated depreciation	<u>(142,648)</u>
Property, plant and equipment, net	<u>\$ 1,036,639</u>

Depreciation expense for the year ended December 31, 2020 was \$41,868.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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. There was an outstanding balance at December 31, 2020 of \$75,000. The line was paid off in May of 2021.

NOTE H – LEASES AND NOTES PAYABLE

At December 31, 2020, 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.	\$ 385,988
Note payable to Colony Bank under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The note is dated April 28, 2020. The note bears an interest rate of 1% and is payable in monthly installments of principal and interest.	213,351
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.	28,865
Note payable to John Deere in monthly installments of \$367, noninterest bearing. The note matures April 30, 2022 and is secured by equipment.	5,880
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.	9,394
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.	12,951
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>1,940</u>
	658,369
Less: Unamortized debt issuance costs	(8611)
Current portion	<u>(249,336)</u>
Long-term portion	<u>\$ 400,422</u>

At December 31, 2020, future maturities of long-term debt are as follows:

PURPLE HEART HOMES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE H – LEASES AND NOTES PAYABLE (CONTINUED)

Year Ending <u>December 31</u>	
2021	\$ 249,336
2022	32,237
2023	28,482
2024	21,617
2025	326,697
Thereafter	<u>-</u>
	<u>\$ 658,369</u>

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 was \$331,030. This amount will be utilized to complete projects for the *Veterans Aging in Place*, *Veterans Home Renovation*, and *Rental* programs.

During 2020, the Organization released \$1,392,252 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 \$2,020,880 from those donors during 2020.

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 \$179,225 for the year ended December 31, 2020.

NOTE K – FAIR VALUE OF INVESTMENTS

Investments at December 31, 2020 at fair value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	\$ 55,426	\$ 71,273

The fair value of the investments detailed above is determined by reference to market quotations at December 31, 2020.

PURPLE HEART HOMES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE K – FAIR VALUE OF INVESTMENTS (CONTINUED)

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, 2020 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

<u>Totals</u>		<u>(Level 1)</u>		<u>(Level 2)</u>		<u>(Level 3)</u>		
Mutual Funds	\$	71,273	\$	71,273	\$	-	\$	-

NOTE L – ENDOWMENT FUNDS

The Organization has a board-designated scholarship fund classified as an endowment. This scholarship is awarded once per year to one candidate who is the child or grandchild of a disabled veteran. The amount awarded is \$2,500 per candidate per year and is to be used for housing expenses of the student. The funds are restricted to this use and this use only. Changes in the fund for the year ended December 31, 2020 are as follows:

Balance at January 1, 2020	\$	-
Amounts invested in the fund		52,000
Appreciation of the fund		12,817
Administrative fees		<u>(500)</u>
Balance at December 31, 2020	\$	<u>64,317</u>

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 22, 2021, the date at which the financial statements were available to be issued.

The Organization received a loan from Colony Bank in the amount of \$213,351 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was subject to a note dated April 28, 2020 and could be forgiven to the extent proceeds of the loan were used for eligible expenditures such as payroll and other expenses described in the CARES

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NOTE M – SUBSEQUENT EVENTS (CONTINUED)

Act. The Company received approval that the full amount, \$213,351, of the loan was forgiven by Colony Bank on June 23, 2021.