Year Ended December 31, 2013
FINANCIAL STATEMENTS
Statesville, North Carolina
Purple Heart Homes, Inc.
The presentation of financial statements is the responsibility of management. These statements, in the opinion of management, are free from material misstatement, whether due to fraud or error.

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 these financial statements, and evaluations of the effectiveness of internal control.

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, 2013, and the related notes to the financial statements.

Terry C. Cline, CPA
Manager, North Carolina

To the Board of Directors

INDEPENDENT AUDITORS REPORT

February 3, 2014
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, 2013, and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for the opinions expressed above.
### NET ASSETS

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,738,937</td>
<td>Total liabilities and net assets</td>
</tr>
<tr>
<td>2,649,135</td>
<td>Total net assets</td>
</tr>
<tr>
<td>1,104,209</td>
<td>Permanently restricted</td>
</tr>
<tr>
<td>1,544,926</td>
<td>Unrestricted</td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>89,802</td>
<td>Total liabilities</td>
</tr>
<tr>
<td>89,802</td>
<td>Total current liabilities</td>
</tr>
<tr>
<td>7,541</td>
<td>Credit card payable</td>
</tr>
<tr>
<td>28,030</td>
<td>Accounts payable and withholding</td>
</tr>
<tr>
<td>54,231</td>
<td>Accounts payable</td>
</tr>
<tr>
<td>2,738,937</td>
<td></td>
</tr>
</tbody>
</table>

### ASSETS

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,738,937</td>
<td>Total assets</td>
</tr>
<tr>
<td>20,757</td>
<td>Depreciation</td>
</tr>
<tr>
<td>306,600</td>
<td>Property and equipment, net of accumulated amortization</td>
</tr>
<tr>
<td>857</td>
<td>Purchase-money mortgages, net of accumulated amortization</td>
</tr>
<tr>
<td>2,410,723</td>
<td></td>
</tr>
<tr>
<td>1,851,678</td>
<td>Total current assets</td>
</tr>
<tr>
<td>1,600</td>
<td>Inventory</td>
</tr>
<tr>
<td>557,445</td>
<td>Accounts receivable</td>
</tr>
<tr>
<td>2,738,937</td>
<td></td>
</tr>
</tbody>
</table>

### PURPLE HEART HOMES, INC.

DECEMBER 31, 2013

STATEMENT OF FINANCIAL POSITION
OF THE FINANCIAL STATEMENTS
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART

Net assets at end of year
Prior period adjustment
Net assets at beginning of year
Change in net assets
Total expenses
Fund-raising
Management and General
Supporting services
Veterans assistance
Program services
Expenses
Other support
Total revenues, gains, and
miscellaneous
Interest and dividends
Contributed materials
Contributions, monetary transactions
Revenues, gains, and other support

YEAR ENDED DECEMBER 31, 2013
STRIKE OUT IN ACTIVITIES
PURPLE HEART HOMES, INC.
Cash and cash equivalents ending of year

Cash and cash equivalents beginning of year

Net increase (decrease) in cash and cash equivalents

Net cash provided (used) by investing activities

Payments for property and equipment

Cash flows from investing activities

Net cash provided (used) by operating activities

Total cash flows

Credit and note receivable

Accounts receivable

Increase (decrease) in operating liabilities

Purchase-money mortgages

Inventory

Accounts payable

Increase (decrease) in operating assets

Depreciation and amortization

Net cash provided by operating activities

Increase in net assets

Cash flows from operating activities

Year ended December 31, 2013

Statement of cash flows

Purpyle Heart Homes, Inc.
of a purpose restriction.

Net assets.

Temporarily restricted Net assets. Temporarily restricted net assets include those net assets whose use is not restricted by

these donors, even though their use may be limited in other respects, such as by board designation.

Unrestricted. Unrestricted net assets include those net assets whose use is not restricted by

limitation. Depreciation is computed using the straight-line method over the estimated useful lives of the

asset. The purchase price of the asset exceeds the amount that is considered to be

Property and Equipment, Purchased Property and equipment is capitalized at cost. Expenditures for

the purchase of an asset are charged to expense as

Purchased-Money Mortgages. Homes are available to purchasers at no less than fifty percent and up to

cash equivalents. The Organization had no cash equivalents at December 31, 2013.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual

contributions.

Organizations. The Organization is supported primarily through donor

personalized housing solutions for service-connected disabled veterans and their families that are

NOTES TO THE FINANCIAL STATEMENTS

PURPLE HEART HOMES, INC.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YEAR ENDED DECEMBER 31, 2013
The organization is committed to providing the veteran throughout the entire process, veterans, exiting home, building a home from the ground up, or adapting and modifying a purchased veteran's home, the services they have made on their community's behalf. Wherever it is adapting or providing assistance, the services are designed to enable the veteran into the community in which they live and to become homeowners.

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

The Veteran Home Ownership Program at no cost to the veteran.

The program is designed to provide a better living environment at no cost to the veteran. The program allows veterans to purchase a home of their own, or help other service-connected disabled veterans.

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

Contributed Homes and Materials. In-kind contributions and the corresponding donated homes and accompanying financial statements.

The criteria for a contribution as contributed services, and contributions, are not recognized in the

Organization's performance and in its functional financial statements. Instead, these services do not meet

A substantial number of volunteers have donated significant amounts of time and services to the

organization and other organizations functions.

In-kind contributions are recognized by the Organization if the services received are recognized by the

Organization. Services provided by contractors, architects, and other professionals who assist with home

services provided by contractors, architects, and other professionals who assist with home

The Organization receives contributions are not recognized by the Organization if the services received are not recognized by the Organization.

Contributed Services. Contributed services are recognized by the Organization if the services received

are recognized as contributed services in the accompanying financial statements.

where restoration, expansion, or other restoration, contributions whose restoration are not within the same year

when restoration, expansion, or other restoration, contributions whose restoration are not within the same year

applicable. Where significantly restricted net assets, amounts are reclassified to unrestricted net assets, as

restored by the donor is reported as an increase in committed or permanently restricted net assets, as

revised to support the restoration or otherwise, or a reduction of any donor restrictions. Support that is

restricted is measured as revenue in the period received.

Contributions. The Organization recognizes contributions as revenue in the period received.

(continued)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YEAR ENDED DECEMBER 31, 2013
NOTES TO THE FINANCIAL STATEMENTS
PURPLE HEART HOMES, INC.
NOTE B - INVENTORY

Inventory consists of the following at December 31:

- $1,884,678
- 264,819
- $1,586,859

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)
Subsequent events have been evaluated through February 3, 2015, the date at which the financial statements were available to be issued.

**NOTE: SUBSEQUENT EVENTS**

The organization has $659,386 in cash and cash equivalents in excess of the FDIC limits. As of December 31, 2013, the organization may have amounts on deposit in excess of FDIC limits. From time to time, 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. The organization's deposits at these institutions are insured up to the applicable limits. The organization believes it is not exposed to significant credit risk on its cash and cash equivalents.

Financial instruments which potentially subject the organization to concentrations of credit risk consist primarily of cash and cash equivalents. The organization has not experienced any losses in such financial instruments during the year.

**NOTE: FINANCIAL INSTRUMENTS AND CREDIT RISK**

During 2013, the organization released $569,568 from temporarily restricted net assets. This amount consisted of homes which were sold or reclassified to real property. Prior to December 31, 2013, the organization had no restricted net assets.

**NOTE: TEMPORARILY RESTRICTED NET ASSETS**

Depreciation expense for the year ended December 31, 2013 was $24.81.

<table>
<thead>
<tr>
<th>Property and equipment, net</th>
<th>$23,757</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated depreciation</td>
<td>(3,997)</td>
</tr>
<tr>
<td>Office equipment</td>
<td>$28,048</td>
</tr>
<tr>
<td>Vehciles</td>
<td>0.700</td>
</tr>
</tbody>
</table>

Property and equipment consists of the following at December 31:

**NOTE: PROPERTY AND EQUIPMENT**

YEARS ENDED DECEMBER 31, 2013
NOTES TO THE FINANCIAL STATEMENTS
PURPLE HEART HOMES, INC.
NOTE 6 - PRIOR PERIOD ADJUSTMENT

YEAR ENDED DECEMBER 31, 2013
NOTES TO THE FINANCIAL STATEMENTS
PURPLE HEART HOMES, INC.