



**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2021**

PURPLE HEART HOMES, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Purple Heart Homes, Inc. as of December 31, 2021, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Purple Heart Homes, Inc. 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 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 Purple Heart Homes, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgement 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 Purple Heart Homes, Inc.'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 Purple Heart Homes, Inc.'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.

Gantt Malzi & Associates, CPAs, P.A.

Gantt Malzi & Associates, CPAs, P.A.
Statesville, NC
November 18, 2022

PURPLE HEART HOMES, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

Assets:

Current Assets:

Cash and cash equivalents	\$ 1,322,310
Investments at fair value	82,441
Contributions receivable, current	162
Sales tax receivable	14,582
Prepaid expenses	24,425
Other receivables	553
Due from chapters	4,279
Inventory	484,918
Total current assets	<u>1,933,670</u>

Long-Term Assets:

Real estate	1,185,159
Organization expenses, net of accumulated amortization	191
Purchase-money mortgages, net of accumulated amortization	376,388
Property, plant and equipment, net of accumulated depreciation	<u>1,066,267</u>
Total long-term assets	<u>2,628,005</u>

Total assets	<u><u>\$ 4,561,675</u></u>
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See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

Liabilities:

Current Liabilities:

Accounts payable	\$ 42,376
Accrued payroll and withholdings	55,311
Credit cards payable	19,679
Notes payable - current	<u>21,533</u>
Total current liabilities	138,899

Long-Term Liabilities:

Notes payable	<u>362,387</u>
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Total liabilities	<u>501,286</u>
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Net Assets:

Without donor restrictions	3,070,911
With donor restrictions	<u>989,478</u>
Total net assets	<u>4,060,389</u>

Total liabilities and net assets	<u>\$ 4,561,675</u>
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See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support:			
Contributions, monetary transactions	\$ 517,510	\$ 3,526,088	\$ 4,043,598
Contributed homes	90,331	-	90,331
Contributed materials	324,538	-	324,538
Other in-kind contributions	107,041	-	107,041
Interest and dividends	1,225	-	1,225
Payroll protection plan loan forgiveness	413,063	-	413,063
Miscellaneous	66,504	-	66,504
Realized and unrealized gains on investments	25,759	-	25,759
Other gains (losses)	(391,330)	-	(391,330)
Net assets released from restrictions:			
Expiration of time restrictions	<u>2,867,640</u>	<u>(2,867,640)</u>	<u>-</u>
Total revenues, gains, and other support	<u>4,022,281</u>	<u>658,448</u>	<u>4,680,729</u>
Functional Expenses:			
Program Services:			
Veterans assistance	3,298,780	-	3,298,780
Supporting Services:			
Management and general	523,742	-	523,742
Fund-raising	<u>576,674</u>	<u>-</u>	<u>576,674</u>
Total functional expenses	<u>4,399,196</u>	<u>-</u>	<u>4,399,196</u>
Increase (decrease) in net assets	(376,915)	658,448	281,533
Net assets at beginning of year	<u>3,447,826</u>	<u>331,030</u>	<u>3,778,856</u>
Net assets at end of year	<u>\$ 3,070,911</u>	<u>\$ 989,478</u>	<u>\$ 4,060,389</u>

See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services			
	Veterans							
	Veterans Aging In Place (VAIP)	Home Ownership Program (VHOP)	Program Services	Total	Mangement & General	Fundraising	Supporting Services	Total
Advertising & marketing	\$ 3,399	\$ 2,914	\$ 6,313	\$	\$ -	\$ 42,250	\$ 42,250	\$ 48,563
Amortization	-	166,613	166,613		1,683	-	1,683	168,296
Depreciation	6,709	6,709.00	13,418		31,309	-	31,309	44,727
Community outreach	81,652	80,019	161,671		1,633	-	1,633	163,304
Contract services	5,605	5,605	11,210		5,605	95,276	100,881	112,091
Dues & subscriptions	3,573	893	4,466		40,194	-	40,194	44,660
Facilities & equipment	48,187	41,762	89,949		16,062	1,072	17,134	107,083
Maintenance	3,675	3,185	6,860		1,225	82	1,307	8,167
Fundraising	579	578	1,157		-	56,686	56,686	57,843
Insurance	17,622	17,622	35,244		12,336	11,161	23,497	58,741
Interest expense	-	911	911		5,162	-	5,162	6,073
Legal & professional	8,905	8,905	17,810		8,014	3,859	11,873	29,683
Licenses & fees	-	-	-		251	4,765	5,016	5,016
Meals & entertainment	1,846	490	2,336		-	548	548	2,884
Office expenses	3,428	3,999	7,427		20,566	29,136	49,702	57,129
Payroll	400,015	333,346	733,361		320,012	280,009	600,021	1,333,382
Specific assistance	982,074	982,073	1,964,147		-	-	-	1,964,147
Staff development	129	-	129		12,818	-	12,818	12,947
Taxes	33,613	28,011	61,624		26,891	23,529	50,420	112,044
Telecommunications	3,911	3,694	7,605		7,170	6,953	14,123	21,728
Travel	351	350	701		5,786	11,046	16,832	17,533
Utilities	5,854	5,853	11,707		7,025	4,683	11,708	23,415
E-Store expenses	-	-	-		-	5,619	5,619	5,619
(Gain) loss on disposal	-	(5,879)	(5,879)		-	-	-	(5,879)
	<u>\$ 1,611,127</u>	<u>\$ 1,687,653</u>	<u>\$ 3,298,780</u>		<u>\$ 523,742</u>	<u>\$ 576,674</u>	<u>\$ 1,100,416</u>	<u>\$ 4,399,196</u>

See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Cash Flows from Operating Activities:

Increase in net assets	\$ 281,533
Adjustments to reconcile net cash provided (used) by operating activities:	
Depreciation and amortization	213,023
Unrealized (gain) on investments	(25,759)
Donated investments	(6,712)
Loss from sale of real estate	384,996
Loss from sale of fixed assets	455
In-kind contributions - real estate, equipment & materials	(521,910)
(Increase) decrease in operating assets:	
Contributions receivable	5,338
Sales tax receivable	51,368
Other receivables	1,933
Investments	(11,179)
Prepaid expenses	(10,490)
Due from chapters	(22,057)
Inventory	(28,691)
Real estate	1,110,798
Increase (decrease) in operating liabilities:	
Accounts payable	(58,458)
Accrued payroll and withholdings	639
Credit card payable	(21,589)
Total adjustments	<u>1,061,705</u>
Net cash provided by operating activities	<u>1,343,238</u>

Cash Flows from Investing Activities:

Purchase of property, plant and equipment	(32,510)
Proceeds from the sale of fixed assets	<u>2,000</u>
Net cash (used) by investing activities	<u>(30,510)</u>

Cash Flows from Financing Activities:

Payments on line of credit	(75,000)
Payments on long term debt	<u>(235,741)</u>
Net cash (used) by financing activities	<u>(310,741)</u>
Net increase in cash and cash equivalents	1,001,987

See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Cash and Cash Equivalents:

Beginning of year - January 1	320,323
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End of year - December 31	\$ 1,322,310
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Supplemental Information:

Interest paid	\$ 6,073
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Non-cash Operating and Investing Transactions:

Acquisition of property, plant and equipment:

Box truck	\$ 40,000
Mower	4,300
In-kind donations of PP&E	\$ (44,300)

Appreciation of investments:

Unrealized gain on investments	\$ (25,759)
Investments	\$ 25,759

Issuance of purchase-money mortgage:

Purchase-money mortgage	\$ 95,000
Real estate	\$ (95,000)

In-kind contributions:

Real estate	\$ 90,331
Expensed materials, services and other	431,579
Investments	6,712
In-kind donations	\$ (528,622)

See accompanying notes to the financial statements.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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 has a money market account and store credit representing cash equivalents at December 31, 2021.

Contributions Receivable. The Organization has a contributions 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 \$14,582 at December 31, 2021.

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, 2021.

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, 2021, the Organization's investments consisted entirely of stocks and 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 \$1,225 for the year ended December 31, 2021.

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, 2021

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, 2021. See **NOTE K** for assets or liabilities classified as level 1 at December 31, 2021.

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 \$168,213 for the year ended December 31, 2021.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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 for the organization expenses was \$83 for the year ended December 31, 2021.

Net Assets. In accordance with 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 donation. The Organization records donated services which meet the recognition criteria at the fair market value of the services received. In 2021, the Organization recognized no revenue from contributed services.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

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 goal 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.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

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 \$48,563 for the year ended December 31, 2021.

Use of Estimates. The preparation of financial statements in conformity with U.S. 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, 2018 through 2021 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, 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.

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE B – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,322,310
Investments	82,441
Contributions receivable	162
Due from chapters	4,279
Sales tax receivable	14,582
Other receivables	<u>553</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,424,327</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, 2021, the Organization had deposits in excess of FDIC insured limits of \$954,601.

NOTE D – CONTRIBUTIONS RECEIVABLE

The following is the maturities of the Organization's contributions receivable. There is no allowance as the Organization believes the amounts are fully collectible. Amounts currently due are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2022	\$ 162
2023	-
2024	-
2025	-
2026	-
Thereafter	<u>-</u>
	<u>\$ 162</u>

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE E – INVENTORY

Inventory consists of the following at December 31, 2021:

Materials	\$ 461,836
Merchandise	<u>23,083</u>
Total inventory	<u>\$ 484,918</u>

NOTE F – PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment consists of the following at December 31, 2021:

Office equipment	\$ 55,626
Other equipment	62,382
Vehicles	122,900
Warehouse	1,012,511
Accumulated depreciation	<u>(187,152)</u>
Property, plant and equipment, net	<u>\$ 1,066,267</u>

Depreciation expense for the year ended December 31, 2021 was \$44,727.

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 of credit had a balance of \$-0- at December 31, 2021. The line was paid off in May of 2021.

NOTE H – LEASES AND NOTES PAYABLE

At December 31, 2021, the notes payable consisted of the following:

Note payable to Wells Fargo Bank in monthly installments of \$2,307, which includes interest at 3.60%. The note matures June 15, 2025 and is secured by real estate.	\$ 372,159
Note payable to John Deere in monthly installments of \$367, noninterest bearing. The note matures April 30, 2022 and is secured by equipment.	1,470
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.	7,119

PURPLE HEART HOMES, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE H – LEASES AND NOTES PAYABLE (CONTINUED)

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.

	<u>9,832</u>
	390,580
Less: Unamortized debt issuance costs	(6,660)
Current portion	<u>(21,533)</u>
Long-term portion	<u>\$ 362,387</u>

At December 31, 2021, future maturities of long-term debt are as follows:

Year Ending December 31	
2022	\$ 21,533
2023	20,734
2024	21,617
2025	326,696
2026	-
Thereafter	<u>-</u>
	<u>\$ 390,580</u>

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 was \$989,478. This amount will be utilized to complete projects for the *Veterans Aging in Place* and *Veterans Home Renovation* programs.

During 2021, the Organization released \$2,867,640 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 two major donors who each have an employee on the Board of Directors of the Organization. The Organization received \$1,335,400 from those donors during 2021.

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 \$80,000 for the year ended December 31, 2021.

NOTE K – FAIR VALUE OF INVESTMENTS

Investments at December 31, 2021 at fair value are summarized below:

PURPLE HEART HOMES, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE K – FAIR VALUE OF INVESTMENTS (CONTINUED)

	<u>Cost</u>	<u>Fair Value</u>
Stocks & Mutual Funds	\$ 3,683	\$ 9,922

The fair value of the investments detailed above is determined by reference to market quotations at December 31, 2021. 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, 2021 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

		Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
	<u>Totals</u>			
Stocks & Mutual Funds	\$ 9,922	\$ 9,922	\$ -	\$ -

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, 2021 are as follows:

Balance at January 1, 2021	\$ 64,317
Appreciation of the fund	8,743
Administrative fees	<u>(541)</u>
Balance at December 31, 2021	<u>\$ 72,519</u>

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 18, 2022, the date at which the financial statements were available to be issued.