

HOMETOWN HEROES, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



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**HOMETOWN HEROES, INC.
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YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hometown Heroes, Inc.
Grafton, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hometown Heroes, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statement.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statement* section of our report. We are required to be independent of Hometown Heroes, 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 audit opinion.

Emphasis of Matter – Change in Accounting Principles

As described in Note 1 to the financial statements, Hometown Heroes, Inc. adopted new accounting guidance for leases for the year ended December 31, 2022. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Also described in Note 1 to the financial statements, Hometown Heroes, Inc. adopted new accounting guidance for contributed nonfinancial assets for the year ended December 31, 2022. The guidance requires nonprofit entities to separately report and disclose contributed nonfinancial assets. Our opinion is not modified with respect to this matter.

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 Hometown Heroes, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hometown Heroes, 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 Hometown Heroes, Inc.'s ability to continue as a going concern for a reasonable period of time.

Board of Directors
Hometown Heroes, Inc.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
September 22, 2023

HOMETOWN HEROES, INC.
STATEMENT OF FINANCIAL POSITIOIN
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 667,292
Investments, at Fair Value	8,734
Accounts Receivable	78,728
Inventory	1,856
Prepaid Expenses and Security Deposit	61,583
Total Current Assets	<u>818,193</u>

PROPERTY AND EQUIPMENT

Computer Software and Equipment	13,427
Camp Equipment	296,158
Building improvements	62,338
Education Film Development	32,440
Total Property and Equipment	<u>404,363</u>
Less: Accumulated Depreciation	<u>(81,123)</u>
Property and Equipment, Net	323,240

OTHER ASSETS

Right of Use Asset	<u>216,482</u>
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Total Assets	<u><u>\$ 1,357,915</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 248,000
Accrued Payroll Liabilities	16,796
Deferred Revenue	2,124
Current Lease Liability	20,863
Total Current Liabilities	<u>287,783</u>

LONG-TERM LIABILITIES

Long-Term Lease Liability	<u>195,619</u>
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Total Liabilities	483,402
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NET ASSETS

Without Donor Restrictions	688,118
With Donor Restrictions	186,395
Total Net Assets	<u>874,513</u>

Total Liabilities and Net Assets	<u><u>\$ 1,357,915</u></u>
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See accompanying Notes to Financial Statement.

HOMETOWN HEROES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions and Grants	\$ 609,439	\$ 234,500	\$ 843,939
Contributed Nonfinancial Assets	177,481	-	177,481
Rentals of Camp Matawa	138,102	-	138,102
Special Events Revenue	487,442	-	487,442
Less: Cost of Direct Benefits to Donors	276,518	-	276,518
Net Special Events Revenue	210,924	-	210,924
Raffle Receipts, Less Direct Costs of \$178	14,238	-	14,238
Inventory Sales, Less Cost of Sales	160	-	160
Investment Loss	(4,025)	-	(4,025)
Release from Restrictions	261,705	(261,705)	-
Total Support and Revenues	1,408,024	(27,205)	1,380,819
EXPENSES			
Program:			
Grants to Other Charities	14,050	-	14,050
Camp Hometown Heroes	257,754	-	257,754
Camp Reunite	82,122	-	82,122
Camp Turning Rivers	604,334	-	604,334
Kids2Kids	156,065	-	156,065
Total Program Expenses	1,114,325	-	1,114,325
Management and General	365,878	-	365,878
Fundraising	44,171	-	44,171
Total Expenses	1,524,374	-	1,524,374
CHANGE IN NET ASSETS	(116,350)	(27,205)	(143,555)
Net Assets - Beginning of Year	804,468	213,600	1,018,068
NET ASSETS - END OF YEAR	\$ 688,118	\$ 186,395	\$ 874,513

See accompanying Notes to Financial Statement.

HOMETOWN HEROES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services					Total	Management and General	Fundraising and Development	Cost of Direct Benefit to Donors	Total
	Grants to Other Charities	Camp Hometown Heroes	Camp Reunite	Camp Turning Rivers	Kids2Kids					
Grants and Other Assistance	\$ 14,050	\$ -	\$ -	\$ -	\$ -	\$ 14,050	\$ -	\$ -	\$ -	\$ 14,050
Program Labor and Services	-	20,341	8,770	61,239	69,553	159,903	-	-	-	159,903
Program Food and Related Supplies	-	11,979	9,350	108,306	37,000	166,635	-	-	-	166,635
Program Travel Expense	-	156,402	6,438	5,062	3,721	171,623	-	10	-	171,633
Program Supplies	-	14,270	24,530	30,314	22,706	91,820	-	-	-	91,820
Salaries and Wages	-	48,660	17,102	137,911	-	203,673	84,615	31,981	8,706	328,975
Employee Benefits	-	-	-	3,277	-	3,277	-	-	-	3,277
Payroll Taxes	-	38	-	16,991	-	17,029	10,961	-	-	27,990
Travel	-	1,933	559	4,914	-	7,406	165	423	7,555	15,549
Professional Services	-	52	8,745	2,722	225	11,744	212,981	5,045	248,837	478,607
Advertising and Promotion	-	3,675	6,200	979	22,708	33,562	259	-	-	33,821
Office and Supplies Expenses	-	187	187	7,543	-	7,917	11,767	467	11,598	31,749
Bank and Related Fees	-	-	-	5,003	152	5,155	2,867	6,140	-	14,162
Occupancy - Rent, Parking, Utilities, Etc.	-	4	-	100,020	-	100,024	3,606	9	-	103,639
Conferences, Conventions, and Meetings	-	105	-	1,862	-	1,967	1,990	96	-	4,053
Equipment Rental and Maintenance	-	108	241	68,913	-	69,262	5,028	-	-	74,290
Insurance	-	-	-	28,287	-	28,287	12,063	-	-	40,350
Bad Debt Expense	-	-	-	-	-	-	19,576	-	-	19,576
Depreciation and Amortization	-	-	-	20,991	-	20,991	-	-	-	20,991
Total Expenses by Function	\$ 14,050	\$ 257,754	\$ 82,122	\$ 604,334	\$ 156,065	\$ 1,114,325	\$ 365,878	\$ 44,171	\$ 276,696	\$ 1,801,070

See accompanying Notes to Financial Statements.

**HOMETOWN HEROES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (143,555)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	20,991
Unrealized Depreciation in Fair Value of Investments	4,025
Change in Current Assets and Liabilities:	
Accounts Receivable	(58,464)
Inventory	187
Prepaid Expenses and Security Deposit	(37,946)
Accounts Payable	148,353
Accrued Payroll Liabilities	5,854
Deferred Revenue	2,124
Net Cash Provided (Used) by Operating Activities	<u>(58,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(185,453)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(243,884)
Cash and Cash Equivalents - Beginning of Year	<u>911,176</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 667,292</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Right-of-use Asset and Operating Liabilities Recorded Under Adoption of ASC 842	<u><u>\$ 237,010</u></u>

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hometown Heroes, Inc. (the Organization) is a nonprofit corporation organized and existing under the laws of the state of Wisconsin and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization was created to provide support, healing, and recognition to our first responders, military community, and children and families in need and for the purposes of transforming the lives of children, families, first responders and veterans in need through a “Pay it Forward” approach to volunteerism and giving. By creating opportunities for thousands of inspiring volunteers, the Organization not only benefits the recipients but also those who serve.

The Organization funds various charities and its major programs include Camp Hometown Heroes which is a national free week-long overnight summer camp for children who have lost a parent, sibling, or other loved one who served in the U.S. military and died in service and Camp Reunite which is a local free week-long overnight summer camp for children who have mothers incarcerated and who have the opportunity to reunite with their mothers. The Organization also supports the Kids2Kids Christmas event which collects and distributes nearly 26,000 toys to low income children throughout southeastern Wisconsin. The major fundraising event that supports the Organization is the Grand Slam Charity Jam which raises awareness of the mission of the Organization and funds to support the mission.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP and, accordingly, reflect all significant receivables, payables and other liabilities with revenues and expenses reflected in the period earned or incurred.

Risks and Uncertainties

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

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers their checking, money market accounts and certificates of deposits to be cash.

Concentration of Credit Risk

The Organization maintains a checking account at one financial institution. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 per official custodian. The Organization's deposits at times may exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on its cash and investments.

Valuation of Investments and Income Recognition

The Organization's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are reflected on a trade-date basis. Revenue from the sale of investments is presented net of fees as these are embedded in the cost of the investment. The cost basis of investments used in the determination of realized gains and losses on sales of investments is determined by using the position with the highest purchase cost first. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation (depreciation) in the fair market value of investments includes gains and losses on investments bought and sold as well as held during the year and are included in the accompanying statements of activities.

Property and Equipment

All expenditures for property and equipment in excess of \$1,000 are capitalized as the useful lives of these assets are beneficial for more than one year. Depreciation is computed using the straight-line method over the estimated lives of the assets.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue is recognized when earned. Revenues from various sources are recognized in the period such events or fundraising occurs and the amounts are collected.

The Organization recognizes revenue from daily rentals of the use of the facilities at Camp Matawa which are recorded and recognized at the point in time the performance obligations are satisfied, which typically occurs when the facilities are occupied and used by various outside organizations.

Special event revenue is recognized when performance obligations are met. Special event revenues reported in the statement of activities include both individual and corporate contributions (nonreciprocal transactions) and exchange (reciprocal) transactions. Special event revenue included approximately \$67,463 of exchange transactions for the year ended December 31, 2022. Such revenue is recognized over time, as all performance obligations are met when the events occur. Costs of direct benefits to donors for incidental activities are netted against special event revenue. Such costs totaled \$276,518 for the year ended December 31, 2022.

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. There were contributions with donor restrictions received during the year ended December 31, 2022 which are available for use in the subsequent year.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers provided services to the Organization throughout the year that have not been recognized as contributions in the financial statements because the recognition criteria were not met.

Deferred Revenue

Amounts received in advance for an event are classified as deferred revenue. The availability of these funds is conditional upon the Organization completing the event and failure to perform these events would result in the refund of the funds by the Organization. There were \$2,124 of advance receipts as of December 31, 2022.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Organization is exempt from federal income taxes as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of state law, and accordingly, is not subject to federal or state income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

As a result of the adoption of the new lease accounting guidance, the Organization recognized, on January 1, 2022, a lease liability of \$237,010, which represents the present value of the remaining operating lease payments of \$256,000, discounted using the risk free rate of 1.63%, and a right-of-use asset of \$237,010, which represents the initial operating lease liability.

The standard had a material impact on the statement of financial position but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The Organization has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. The update requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets (See Note 10).

Leases

Beginning January 1, 2022, the Organization began accounting for its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. See Note 9 for additional information on the Organization's leases as of and for the year ended December 31, 2022.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 22, 2023, the date on which the financial statements were available to be issued.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Total Financial Assets Available Within One Year:	
Cash and Cash Equivalents	\$ 667,292
Accounts Receivable	78,728
Investments	8,734
Subtotal	<u>754,754</u>
Less: Amounts Not Available for General Expenditures Within One Year Due to:	
Donor Restricted to Purpose Restrictions	<u>186,395</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 568,359</u></u>

NOTE 3 INVESTMENTS

Investments are carried at fair value and consist of various common stock. The fair value of these investments was \$8,734 as of December 31, 2022. Costs of these investments were \$3,691 as of December 31, 2022. The investments depreciated in value by \$4,025 during the year ended December 31, 2022.

NOTE 4 FAIR VALUE MEASUREMENTS

The Organization measures certain financial assets and liabilities at fair value. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy under the framework are described as follows:

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

Level 2 – Inputs to the valuation methodology include:

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

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2022.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common stock are valued at the closing price reported on the New York Stock Exchange.

The following tables set forth, by level within the fair value hierarchy, the Organization's investments at fair value as of December 31:

	Investments at Fair Value			Total
	Level 1	Level 2	Level 3	
Common Stocks	\$ 8,734	\$ -	\$ -	\$ 8,734

NOTE 5 AFFILIATED ORGANIZATION

Among other donors, the Organization is supported by Kapco, Inc. (Kapco) in the form of contributions, administrative assistance, and fundraising events. Key members of Kapco management are also board members and officers of the Organization and serve in various capacities. During the year ended December 31, 2022, the Organization collected \$27,500 in direct financial contributions from Kapco.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 RELATED PARTY TRANSACTIONS

The Organization has two employees that provide direct oversight and management. Other various management, administrative, fundraising, and financial duties are performed by officers, directors, and other individuals of Kapco to the Organization. The Organization reimbursed Kapco \$20,000 for these services during the year ended December 31, 2022 and recognized \$173,927 as contributed nonfinancial assets for donated services that were not reimbursed.

The Organization is provided rent-free office space from Kapco, Inc. during the year ended December 31, 2022 and the amount of estimated contributed rent is reported as an expense and a contribution. Total rent expense recorded for office and parking space for the year ended December 31, 2022 was \$1,200 and is included in occupancy and administrative costs in the statement of activities.

In addition, certain board members or board member affiliated organization donated to the Organization's fundraising events. Total contributions amounted to \$37,802 for the year ended December 31, 2022.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are foundation grants restricted specifically for various purposes including equipment and improvements at Turning Rivers (formerly known as Camp Matawa) and remaining unspent amounts totaled \$195,562 as of December 31, 2022.

NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

The Organization classifies expenses into two functions: program services and supporting services. In the accompanying statement of functional expenses, all expenses are allocated based upon the functions to which they relate. Expenses that can be identified with a specific function are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's use of estimated time spent on the respective program and support functions.

NOTE 9 LEASES – ASC 842

The Organization entered into a long-term lease with the Wisconsin Department of Natural Resources (WDNR) which commenced on September 1, 2017, for occupancy of facilities and land use of the former Camp Matawa located within the northern unit of the Kettle Moraine State Forest. The term of the lease is for 15 years through August 30, 2032. The base rent is \$24,000 per year under the terms of the lease agreement. The Organization is responsible for all the general administrations and operations of the facilities and land use. In conjunction with the lease, the Organization is responsible for insurance, maintenance, utilities, taxes, assessments, and other charges.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 LEASES – ASC 842 (CONTINUED)

Quantitative information concerning the Organization's leases for the year ended December 31, 2022:

Operating Lease Cost	\$	24,000
Operating Cash Flows from Operating Leases	\$	24,000
Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities	\$	237,010
Weighted Average Remaining Lease Term		9.7
Weighted Average Discount Rate		1.63%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 24,000
2024	24,000
2025	24,000
2026	24,000
2027	24,000
Thereafter	112,000
Undiscounted Cash Flows	<u>232,000</u>
(Less) Imputed Interest	(15,518)
Total Present Value	<u><u>\$ 216,482</u></u>
Short-Term Lease Liabilities	\$ 20,863
Long-Term Lease Liabilities	<u>195,619</u>
Total	<u><u>\$ 216,482</u></u>

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 DONATED SERVICES AND ASSETS

The Organization received the following contributions of nonfinancial assets for the year ended December 31, 2022:

Supplies	\$ 2,354
Rent	1,200
Professional Services	<u>173,927</u>
Total	<u><u>\$ 177,481</u></u>

Contributed supplies was utilized in the Camp Turning Rivers program. Contributed supplies are valued and are reported at the estimated fair value in the financial statements based on current rates for similar supplies rent.

Contributed rent recognized comprise donated office space from affiliated entity, Kapco, to allow the Organization to perform various administrative duties. Contributed rent are valued and are reported at the estimated fair value in the financial statements based on current rates for similar rent.

Contributed professional services recognized comprise professional services from affiliated entity, Kapco, for various administrative and accounting duties. Contributed professional services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.



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