

HOMETOWN HEROES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017



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**HOMETOWN HEROES, INC.
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hometown Heroes, Inc.
Grafton, Wisconsin

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, 2018, 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.

Auditors' 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 auditors' 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.

Board of Directors
Hometown Heroes, Inc.

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Hometown Heroes, Inc. as of December 31, 2018, 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.

Emphasis of Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, management adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update changes the presentation of various classifications and disclosures within the financial statements. Our opinion is not modified with respect to that matter.

Other Matter

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated November 13, 2018, expressed an unmodified opinion on those statements.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
December 19, 2019

HOMETOWN HEROES, INC.
STATEMENTS OF FINANCIAL POSITIOIN
DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 271,693	\$ 441,246
Accounts Receivable	11,955	-
Inventory	2,833	1,288
Prepaid Expenses and Security Deposit	35,152	34,193
Total Current Assets	321,633	476,727
PROPERTY AND EQUIPMENT		
Computer Software and Equipment	6,613	6,613
Camp Equipment	20,326	5,295
Building improvements	17,577	-
Education Film Development	32,440	32,440
Total Property and Equipment	76,956	44,348
Less: Accumulated Depreciation	(40,992)	(37,893)
Property and Equipment, Net	35,964	6,455
Total Assets	\$ 357,597	\$ 483,182
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 21,931	\$ 18,905
Accrued Payroll Liabilities	2,523	2,229
Deferred Revenue - Grand Slam Charity Jam	-	1,250
Total Current Liabilities	24,454	22,384
NET ASSETS		
Without Donor Restrictions	327,932	451,598
With Donor Restrictions	5,211	9,200
Total Net Assets	333,143	460,798
Total Liabilities and Net Assets	\$ 357,597	\$ 483,182

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	Without Donor Restrictions	With Donor Restrictions	2017 Total
SUPPORT AND REVENUES						
Contributions and Grants	\$ 485,728	\$ 5,211	\$ 490,939	\$ 528,500	\$ 9,200	\$ 537,700
Rentals of Camp Matawa	71,401	-	71,401	11,600	-	11,600
Special Events Revenue	260,743	-	260,743	278,497	-	278,497
Less: Cost of Direct Benefits to Donors	223,931	-	223,931	225,167	-	225,167
Net Special Events Revenue	36,812	-	36,812	53,330	-	53,330
Raffle Receipts, Less Direct Costs	8,201	-	8,201	12,735	-	12,735
Inventory Sales, Less Cost of Sales	99	-	99	110	-	110
Interest Income	606	-	606	-	-	-
Release from Restrictions	9,200	(9,200)	-	-	-	-
Total Support and Revenues	612,047	(3,989)	608,058	606,275	9,200	615,475
EXPENSES						
Program:						
Grants to Other Charities	12,879	-	12,879	18,212	-	18,212
Camp Hometown Heroes	231,899	-	231,899	245,890	-	245,890
Camp Reunite	28,149	-	28,149	-	-	-
Camp Matawa	363,799	-	363,799	120,173	-	120,173
Kids to Kids	18,901	-	18,901	27,119	-	27,119
Total Program Expenses	655,627	-	655,627	411,394	-	411,394
Management and General Fundraising	61,443	-	61,443	96,661	-	96,661
	18,643	-	18,643	33,207	-	33,207
Total Expenses	735,713	-	735,713	541,262	-	541,262
CHANGE IN NET ASSETS						
	(123,666)	(3,989)	(127,655)	65,013	9,200	74,213
Net Assets - Beginning of Year	451,598	9,200	460,798	386,585	-	386,585
NET ASSETS - END OF YEAR	\$ 327,932	\$ 5,211	\$ 333,143	\$ 451,598	\$ 9,200	\$ 460,798

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services										
	Grants to Other Charities	Camp Hometown Heroes	Camp Reunite	Camp Matawa	Kids to Kids	Total	Management and General	Fund Raising and Development	Cost of Direct Benefit to Donors	2018 Total	2017 Total
Grants and Other Assistance	\$ 12,879	\$ -	\$ -	\$ -	\$ -	\$ 12,879	\$ -	\$ -	\$ -	\$ 12,879	\$ 18,212
Program Labor and Services	-	55,529	1,650	26,055	-	83,234	-	-	-	83,234	105,274
Program Food and Related Supplies	-	35,978	12,970	36,337	18,901	104,186	-	-	-	104,186	101,980
Program Supplies	-	21,035	614	14,779	-	36,428	2,702	-	-	39,130	27,718
Salaries and Wages	-	19,421	4,400	99,910	-	123,731	23,558	15,146	15,847	178,282	90,044
Payroll Taxes	-	2,884	361	8,613	-	11,858	1,946	1,197	-	15,001	6,568
Travel	-	81,197	3,674	2,800	-	87,671	455	-	20,258	108,384	77,837
Professional Services	-	824	-	287	-	1,111	15,002	-	164,150	180,263	223,813
Advertising and Promotion	-	3,935	975	-	-	4,910	-	-	4,910	4,910	7,767
Office and Supplies Expenses	-	428	-	617	-	1,045	7,623	554	24,631	33,853	29,113
Bank and Related Fees	-	1,510	68	20	-	1,598	556	1,404	-	3,558	7,576
Occupancy - Rent, Parking, Utilities, Etc.	-	158	-	79,107	-	79,265	2,352	342	-	81,959	40,262
Conferences, Conventions, and Meetings	-	1,523	-	5,199	-	6,722	25	-	-	6,747	2,414
Equipment Rental and Maintenance	-	585	-	75,437	-	76,022	-	-	-	76,022	2,614
Insurance	-	6,892	3,437	11,539	-	21,868	2,291	-	-	24,159	14,659
Sales and Use Taxes	-	-	-	-	-	-	4,933	-	-	4,933	4,292
Depreciation and Amortization	-	-	-	3,099	-	3,099	-	-	-	3,099	5,511
Total Expenses by Function	\$ 12,879	\$ 231,899	\$ 28,149	\$ 363,799	\$ 18,901	\$ 655,627	\$ 61,443	\$ 18,643	\$ 224,886	\$ 960,599	\$ 765,654

See accompanying Notes to Financial Statements.

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**HOMETOWN HEROES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (127,655)	\$ 74,213
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,099	5,511
Change in Current Assets and Liabilities:		
Accounts Receivable	(11,955)	1,069
Inventory	(1,545)	1,119
Prepaid Expenses and Security Deposit	(959)	(5,242)
Accounts Payable	3,026	17,949
Credit Card Payable	-	(4,447)
Accrued Payroll Liabilities	294	448
Deferred Revenue - Grand Slam Charity Jam	(1,250)	1,250
Net Cash Provided (Used) by Operating Activities	<u>(136,945)</u>	<u>91,870</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(32,608)</u>	<u>(4,223)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (169,553)	 87,647
Cash and Cash Equivalents - Beginning of Year	<u>441,246</u>	<u>353,599</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 271,693</u></u>	 <u><u>\$ 441,246</u></u>

See accompanying Notes to Financial Statements.

**HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 US 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 20,000 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 requires us to make estimates and assumptions that affect the reported amounts of 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 financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities with revenues and expenses reflected in the period earned or incurred.

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.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property and Equipment

All expenditures for property and equipment in excess of \$500 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.

Revenue Recognition

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

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, 2018 which are available for use in the subsequent year.

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.

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).

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented except for the reporting of the statement of functional expenses for the year ended December 31, 2017. The adoption of ASU 2016-14 did not have a material impact on the Organization's financial statements.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard supersedes all existing accounting principles generally accepted in the United States of America (U.S. GAAP) guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. The FASB has issued several amendments to the original standard, which is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. Adoption is to be applied retrospectively. The Organization is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements and has not yet determined its method of adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their balance sheet as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. In November 2019, the FASB approved the delay of the effective date of ASU 2016-02 which is now effective for annual reporting periods beginning after December 15, 2020. Management will be evaluating the effects of this new standard.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 19, 2019, the date on which the financial statements were available to be issued.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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:

	<u>2018</u>	<u>2017</u>
Total Financial Assets Available Within One Year		
Cash and Cash Equivalents	\$ 271,693	\$ 441,246
Accounts Receivable	11,955	-
	<u>283,648</u>	<u>441,246</u>
Less Amounts Not Available for General Expenditures Within One Year Due to:		
Donor Restricted to Purpose Restrictions	<u>5,211</u>	<u>9,200</u>
 Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 278,437</u>	 <u>\$ 432,046</u>

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds.

NOTE 3 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 years ended December 31, 2018 and 2017, the Organization collected \$25,000 and \$26,069 in direct financial contributions from Kapco, respectively.

NOTE 4 FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended December 31 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Program Services	\$ 655,627	\$ 411,394
Management and General	61,443	96,661
Fund Raising	18,643	33,207
Total	<u>\$ 735,713</u>	<u>\$ 541,262</u>

The Organization classifies expenses into two functions: program services and supporting services. In the accompanying statements 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.

**HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 CONTRIBUTED SERVICES, OFFICE SPACE AND EQUIPMENT

The Organization has two employees that provide direct oversight and management. Other various management, administrative, fund raising, and financial duties are performed by officers, directors and other individuals to the Organization. The Organization reimbursed Kapco \$-0- and \$18,000 for these services during each of the years ended December 31, 2018 and 2017, respectively.

The Organization is provided rent-free office space from Kapco, Inc. during the years ended December 31, 2018 and 2017 and the amount of rent expense is recorded as a contribution. Total rent expense recorded for office and parking space for each of the years ended December 31, 2018 and 2017 was \$3,000 and is included in occupancy and administrative costs in the statements of activities.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are foundation grants restricted specifically for equipment and improvements at Camp Matawa and totaled \$5,211 and \$9,200 as of December 31, 2018 and 2017, respectively.

NOTE 7 LEASE WITH WISCONSIN DEPARTMENT OF NATURAL RESOURCES

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 will be responsible for insurance, maintenance, utilities, taxes, assessments and other charges.

Rent expense on the WDNR operating lease was \$24,000 and \$8,000 for the years ended December 31, 2018 and 2017. The future minimum annual rental commitments under this operating lease as of December 31, 2018 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 24,000
2020	24,000
2021	24,000
2022	24,000
2023	24,000
Thereafter	208,000
Total Minimum Lease Payments	<u>\$ 328,000</u>

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 VEHICLE LEASE

The Organization entered into an operating lease for a vehicle with an unrelated party that commenced January 1, 2018 and expires December 31, 2020. The Organization is responsible for monthly lease payments of \$419 and the payment of insurance. The lease expense on this operating lease was \$5,028 for the year ended December 31, 2018. Future minimum lease payments on this operating lease for the next two years are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 5,028
2020	<u>5,028</u>
Total Minimum Lease Payments	<u><u>\$ 10,056</u></u>