

HOMETOWN HEROES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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**HOMETOWN HEROES, INC.
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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 statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Hometown Heroes, Inc., as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Statements* 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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.

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

Milwaukee, Wisconsin
October 25, 2022

HOMETOWN HEROES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 911,176	\$ 688,134
Investments, at Fair Value	12,759	15,226
Accounts Receivable	20,264	14,367
Inventory	2,043	2,309
Prepaid Expenses and Security Deposit	23,637	21,030
Total Current Assets	969,879	741,066
PROPERTY AND EQUIPMENT		
Computer Software and Equipment	13,427	13,427
Camp Equipment	110,705	44,032
Building improvements	62,338	60,438
Education Film Development	32,440	32,440
Total Property and Equipment	218,910	150,337
Less: Accumulated Depreciation	(60,132)	(48,753)
Property and Equipment, Net	158,778	101,584
Total Assets	\$ 1,128,657	\$ 842,650
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 99,647	\$ 101,320
Accrued Payroll Liabilities	10,942	16,198
Paycheck Protection Program Loan	-	44,200
Total Current Liabilities	110,589	161,718
NET ASSETS		
Without Donor Restrictions	804,468	552,630
With Donor Restrictions	213,600	128,302
Total Net Assets	1,018,068	680,932
Total Liabilities and Net Assets	\$ 1,128,657	\$ 842,650

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions and Grants	\$ 622,526	\$ 210,000	\$ 832,526	\$ 484,716	\$ 146,402	\$ 631,118
Rentals of Camp Matawa	147,940	-	147,940	842	-	842
Special Events Revenue	483,000	-	483,000	426,775	-	426,775
Less: Cost of Direct Benefits to Donors	210,834	-	210,834	206,448	-	206,448
Net Special Events Revenue	272,166	-	272,166	220,327	-	220,327
Raffle Receipts, Less Direct Costs of \$-0- and \$256 in 2021 and 2020, Respectively	9,091	-	9,091	5,314	-	5,314
Inventory Sales, Less Cost of Sales	(2,619)	-	(2,619)	67	-	67
Government Grant Revenue	44,200	-	44,200	-	-	-
Investment Income (Loss)	(2,467)	-	(2,467)	8,872	-	8,872
Release from Restrictions	124,702	(124,702)	-	32,374	(32,374)	-
Total Support and Revenues	1,215,539	85,298	1,300,837	752,512	114,028	866,540
EXPENSES						
Program:						
Grants to Other Charities	5,263	-	5,263	6,708	-	6,708
Camp Hometown Heroes	111,861	-	111,861	45,025	-	45,025
Camp Reunite	28,080	-	28,080	43,985	-	43,985
Camp Matawa	516,786	-	516,786	241,274	-	241,274
Kids2Kids	108,730	-	108,730	35,442	-	35,442
Other Programs	48,782	-	48,782	3,540	-	3,540
Total Program Expenses	819,502	-	819,502	375,973	-	372,433
Management and General	100,535	-	100,535	99,257	-	99,257
Fundraising	43,664	-	43,664	56,332	-	56,332
Total Expenses	963,701	-	963,701	531,562	-	531,562
CHANGE IN NET ASSETS	251,838	85,298	337,136	220,950	114,028	334,978
Net Assets - Beginning of Year	552,630	128,302	680,932	331,680	14,274	345,954
NET ASSETS - END OF YEAR	<u>\$ 804,468</u>	<u>\$ 213,600</u>	<u>\$ 1,018,068</u>	<u>\$ 552,630</u>	<u>\$ 128,302</u>	<u>\$ 680,932</u>

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services						Management and General	Fundraising and Development	Cost of Direct Benefit to Donors	2021 Total	
	Grants to Other Charities	Camp Hometown Heroes	Camp Reunite	Camp Matawa	Kids2Kids	Other Programs					Total
Grants and Other Assistance	\$ 5,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,263	\$ -	\$ -	\$ -	\$ 5,263
Program Labor and Services	-	2,752	2,521	56,030	39,943	16,182	117,428	-	-	-	117,428
Program Food and Related Supplies	-	5,853	3,081	124,159	45,967	32,513	211,573	-	-	-	211,573
Program Travel Expense	-	72,455	1,508	1,989	-	-	75,952	-	-	-	75,952
Program Supplies	-	2,033	1,450	20,328	446	-	24,257	-	-	-	24,257
Salaries and Wages	-	25,155	16,020	109,784	-	-	150,959	27,921	34,324	10,098	223,302
Payroll Taxes	-	-	-	16,970	-	-	16,970	5,951	-	-	22,921
Travel	-	772	179	574	46	28	1,599	22	940	3,544	6,105
Professional Services	-	149	1,455	3,680	-	-	5,284	37,036	-	187,536	229,856
Advertising and Promotion	-	504	-	-	21,780	-	22,284	-	-	-	22,284
Office and Supplies Expenses	-	97	858	5,731	-	-	6,686	4,237	1,533	9,656	22,112
Bank and Related Fees	-	-	-	3,020	548	59	3,627	2,826	4,586	-	11,039
Occupancy - Rent, Parking, Utilities, Etc.	-	20	-	90,104	-	-	90,124	2,400	5	-	92,529
Conferences, Conventions, and Meetings	-	20	-	40	-	-	60	-	-	-	60
Equipment Rental and Maintenance	-	2,051	1,008	48,082	-	-	51,141	-	-	-	51,141
Insurance	-	-	-	24,916	-	-	24,916	12,173	85	-	37,174
Sales and Use Taxes	-	-	-	-	-	-	-	7,969	2,191	-	10,160
Depreciation and Amortization	-	-	-	11,379	-	-	11,379	-	-	-	11,379
Total Expenses by Function	\$ 5,263	\$ 111,861	\$ 28,080	\$ 516,786	\$ 108,730	\$ 48,782	\$ 819,502	\$ 100,535	\$ 43,664	\$ 210,834	\$ 1,174,535

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services						Management and General	Fundraising and Development	Cost of Direct Benefit to Donors	2020 Total	
	Grants to Other Charities	Camp Hometown Heroes	Camp Reunite	Camp Matawa	Kids2Kids	Other Programs					Total
Grants and Other Assistance	\$ 6,708	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,708	\$ -	\$ -	\$ -	\$ 6,708
Program Labor and Services	-	1,357	1,165	11,909	-	-	14,431	-	-	-	14,431
Program Food and Related Supplies	-	4,416	10,918	1,332	35,195	2,700	54,562	-	-	-	54,562
Program Travel Expense	-	(2,267)	148	806	-	-	(1,313)	-	-	-	(1,313)
Program Supplies	-	6,195	3,619	5,669	-	-	15,483	-	-	-	15,483
Salaries and Wages	-	27,877	24,665	80,705	-	803	134,050	24,504	39,480	13,134	211,168
Payroll Taxes	-	135	8	11,112	-	-	11,255	5,270	183	-	16,708
Travel	-	962	80	736	-	-	1,778	66	1,285	2,404	5,533
Professional Services	-	144	-	7,959	-	-	8,103	32,839	4,800	178,545	224,287
Advertising and Promotion	-	155	155	708	-	-	1,018	-	-	144	1,162
Office and Supplies Expenses	-	5,455	2,287	7,101	-	37	14,880	4,890	4,480	12,477	36,727
Bank and Related Fees	-	-	-	-	247	-	247	4,939	6,104	-	11,290
Occupancy - Rent, Parking, Utilities, Etc.	-	500	500	62,157	-	-	63,157	5,412	-	-	68,569
Conferences, Conventions, and Meetings	-	-	-	40	-	-	40	795	-	-	835
Equipment Rental and Maintenance	-	96	440	23,623	-	-	24,158	-	-	-	24,158
Insurance	-	-	-	23,234	-	-	23,234	13,510	-	-	36,744
Sales and Use Taxes	-	-	-	-	-	-	-	7,031	-	-	7,031
Depreciation and Amortization	-	-	-	4,183	-	-	4,183	-	-	-	4,183
Total Expenses by Function	\$ 6,708	\$ 45,025	\$ 43,985	\$ 241,274	\$ 35,442	\$ 3,540	\$ 375,973	\$ 99,257	\$ 56,332	\$ 206,704	\$ 738,266

See accompanying Notes to Financial Statements.

**HOMETOWN HEROES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 337,136	\$ 334,978
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	11,379	4,183
Unrealized Depreciation (Appreciation) in Fair Value of Investments	2,467	(8,871)
Change in Current Assets and Liabilities:		
Accounts Receivable	(5,897)	(14,367)
Inventory	266	113
Prepaid Expenses and Security Deposit	(2,607)	8,279
Accounts Payable	(1,673)	63,746
Accrued Payroll Liabilities	(5,256)	11,788
Paycheck Protection Program Loan	(44,200)	44,200
Net Cash Provided by Operating Activities	291,615	444,049
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(68,573)	(41,730)
INCREASE IN CASH AND CASH EQUIVALENTS	223,042	402,319
Cash and Cash Equivalents - Beginning of Year	688,134	285,815
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 911,176	\$ 688,134

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 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, 2021 AND 2020

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, 2021 AND 2020

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 statements of activities include both individual and corporate contributions (nonreciprocal transactions) and exchange (reciprocal) transactions. Special event revenue included approximately \$102,925 and \$61,300 of exchange transactions for the years ended June 30, 2021 and 2020, respectively. 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 \$210,834 and \$206,448 for the years ended June 30, 2021 and 2020, respectively.

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, 2021 and 2020 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 no such advance receipts as of December 31, 2021 and 2020.

**HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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).

Recently Issued Accounting Standards

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 June 2020, 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, 2021. Management will be evaluating the effects of this new standard.

Reclassification

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 October 25, 2022, the date on which the financial statements were available to be issued.

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:

	2021	2020
Total Financial Assets Available Within One Year:		
Cash and Cash Equivalents	\$ 911,176	\$ 688,134
Accounts Receivable	20,264	14,367
Investments	12,759	15,226
Subtotal	944,199	717,727
Less: Amounts Not Available for General Expenditures Within One Year Due to:		
Donor Restricted to Purpose Restrictions	213,600	128,302
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 730,599	\$ 589,425

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 INVESTMENTS

Investments are carried at fair value and consist of various common stocks. The fair value of these investments was \$12,759 and \$15,226 as of December 31, 2021 and 2020, respectively. Costs of these investments were \$3,691 as of December 31, 2021 and 2020. The investments (depreciated) appreciated in value by (\$2,467) and \$8,871 during the years ended December 31, 2021 and 2020, respectively.

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.

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, 2021 and 2020.

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

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

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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 as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 12,759	\$ -	\$ -	\$ 12,759
	Investments at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 15,226	\$ -	\$ -	\$ 15,226

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 years ended December 31, 2021 and 2020, the Organization collected \$61,000 and \$28,110 in direct financial contributions from Kapco, respectively, as well as donated equipment valued at \$2,000 during the year ended December 31, 2021.

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 each of the years ended December 31, 2021 and 2020.

The Organization is provided rent-free office space from Kapco, Inc. during the years ended December 31, 2021 and 2020 and the amount of estimated contributed rent is reported as and expense and a contribution. Total rent expense recorded for office and parking space for the year ended December 31, 2020 was \$3,000 and is included in occupancy and administrative costs in the statements of activities.

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 \$213,600 and \$128,302 as of December 31, 2021 and 2020, respectively.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

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.

NOTE 9 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 is responsible for insurance, maintenance, utilities, taxes, assessments, and other charges.

Rent expense on the WDNR operating lease was \$24,000 for each of the years ended December 31, 2021 and 2020. The future minimum annual rental commitments under this operating lease as of December 31, 2021 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 24,000
2023	24,000
2024	24,000
2025	24,000
2026	24,000
Thereafter	136,000
Total Minimum Lease Payments	<u><u>\$ 256,000</u></u>

NOTE 10 VEHICLE LEASE

The Organization entered into an operating lease for a vehicle with an unrelated party that commenced January 1, 2018, and expired December 31, 2020. The Organization was responsible for monthly lease payments of \$419 and the payment of insurance. The lease expense on this operating lease was \$5,028 during the year ended December 31, 2020.

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NOTE 11 PAYCHECK PROTECTION PROGRAM LOAN

On April 22, 2020, the Organization received a loan from BMO Harris Bank N.A. through the Paycheck Protection Program (the PPP Loan) in the amount of \$44,200 to fund payroll and utilities. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is approved by the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. The PPP Loan is subject to forgiveness based on compliance with program requirements and approval by the SBA, which are outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

The Organization is following Accounting Standards Codification 958-605, *Contributions*, to account for the proceeds related to the PPP Loan. Initially, proceeds were classified as a current liability on the statements of financial position. On March 26, 2021, the SBA processed the Organization's PPP Loan forgiveness application and notified BMO Harris Bank N.A. the PPP Loan qualified for full forgiveness. Therefore, the Organization was legally released from repayment of the refundable advance and the loan forgiveness has been recorded as government grant revenue on the statements of activities.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.



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