

HOMETOWN HEROES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018



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**HOMETOWN HEROES, INC.
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 financial statements referred to above present fairly, in all material respects, the financial position of Hometown Heroes, Inc. as of December 31, 2019 and 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
November 6, 2020

**HOMETOWN HEROES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 285,815	\$ 268,002
Accounts Receivable	-	11,955
Inventory	2,422	2,833
Prepaid Expenses and Security Deposit	29,309	35,152
Investments, at Fair Value	6,355	3,691
Total Current Assets	323,901	321,633
PROPERTY AND EQUIPMENT		
Computer Software and Equipment	12,017	6,613
Camp Equipment	28,628	20,326
Building improvements	35,522	17,577
Education Film Development	32,440	32,440
Total Property and Equipment	108,607	76,956
Less: Accumulated Depreciation	(44,570)	(40,992)
Property and Equipment, Net	64,037	35,964
Total Assets	\$ 387,938	\$ 357,597
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 37,574	\$ 21,931
Accrued Payroll Liabilities	4,410	2,523
Total Current Liabilities	41,984	24,454
NET ASSETS		
Without Donor Restrictions	331,680	327,932
With Donor Restrictions	14,274	5,211
Total Net Assets	345,954	333,143
Total Liabilities and Net Assets	\$ 387,938	\$ 357,597

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Without Donor Restrictions	With Donor Restrictions	2018 Total
SUPPORT AND REVENUES						
Contributions and Grants	\$ 510,407	\$ 16,500	\$ 526,907	\$ 485,728	\$ 5,211	\$ 490,939
Rentals of Camp Matawa	168,535	-	168,535	71,401	-	71,401
Special Events Revenue	261,481	-	261,481	260,743	-	260,743
Less: Cost of Direct Benefits to Donors	165,250	-	165,250	223,931	-	223,931
Net Special Events Revenue	96,231	-	96,231	36,812	-	36,812
Raffle Receipts, Less Direct Costs of \$-0- and \$955 in 2019 and 2018, respectively	8,578	-	8,578	8,201	-	8,201
Inventory Sales, Less Cost of Sales	43	-	43	99	-	99
Investment income	2,672	-	2,672	606	-	606
Release from Restrictions	7,437	(7,437)	-	9,200	(9,200)	-
Total Support and Revenues	793,903	9,063	802,966	612,047	(3,989)	608,058
EXPENSES						
Program:						
Grants to Other Charities	14,478	-	14,478	12,879	-	12,879
Camp Hometown Heroes	192,795	-	192,795	231,899	-	231,899
Camp Reunite	34,204	-	34,204	28,149	-	28,149
Camp Matawa	433,068	-	433,068	363,799	-	363,799
Kids2Kids	21,147	-	21,147	18,901	-	18,901
Total Program Expenses	695,692	-	695,692	655,627	-	655,627
Management and General	74,209	-	74,209	61,443	-	61,443
Fund Raising	20,254	-	20,254	18,643	-	18,643
Total Expenses	790,155	-	790,155	735,713	-	735,713
CHANGE IN NET ASSETS	3,748	9,063	12,811	(123,666)	(3,989)	(127,655)
Net Assets - Beginning of Year	327,932	5,211	333,143	451,598	9,200	460,798
NET ASSETS - END OF YEAR	<u>\$ 331,680</u>	<u>\$ 14,274</u>	<u>\$ 345,954</u>	<u>\$ 327,932</u>	<u>\$ 5,211</u>	<u>\$ 333,143</u>

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services					Total	Management and General	Fund Raising and Development	Cost of Direct Benefit to Donors	2019 Total
	Grants to Other Charities	Camp Hometown Heroes	Camp Reunite	Camp Matawa	Kids2Kids					
Grants and Other Assistance	\$ 14,478	\$ -	\$ -	\$ -	\$ -	\$ 14,478	\$ -	\$ -	\$ -	\$ 14,478
Program Labor and Services	-	45,253	12,276	11,511	-	69,040	-	-	-	69,040
Program Food and Related Supplies	-	13,933	2,966	96,384	21,147	134,430	-	-	-	134,430
Program Travel Expense	-	71,654	3,091	471	-	75,216	-	-	-	75,216
Program Supplies	-	15,281	1,014	8,361	-	24,656	-	-	-	24,656
Salaries and Wages	-	39,858	14,246	123,603	-	177,707	13,982	13,576	12,103	217,368
Payroll Taxes	-	301	6	10,336	-	10,643	4,986	474	-	16,103
Travel	-	4,548	327	145	-	5,020	191	520	7,187	12,918
Professional Services	-	101	144	5,040	-	5,285	19,280	-	136,200	160,765
Advertising and Promotion	-	1,151	134	-	-	1,285	1,475	-	750	3,510
Office and Supplies Expenses	-	615	-	5,655	-	6,270	6,035	5,051	9,010	26,366
Bank and Related Fees	-	-	-	76	-	76	7,252	633	-	7,961
Occupancy - Rent, Parking, Utilities, Etc.	-	-	-	68,429	-	68,429	2,352	-	-	70,781
Conferences, Conventions, and Meetings	-	100	-	2,085	-	2,185	50	-	-	2,235
Equipment Rental and Maintenance	-	-	-	77,799	-	77,799	-	-	-	77,799
Insurance	-	-	-	19,189	-	19,189	14,152	-	-	33,341
Sales and Use Taxes	-	-	-	407	-	407	4,454	-	-	4,861
Depreciation and Amortization	-	-	-	3,577	-	3,577	-	-	-	3,577
Total Expenses by Function	\$ 14,478	\$ 192,795	\$ 34,204	\$ 433,068	\$ 21,147	\$ 695,692	\$ 74,209	\$ 20,254	\$ 165,250	\$ 955,405

See accompanying Notes to Financial Statements.

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

	Program Services					Management and General	Fund Raising and Development	Cost of Direct Benefit to Donors	2018 Total	
	Grants to Other Charities	Camp Hometown Heroes	Camp Reunite	Camp Matawa	Kids2Kids					Total
Grants and Other Assistance	\$ 12,879	\$ -	\$ -	\$ -	\$ -	\$ 12,879	\$ -	\$ -	\$ 12,879	
Program Labor and Services	-	55,529	1,650	26,055	-	83,234	-	-	83,234	
Program Food and Related Supplies	-	35,978	12,970	36,337	18,901	104,186	-	-	104,186	
Program Travel Expense	-	78,553	3,515	205	-	82,273	-	-	82,273	
Program Supplies	-	21,035	614	14,779	-	36,428	2,702	-	39,130	
Salaries and Wages	-	19,421	4,400	99,910	-	123,731	23,558	15,146	178,282	
Payroll Taxes	-	2,884	361	8,613	-	11,858	1,946	1,197	15,001	
Travel	-	2,644	159	2,595	-	5,398	455	-	20,258	
Professional Services	-	824	-	287	-	1,111	15,002	-	164,150	
Advertising and Promotion	-	3,935	975	-	-	4,910	-	-	4,910	
Office and Supplies Expenses	-	428	-	617	-	1,045	7,623	554	24,631	
Bank and Related Fees	-	1,510	68	20	-	1,598	556	1,404	3,558	
Occupancy - Rent, Parking, Utilities, Etc.	-	158	-	79,107	-	79,265	2,352	342	81,959	
Conferences, Conventions, and Meetings	-	1,523	-	5,199	-	6,722	25	-	6,747	
Equipment Rental and Maintenance	-	585	-	75,437	-	76,022	-	-	76,022	
Insurance	-	6,892	3,437	11,539	-	21,868	2,291	-	24,159	
Sales and Use Taxes	-	-	-	-	-	-	4,933	-	4,933	
Depreciation and Amortization	-	-	-	3,099	-	3,099	-	-	3,099	
Total Expenses by Function	\$ 12,879	\$ 231,899	\$ 28,149	\$ 363,799	\$ 18,901	\$ 655,627	\$ 61,443	\$ 18,643	\$ 224,886	\$ 960,599

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 12,811	\$ (127,655)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,578	3,099
Unrealized Appreciation in Fair Value of Investments	(2,664)	-
Donated Investments	-	(3,691)
Change in Current Assets and Liabilities:		
Accounts Receivable	11,955	(11,955)
Inventory	411	(1,545)
Prepaid Expenses and Security Deposit	5,843	(959)
Accounts Payable	15,643	3,026
Accrued Payroll Liabilities	1,887	294
Deferred Revenue - Grand Slam Charity Jam	-	(1,250)
Net Cash Provided (Used) by Operating Activities	49,464	(140,636)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(31,651)	(32,608)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,813	(173,244)
Cash and Cash Equivalents - Beginning of Year	268,002	441,246
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 285,815	\$ 268,002

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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.

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, 2019 AND 2018

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.

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 \$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. Daily rentals of the use of the facilities at Camp Matawa is recorded and recognized when occupied and used by various outside organizations.

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, 2019 which are available for use in the subsequent year.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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).

Change in Accounting Principle

In fiscal year 2020, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*, using a prospective method of adoption. The core guidance in ASU 2018-08 provided clarification on the determination of a contribution versus an exchange transaction and if determined to be a contribution, clarification on the presence of a condition which governs when the revenue or expense is recognized. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

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 U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. In June 2020, the FASB approved the delay of the effective date of ASU 2014-09 which is now effective for annual reporting periods beginning after December 15, 2019, 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.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 November 6, 2020, the date on which the financial statements were available to be issued.

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Organization, COVID-19 may impact various aspects of its 2020 operations and financial results including potential reduced revenues. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

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:

	2019	2018
Total Financial Assets Available Within One Year:		
Cash and Cash Equivalents	\$ 285,815	\$ 268,002
Accounts Receivable	-	11,955
Investments	6,355	3,691
	292,170	283,648
Less Amounts Not Available for General Expenditures		
Within One Year Due to:		
Donor Restricted to Purpose Restrictions	14,274	5,211
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	\$ 277,896	\$ 278,437

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 INVESTMENTS

Investments are carried at fair value and consist of various common stocks. The fair value of these investments were \$6,355 and \$3,691 and costs were \$3,691 and \$3,691 as of December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the investments appreciated in value by \$2,664.

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, 2019 and 2018.

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

Investments in common stocks are valued at the closing price reported on the New York Stock Exchange.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 6,355	\$ -	\$ -	\$ 6,355
	Investments at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 3,691	\$ -	\$ -	\$ 3,691

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, 2019 and 2018, the Organization collected \$26,000 and \$25,000 in direct financial contributions from Kapco, respectively. Kapco also donated a van to the Organization with a value of \$5,000 during the year ended December 31, 2019.

NOTE 6 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 \$21,000 and \$-0- for these services during the years ended December 31, 2019 and 2018, respectively.

The Organization is provided rent-free office space from Kapco, Inc. during the years ended December 31, 2019 and 2018 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, 2019 and 2018 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 equipment and improvements at Camp Matawa and remaining unspent amounts totaled \$14,274 and \$5,211 as of December 31, 2019 and 2018, respectively.

**HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018. The future minimum annual rental commitments under this operating lease as of December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 24,000
2021	24,000
2022	24,000
2023	24,000
2024	24,000
Thereafter	184,000
Total Minimum Lease Payments	<u><u>\$ 304,000</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 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 each of the years ended December 31, 2019 and 2018. Future minimum lease payments on this operating lease for the next year is \$5,028.