

HOMETOWN HEROES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**HOMETOWN HEROES, INC.
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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, 2020 and 2019, 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, 2020 and 2019, 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
January 25, 2022

**HOMETOWN HEROES, INC.
STATEMENTS OF FINANCIAL POSITIOIN
DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 688,134	\$ 285,815
Investments, at Fair Value	15,226	6,355
Accounts Receivable	14,367	-
Inventory	2,309	2,422
Prepaid Expenses and Security Deposit	21,030	29,309
Total Current Assets	741,066	323,901
PROPERTY AND EQUIPMENT		
Computer Software and Equipment	13,427	12,017
Camp Equipment	44,032	28,628
Building improvements	60,438	35,522
Education Film Development	32,440	32,440
Total Property and Equipment	150,337	108,607
Less: Accumulated Depreciation	(48,753)	(44,570)
Property and Equipment, Net	101,584	64,037
Total Assets	\$ 842,650	\$ 387,938
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 101,320	\$ 37,574
Accrued Payroll Liabilities	16,198	4,410
Paycheck Protection Program Loan	44,200	-
Total Current Liabilities	161,718	41,984
NET ASSETS		
Without Donor Restrictions	552,630	331,680
With Donor Restrictions	128,302	14,274
Total Net Assets	680,932	345,954
Total Liabilities and Net Assets	\$ 842,650	\$ 387,938

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions and Grants	\$ 484,716	\$ 146,402	\$ 631,118	\$ 510,407	\$ 16,500	\$ 526,907
Rentals of Camp Matawa	842	-	842	168,535	-	168,535
Special Events Revenue	426,775	-	426,775	261,481	-	261,481
Less: Cost of Direct Benefits to Donors	206,448	-	206,448	165,250	-	165,250
Net Special Events Revenue	220,327	-	220,327	96,231	-	96,231
Raffle Receipts, Less Direct Costs of \$256 and \$-0- in 2020 and 2019, Respectively	5,314	-	5,314	8,578	-	8,578
Inventory Sales, Less Cost of Sales	67	-	67	43	-	43
Investment Income	8,872	-	8,872	2,672	-	2,672
Release from Restrictions	32,374	(32,374)	-	7,437	(7,437)	-
Total Support and Revenues	752,512	114,028	866,540	793,903	9,063	802,966
EXPENSES						
Program:						
Grants to Other Charities	6,708	-	6,708	14,478	-	14,478
Camp Hometown Heroes	48,564	-	48,564	192,795	-	192,795
Camp Reunite	43,985	-	43,985	34,204	-	34,204
Camp Matawa	241,274	-	241,274	433,068	-	433,068
Kids2Kids	35,442	-	35,442	21,147	-	21,147
Total Program Expenses	375,973	-	375,973	695,692	-	695,692
Management and General	99,257	-	99,257	74,209	-	74,209
Fund Raising	56,332	-	56,332	20,254	-	20,254
Total Expenses	531,562	-	531,562	790,155	-	790,155
CHANGE IN NET ASSETS	220,950	114,028	334,978	3,748	9,063	12,811
Net Assets - Beginning of Year	331,680	14,274	345,954	327,932	5,211	333,143
NET ASSETS - END OF YEAR	<u>\$ 552,630</u>	<u>\$ 128,302</u>	<u>\$ 680,932</u>	<u>\$ 331,680</u>	<u>\$ 14,274</u>	<u>\$ 345,954</u>

See accompanying Notes to Financial Statements.

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

	Program Services					Management and General	Fund Raising and Development	Cost of Direct Benefit to Donors	2020 Total
	Grants to Other Charities	Camp Hometown Heroes	Camp Reunite	Camp Matawa	Kids2Kids				
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	-	7,116	10,918	1,332	35,195	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	-	28,680	24,665	80,705	-	134,050	24,504	39,480	211,168
Payroll Taxes	-	135	8	11,112	-	11,255	5,270	183	16,708
Travel	-	962	80	736	-	1,778	66	1,285	5,533
Professional Services	-	144	-	7,959	-	8,103	32,839	4,800	224,287
Advertising and Promotion	-	155	155	708	-	1,018	-	-	1,162
Office and Supplies Expenses	-	5,492	2,287	7,101	-	14,880	4,890	4,480	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	\$ 48,564	\$ 43,985	\$ 241,274	\$ 35,442	\$ 375,973	\$ 99,257	\$ 56,332	\$ 738,266

See accompanying Notes to Financial Statements.

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

	Program Services					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					Total
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	217,368	
Payroll Taxes	-	301	6	10,336	-	10,643	4,986	474	16,103	
Travel	-	4,548	327	145	-	5,020	191	520	12,918	
Professional Services	-	101	144	5,040	-	5,285	19,280	-	160,765	
Advertising and Promotion	-	1,151	134	-	-	1,285	1,475	-	3,510	
Office and Supplies Expenses	-	615	-	5,655	-	6,270	6,035	5,051	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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 334,978	\$ 12,811
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,183	3,578
Unrealized Appreciation in Fair Value of Investments	(8,871)	(2,664)
Change in Current Assets and Liabilities:		
Accounts Receivable	(14,367)	11,955
Inventory	113	411
Prepaid Expenses and Security Deposit	8,279	5,843
Accounts Payable	63,746	15,643
Accrued Payroll Liabilities	11,788	1,887
Net Cash Provided by Operating Activities	399,849	49,464
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(41,730)	(31,651)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	44,200	-
 INCREASE IN CASH AND CASH EQUIVALENTS	402,319	17,813
Cash and Cash Equivalents - Beginning of Year	285,815	268,002
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 688,134	\$ 285,815

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a global pandemic. Since this date, substantially all events that were to be held by the Organization were cancelled through December 31, 2020. 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, 2020.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 \$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.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 fund raising 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 \$61,300 and \$48,000 of exchange transactions for the years ended June 30, 2020 and 2019, 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 \$206,448 and \$165,250 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 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. There were no such advance receipts as of December 31, 2020 and 2019.

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, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In fiscal year 2020, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers (Topic 606)*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There was no material impact on the Organization's financial position and results of operations upon adoption of this new standard.

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.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 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:

	2020	2019
Total Financial Assets Available Within One Year:		
Cash and Cash Equivalents	\$ 688,134	\$ 285,815
Accounts Receivable	14,367	-
Investments	15,226	6,355
	717,727	292,170
Less Amounts Not Available for General Expenditures Within One Year Due to:		
Donor Restricted to Purpose Restrictions	128,302	14,274
	128,302	14,274
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 589,425	\$ 277,896

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3 INVESTMENTS

Investments are carried at fair value and consist of various common stocks. The fair value of these investments was \$15,226 and \$6,355 as of December 31, 2020 and 2019, respectively. Costs of these investments were \$3,691 as of December 31, 2020 and 2019. The investments appreciated in value by \$8,871 and \$2,664 during the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

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, 2020 AND 2019

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, 2020			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 15,226	\$ -	\$ -	\$ 15,226
	Investments at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 6,355	\$ -	\$ -	\$ 6,355

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, 2020 and 2019, the Organization collected \$28,110 and \$26,000 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 RELATED PARTY TRANSACTIONS

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 of Kapco to the Organization. The Organization reimbursed Kapco \$20,000 and \$21,000 for these services during the years ended December 31, 2020 and 2019, respectively.

The Organization is provided rent-free office space from Kapco, Inc. during the years ended December 31, 2020 and 2019 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 each of the years ended December 31, 2020 and 2019 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 \$128,302 and \$14,274 as of December 31, 2020 and 2019, respectively.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019. The future minimum annual rental commitments under this operating lease as of December 31, 2020 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 24,000
2022	24,000
2023	24,000
2024	24,000
2025	24,000
Thereafter	160,000
Total Minimum Lease Payments	<u><u>\$ 280,000</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 each of the years ended December 31, 2020 and 2019.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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. These amounts are available to be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The SBA approved full forgiveness of the amount of the loan on March 26, 2021 and, therefore, the amount of the loan is shown as a current liability in the statement of net assets as of December 31, 2020.