

HOMETOWN HEROES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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 Statement section of our report. We are required to be independent of Hometown Heroes, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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
July 17, 2024

HOMETOWN HEROES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 282,829	\$ 667,292
Investments, at Fair Value	14,414	8,734
Accounts Receivable	165,482	78,728
Inventory	1,856	1,856
Prepaid Expenses and Security Deposit	35,064	61,583
Total Current Assets	499,645	818,193
PROPERTY AND EQUIPMENT		
Computer Software and Equipment	13,427	13,427
Camp Equipment	181,721	296,158
Building improvements	230,932	62,338
Education Film Development	32,440	32,440
Total Property and Equipment	458,520	404,363
Less: Accumulated Depreciation	(109,522)	(81,123)
Property and Equipment, Net	348,998	323,240
OTHER ASSETS		
Right-of-Use Asset	197,074	216,482
Total Assets	\$ 1,045,717	\$ 1,357,915
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 34,095	\$ 248,000
Accrued Payroll Liabilities	19,389	16,796
Deferred Revenue	19,248	2,124
Current Lease Liability	21,203	20,863
Total Current Liabilities	93,935	287,783
LONG-TERM LIABILITIES		
Long-Term Lease Liability	174,416	195,619
Total Liabilities	268,351	483,402
NET ASSETS		
Without Donor Restrictions	703,471	688,118
With Donor Restrictions	73,895	186,395
Total Net Assets	777,366	874,513
Total Liabilities and Net Assets	\$ 1,045,717	\$ 1,357,915

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions and Grants	\$ 805,319	\$ -	\$ 805,319	\$ 609,439	\$ 234,500	\$ 843,939
Contributed Nonfinancial Assets	199,523	-	199,523	177,481	-	177,481
Rentals of Camp Matawa	114,138	-	114,138	138,102	-	138,102
Special Events Revenue	257,052	-	257,052	487,442	-	487,442
Less: Cost of Direct Benefits to Donors	152,241	-	152,241	276,518	-	276,518
Net Special Events Revenue	104,811	-	104,811	210,924	-	210,924
Raffle Receipts, Less Direct Costs of \$-0- and \$178 in 2023 and 2022, Respectively	-	-	-	14,238	-	14,238
Inventory Sales, Less Cost of Sales	-	-	-	160	-	160
Investment Gain (Loss)	5,680	-	5,680	(4,025)	-	(4,025)
Release from Restrictions	112,500	(112,500)	-	261,705	(261,705)	-
Total Support and Revenues	1,341,971	(112,500)	1,229,471	1,408,024	(27,205)	1,380,819
EXPENSES						
Program:						
Grants to Other Charities	-	-	-	14,050	-	14,050
Camp Hometown Heroes	281,872	-	281,872	257,754	-	257,754
Camp Reunite	55,238	-	55,238	82,122	-	82,122
Camp Turning Rivers	463,606	-	463,606	604,334	-	604,334
Kids2Kids	58,971	-	58,971	156,065	-	156,065
Other Programs	13,079	-	13,079	-	-	-
Total Program Expenses	872,766	-	872,766	1,114,325	-	1,114,325
Management and General	353,268	-	353,268	365,878	-	365,878
Fundraising and Development	100,584	-	100,584	44,171	-	44,171
Total Expenses	1,326,618	-	1,326,618	1,524,374	-	1,524,374
CHANGE IN NET ASSETS	15,353	(112,500)	(97,147)	(116,350)	(27,205)	(143,555)
Net Assets - Beginning of Year	688,118	186,395	874,513	804,468	213,600	1,018,068
NET ASSETS - END OF YEAR	<u>\$ 703,471</u>	<u>\$ 73,895</u>	<u>\$ 777,366</u>	<u>\$ 688,118</u>	<u>\$ 186,395</u>	<u>\$ 874,513</u>

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services						Management and General	Fundraising and Development	Cost of Direct Benefit to Donors	Total	
	Grants to Other Charities	Camp Hometown Heroes	Camp Reunite	Camp Turning Rivers	Kids2Kids	Other Programs					Total
Program Labor and Services	\$ -	\$ 39,630	\$ 27,813	\$ 28,140	\$ 3,528	\$ -	\$ 99,111	\$ -	\$ -	\$ -	\$ 99,111
Program Food and Related Supplies	-	57,088	20,901	44,959	30,465	319	153,732	6	509	-	154,247
Program Travel Expense	-	98,845	4,763	243	-	854	104,705	-	21	-	104,726
Program Supplies	-	7,466	249	2,655	7,504	28	17,902	475	70	-	18,447
Salaries and Wages	-	28,436	737	116,022	-	10,281	155,476	156,055	87,895	-	399,426
Employee Benefits	-	-	-	6,410	-	-	6,410	-	-	-	6,410
Payroll Taxes	-	6,414	302	10,266	-	-	16,982	21,188	-	-	38,170
Travel	-	690	197	200	-	18	1,105	3,819	510	359	5,793
Professional Services	-	15	-	79	-	15	109	133,678	-	47,673	181,460
Advertising and Promotion	-	36,579	276	-	17,474	-	54,329	276	-	-	54,605
Office and Supplies Expenses	-	2,307	-	7,292	-	-	9,599	13,429	5,111	104,209	132,348
Bank and Related Fees	-	(113)	-	44	-	-	(69)	2,799	3,620	-	6,350
Occupancy - Rent, Parking, Utilities, Etc.	-	2	-	70,913	-	-	70,915	3,486	-	-	74,401
Conferences, Conventions, and Meetings	-	115	-	717	-	188	1,020	67	35	-	1,122
Equipment Rental and Maintenance	-	2,398	-	115,532	-	1,376	119,306	15	-	-	119,321
Insurance	-	-	-	26,360	-	-	26,360	17,975	-	-	44,335
Sales and Use Taxes	-	-	-	-	-	-	-	-	2,813	-	2,813
Bad Debt Expense	-	2,000	-	6,830	-	-	8,830	-	-	-	8,830
Depreciation and Amortization	-	-	-	26,944	-	-	26,944	-	-	-	26,944
Total Expenses by Function	\$ -	\$ 281,872	\$ 55,238	\$ 463,606	\$ 58,971	\$ 13,079	\$ 872,766	\$ 353,268	\$ 100,584	\$ 152,241	\$ 1,478,859

See accompanying Notes to Financial Statements.

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

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

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (97,147)	\$ (143,555)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	26,944	20,991
Unrealized (Appreciation) Depreciation in Fair Value of Investments	(5,680)	4,025
Donated Vehicle	(37,657)	-
Change in Current Assets and Liabilities:		
Accounts Receivable	(86,754)	(58,464)
Inventory	-	187
Prepaid Expenses and Security Deposit	26,519	(37,946)
Accounts Payable	(213,905)	148,353
Credit Card Payable	-	-
Accrued Payroll Liabilities	2,593	5,854
Deferred Revenue	17,124	2,124
Net Cash Used by Operating Activities	(367,963)	(58,431)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(16,500)	(185,453)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(384,463)	(243,884)
Cash and Cash Equivalents - Beginning of Year	667,292	911,176
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 282,829	\$ 667,292
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated Vehicle	\$ 37,657	\$ -
Right-of-use Asset and Operating Liabilities Recorded Under Adoption of ASC 842	\$ -	\$ 237,010

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Use of Estimates

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

Basis of Accounting

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

Risks and Uncertainties

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

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

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

Cash and Cash Equivalents

The Organization considers their checking, money market accounts and certificates of deposit 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, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

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

Special event revenue is recognized when performance obligations are met. Special event revenues reported in the statement of activities include both individual and corporate contributions (nonreciprocal transactions) and exchange (reciprocal) transactions. Special event revenue included approximately \$76,834 and \$67,463 of exchange transactions for the years ended December 31, 2023 and 2022, 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 \$152,241 and \$276,518 for the years December 31, 2023 and 2022, 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 years ended December 31, 2023 and 2022 which are available for use in the subsequent year.

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

Deferred Revenue

Amounts received in advance for an event are classified as deferred revenue. The availability of these funds is conditional upon the Organization completing the event and failure to perform these events would result in the refund of the funds by the Organization. There were \$19,248 and \$2,124 of advance receipts and conditional contributions as of December 31, 2023 and 2022, respectively.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

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

Leases

Beginning January 1, 2022, the Organization began accounting for its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. See Note 9 for additional information on the Organization's leases as of and for the years ended December 31, 2023 and 2023.

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

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

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

Accounting Standards Update

On January 1, 2023, the Organization adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did result in changes to the Organization's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The Organization also updated its accounting policies for determining the recoverability of accounts receivable.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Update (Continued)

The Organization extends credit to customers in the normal course of business. The Organization uses a combination of historical loss experience, current economic conditions, and forward-looking information to estimate credit losses for financial assets. The Organization considers various factors such as borrower creditworthiness and probability of default to estimate credit losses. Management has concluded that credit losses on balances outstanding at year-end will be immaterial.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 17, 2024, 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:

	2023	2022
Total Financial Assets Available Within One Year:		
Cash and Cash Equivalents	\$ 282,829	\$ 667,292
Accounts Receivable	165,482	78,728
Investments	14,414	8,734
Subtotal	462,725	754,754
Less: Amounts Not Available for General Expenditures Within One Year Due to:		
Donor-Restricted to Purpose Restrictions	73,895	186,395
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 388,830	\$ 568,359

NOTE 3 INVESTMENTS

Investments are carried at fair value and consist of various common stock. The fair value of these investments was \$14,414 and \$8,734 as of December 31, 2023 and 2022, respectively. Costs of these investments were \$3,691 as of December 31, 2023 and 2022. The investments appreciated (depreciated) in value by \$5,680 and (\$4,025) during the years ended December 31, 2023 and 2022, respectively.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 FAIR VALUE MEASUREMENTS

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

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

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

Level 2 – Inputs to the valuation methodology include:

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

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, 2023 and 2022.

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

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

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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:

	2023			Total
	Level 1	Level 2	Level 3	
Common Stocks	\$ 14,414	\$ -	\$ -	\$ 14,414
	2022			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 8,734	\$ -	\$ -	\$ 8,734

NOTE 5 AFFILIATED ORGANIZATION

Among other donors, the Organization is supported by Kapco, Inc. (Kapco) in the form of contributions, administrative assistance, and fundraising events. Key members of Kapco management are also board members and officers of the Organization and serve in various capacities. During the years ended December 31, 2023 and 2022, the Organization collected \$5,500 and \$27,500, respectively, in direct financial contributions from Kapco.

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 for the Organization. The Organization reimbursed Kapco \$-0- and \$20,000 for these services during the years ended December 31, 2023 and 2022, respectively, and recognized \$159,366 and \$173,927, respectively, as contributed nonfinancial assets for donated services and expenses that were not reimbursed.

The Organization is provided rent-free office space from Kapco during the years ended December 31, 2023 and 2022, and the amount of estimated contributed rent is reported as an expense and a contribution. Total rent expense recorded for office and parking space for the years ended December 31, 2023 and 2022 was \$1,200 and is included in occupancy and administrative costs in the statements of activities.

In addition, certain board members or board member affiliated organization donated to the Organization's fundraising events. Total contributions amounted to \$55,653 and \$37,802 for the years ended December 31, 2023 and 2022, respectively.

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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 \$73,895 and \$186,395 as of December 31, 2023 and 2022, respectively.

NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

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

NOTE 9 LEASES – ASC 842

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

Quantitative information concerning the Organization's leases for the years ended December 31, 2023 and 2022 follows:

	2023	2022
Operating Lease Cost	\$ 23,273	\$ 23,273
Operating Cash Flows from Operating Leases	\$ 24,000	\$ 24,000
Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities	\$ -	\$ 237,010
Weighted Average Remaining Lease Term	8.7 Years	9.7 Years
Weighted Average Discount Rate	1.63%	1.63%

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NOTE 9 LEASES – ASC 842 (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>	
2024	\$	24,000
2025		24,000
2026		24,000
2027		24,000
2028		24,000
Thereafter		88,000
Undiscounted Cash Flows		<u>208,000</u>
Less: Imputed Interest		(12,381)
Total Present Value	\$	<u><u>195,619</u></u>
	2023	2022
Short-Term Lease Liabilities	\$	\$ 20,863
Long-Term Lease Liabilities	174,416	195,619
Total	<u>\$ 195,619</u>	<u>\$ 216,482</u>

NOTE 10 DONATED SERVICES AND ASSETS

The Organization received the following contributions of nonfinancial assets for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Supplies	\$ 15,340	\$ 2,354
Rent	1,200	1,200
Vehicle	37,657	-
Professional Services	116,820	173,927
Advertising and Promotion	17,474	-
Labor	1,111	-
Entertainment	2,417	-
Other Program	7,504	-
Total	<u>\$ 199,523</u>	<u>\$ 177,481</u>

Contributed supplies were utilized in the Camp Turning Rivers program and Kids2Kids program. Contributed supplies are valued and are reported at the estimated fair value in the financial statements based on current rates for similar supplies rent.

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

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NOTE 10 DONATED SERVICES AND ASSETS (CONTINUED)

Contributed vehicles recognized comprise a donated vehicle. Contributed vehicles are valued and are reported at the estimated fair value in the financial statements based on current rate for the vehicle.

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

Contributed advertising and promotion services recognized comprise donated services from affiliated entity, Kapco, for the Kids2Kids event. Contributed advertising and promotion services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed labor recognized comprise donated services from affiliated entity, Kapco, for the Kids2Kids event. Contributed labor is valued and is reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed entertainment comprise donated services from affiliated entity, Kapco, for the Kids2Kids event. Contributed entertainment is valued and is reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed other program expenses comprise miscellaneous donated services from affiliated entity, Kapco, for the Kids2Kids event. Contributed expenses are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.



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