

HOMETOWN HEROES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024



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HOMETOWN HEROES, INC.
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CliftonLarsonAllen LLP
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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 financial statements of Hometown Heroes, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of Hometown Heroes, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Hometown Heroes, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hometown Heroes, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Hometown Heroes, Inc.

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

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
June 15, 2026

HOMETOWN HEROES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 426,381	\$ 460,904
Investments, at Fair Value	18,492	15,697
Accounts Receivable	9,800	22,166
Inventory	2,401	1,856
Prepaid Expenses and Security Deposit	32,871	31,138
Total Current Assets	<u>489,945</u>	<u>531,761</u>
PROPERTY AND EQUIPMENT		
Computer Software and Equipment	8,445	13,427
Camp Equipment	194,850	188,022
Building Improvements	254,332	230,932
Education Film Development	32,440	32,440
Total Property and Equipment	<u>490,067</u>	<u>464,821</u>
Less: Accumulated Depreciation	<u>(181,450)</u>	<u>(142,067)</u>
Property and Equipment, Net	308,617	322,754
OTHER ASSETS		
Right-of-Use Asset	<u>155,778</u>	<u>176,599</u>
Total Assets	<u><u>\$ 954,340</u></u>	<u><u>\$ 1,031,114</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 35,653	\$ 46,277
Accrued Payroll Liabilities	5,137	18,315
Deferred Revenue	-	4,248
Current Lease Liability	21,899	21,548
Total Current Liabilities	<u>62,689</u>	<u>90,388</u>
LONG-TERM LIABILITIES		
Long-Term Lease Liability	<u>130,969</u>	<u>152,869</u>
Total Liabilities	193,658	243,257
NET ASSETS		
Without Donor Restrictions	442,780	577,962
With Donor Restrictions	317,902	209,895
Total Net Assets	<u>760,682</u>	<u>787,857</u>
Total Liabilities and Net Assets	<u><u>\$ 954,340</u></u>	<u><u>\$ 1,031,114</u></u>

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES						
Contributions and Grants	\$ 973,873	\$ 240,072	\$ 1,213,945	\$ 1,036,502	\$ 136,000	\$ 1,172,502
Contributed Nonfinancial Assets	202,121	-	202,121	134,490	-	134,490
Rentals of Camp Matawa	80,091	-	80,091	91,444	-	91,444
Special Events Revenue	50	-	50	30	-	30
Investment Return, Net	2,795	-	2,795	1,283	-	1,283
Other Income	8,698	-	8,698	2,587	-	2,587
Release from Restrictions	132,065	(132,065)	-	-	-	-
Total Support and Revenues	1,399,823	108,007	1,507,830	1,266,335	136,000	1,402,335
EXPENSES						
Program						
Camp Hometown Heroes	458,912	-	458,912	305,789	-	305,789
Camp Reunite	192,012	-	192,012	79,349	-	79,349
Camp Turning Rivers	475,156	-	475,156	500,804	-	500,804
Kids2Kids	85,983	-	85,983	65,933	-	65,933
Other Programs	5,140	-	5,140	13,501	-	13,501
Total Program Expenses	1,217,203	-	1,217,203	965,376	-	965,376
Management and General	316,866	-	316,866	378,250	-	378,250
Fundraising and Development	936	-	936	48,218	-	48,218
Total Expenses	1,535,005	-	1,535,005	1,391,844	-	1,391,844
CHANGE IN NET ASSETS						
	(135,182)	108,007	(27,175)	(125,509)	136,000	10,491
Net Assets - Beginning of Year	577,962	209,895	787,857	703,471	73,895	777,366
NET ASSETS - END OF YEAR	\$ 442,780	\$ 317,902	\$ 760,682	\$ 577,962	\$ 209,895	\$ 787,857

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Program Services							Fundraising and Development	Cost of Direct Benefit to Donors	Total
	Camp Hometown Heroes	Camp Reunite	Camp Turning Rivers	Kids2Kids	Other Programs	Total	Management and General			
Program Labor and Services	\$ 39,978	\$ 41,178	\$ 62,973	\$ 2,700	\$ 57	\$ 146,886	\$ -	\$ -	\$ -	\$ 146,886
Program Food and Related Supplies	67,353	30,871	43,027	63,048	661	204,960	-	-	-	204,960
Program Travel Expense	130,593	4,337	-	683	-	135,613	-	-	-	135,613
Program Supplies	4,482	446	1,832	2,319	2,300	11,379	-	-	-	11,379
Salaries and Wages	187,729	103,666	67,514	-	-	338,929	91,578	-	-	430,507
Employee Benefits	-	-	10,444	-	-	10,444	-	-	-	10,444
Payroll Taxes	15,920	10,447	10,081	-	-	36,448	8,342	-	-	44,790
Travel	2,990	345	4,866	-	-	8,201	242	-	-	8,443
Professional Services	613	191	4,576	42	-	5,422	196,015	-	-	201,437
Advertising and Promotion	28,028	338	677	11,466	46	40,555	-	616	-	41,171
Office and Supplies Expenses	516	-	5,217	23	2,000	7,756	2,741	320	-	10,817
Bank and Related Fees	68	173	5	844	76	1,166	372	-	-	1,538
Occupancy - Rent, Parking, Utilities, Etc.	-	-	73,489	-	-	73,489	3,030	-	-	76,519
Conferences, Conventions, and Meetings	642	-	804	-	-	1,446	-	-	-	1,446
Equipment Rental and Maintenance	-	-	104,469	4,858	-	109,327	-	-	-	109,327
Insurance	-	-	41,545	-	-	41,545	12,046	-	-	53,591
Bad Debt Expense	-	-	-	-	-	-	2,500	-	-	2,500
Depreciation and Amortization	-	-	43,637	-	-	43,637	-	-	-	43,637
Total Expenses by Function	\$ 458,912	\$ 192,012	\$ 475,156	\$ 85,983	\$ 5,140	\$ 1,217,203	\$ 316,866	\$ 936	\$ -	\$ 1,535,005

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services							Fundraising and Development	Cost of Direct Benefit to Donors	Total
	Camp Hometown Heroes	Camp Reunite	Camp Turning Rivers	Kids2Kids	Other Programs	Total	Management and General			
Program Labor and Services	\$ 55,572	\$ 23,920	\$ 6,451	\$ 1,130	\$ 38	\$ 87,111	\$ -	\$ -	\$ -	\$ 87,111
Program Food and Related Supplies	51,117	34,991	46,518	33,446	1,174	167,245	149	-	-	167,394
Program Travel Expense	93,530	4,032	340	23	-	97,925	-	-	-	97,925
Program Supplies	3,050	1,300	2,391	549	53	7,343	-	-	-	7,343
Salaries and Wages	58,211	11,838	133,039	-	3,576	206,664	178,554	47,824	-	433,042
Employee Benefits	-	-	9,472	-	-	9,472	6,200	-	-	15,672
Payroll Taxes	1,831	2,789	10,780	-	-	15,400	26,875	-	-	42,275
Travel	3,814	224	1,549	-	-	5,587	2,310	-	-	7,897
Professional Services	393	-	32	-	4,200	4,625	132,043	118	-	136,786
Advertising and Promotion	25,299	-	276	22,855	288	48,718	-	276	-	48,994
Office and Supplies Expenses	3,975	255	13,212	276	4,161	21,879	15,061	-	-	36,940
Bank and Related Fees	-	-	15	355	-	370	365	-	-	735
Occupancy - Rent, Parking, Utilities, Etc.	-	-	65,770	-	-	65,770	3,624	-	-	69,394
Conferences, Conventions, and Meetings	265	-	460	-	-	725	2,270	-	-	2,995
Equipment Rental and Maintenance	322	-	140,830	7,300	11	148,463	17	-	-	148,480
Insurance	-	-	31,530	-	-	31,530	10,782	-	-	42,312
Bad Debt Expense	8,410	-	-	-	-	8,410	-	-	-	8,410
Depreciation and Amortization	-	-	38,139	-	-	38,139	-	-	-	38,139
Total Expenses by Function	\$ 305,789	\$ 79,349	\$ 500,804	\$ 65,933	\$ 13,501	\$ 965,376	\$ 378,250	\$ 48,218	\$ -	\$ 1,391,844

See accompanying Notes to Financial Statements.

HOMETOWN HEROES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (27,175)	\$ 10,491
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	43,637	38,139
Unrealized Appreciation in Fair Value of Investments	(2,795)	(1,283)
Loss on Sale of Property and Equipment	-	878
Loss on Disposal of Property and Equipment	13,433	-
Donated Asset	(13,000)	(15,000)
Change in Current Assets and Liabilities:		
Accounts Receivable	12,366	143,316
Inventory	(545)	-
Prepaid Expenses and Security Deposit	(1,733)	3,926
Accounts Payable	(10,624)	12,182
Accrued Payroll Liabilities	(13,178)	(1,074)
Deferred Revenue	(4,248)	(15,000)
Net Cash Provided (Used) by Operating Activities	(3,862)	176,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(30,661)	-
Proceeds from Sale of Property and Equipment	-	1,500
Net Cash Provided (Used) by Investing Activities	(30,661)	1,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,523)	178,075
Cash and Cash Equivalents - Beginning of Year	460,904	282,829
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 426,381</u>	<u>\$ 460,904</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated Asset	<u>\$ 13,000</u>	<u>\$ 15,000</u>

See accompanying Notes to Financial Statements.

**HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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 (IRC). 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, 2025 AND 2024**

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 all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

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. At December 31, 2025 and 2024, the Organization had \$163,040 and \$65,816 in excess of Federal Deposit Insurance Corporation (FDIC) limits, respectively.

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.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Organization considers accounts receivable at December 31, 2025 and 2024 to be fully collectible; accordingly, no allowance for credit losses is required. If necessary, management determines the allowance for credit losses by identifying troubled accounts and by using historical experience applied to an aging of accounts that is adjusted for reasonable expectations of future collection performance, net of estimated recoveries. The Organization periodically assesses its methodologies for estimating credit losses in consideration of actual experience, trends, and changes in the overall economic environment. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

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.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

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. Camp rental revenue recognized totaled \$80,091 and \$91,444 for the years ended December 31, 2025 and 2024, respectively. Receivables from rentals of Camp Matawa totaled \$9,800, \$-0-, and \$60,490 at December 31, 2025, 2024, 2023, respectively.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2025 and 2024 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 \$-0- and \$4,248 of advance receipts and conditional contributions as of December 31, 2025 and 2024, respectively.

Income Tax Status

The Organization is exempt from federal income taxes as a nonprofit organization under Section 501(c)(3) of the IRC 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

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 10 for additional information on the Organization's leases as of and for the years ended December 31, 2025 and 2025.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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.

Advertising

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2025 and 2024 were \$41,171 and \$48,994, respectively.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 15, 2026, 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:

	2025	2024
Total Financial Assets Available Within One Year:		
Cash and Cash Equivalents	\$ 426,381	\$ 460,904
Investments	18,492	15,697
Accounts Receivable	9,800	22,166
Subtotal	454,673	498,767
Less: Amounts Not Available for General Expenditures		
Within One Year Due to:		
Donor-Restricted to Purpose Restrictions	317,902	209,895
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	<u>\$ 136,771</u>	<u>\$ 288,872</u>

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 INVESTMENTS

Investments are carried at fair value and consist of various common stock. The fair value of these investments was \$18,492 and \$15,697 as of December 31, 2025 and 2024, respectively. Costs of these investments were \$3,691 as of December 31, 2025 and 2024. The investments appreciated in value by \$2,795 and \$1,283 during the years ended December 31, 2025 and 2024, 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, 2025 and 2024.

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.

HOMETOWN HEROES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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:

	2025		
	Level 1	Level 2	Level 3
Common Stocks	\$ 18,492	\$ -	\$ -
			Total
	\$ 18,492	\$ -	\$ 18,492

	2024		
	Level 1	Level 2	Level 3
Common Stocks	\$ 15,697	\$ -	\$ -
			Total
	\$ 15,697	\$ -	\$ 15,697

NOTE 5 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of services at

NOTE 6 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, 2025 and 2024, the Organization collected \$100,000 and \$-0-, respectively, in direct financial contributions from Kapco.

NOTE 7 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- for these services during the years ended December 31, 2025 and 2024, and recognized \$170,181 and \$99,135, 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, 2025 and 2024, 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, 2025 and 2024 was \$1,200 and is included in occupancy and administrative costs in the statements of activities.

The Organization and Kapco share in various expenses. Related to these shared expenses, the Organization has a payable to Kapco of \$13,104 and \$-0- as of December 31, 2025 and 2024, respectively.

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NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

In addition, certain board members or board member affiliated organization donated to the Organization's fundraising events. Total contributions amounted to \$5,000 and \$16,388 for the years ended December 31, 2025 and 2024, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are foundation grants restricted specifically for various purposes including equipment and improvements at camps and remaining unspent amounts totaled \$317,902 and \$209,895 as of December 31, 2025 and 2024, respectively.

NOTE 9 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 10 LEASES

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, 2025 and 2024 follows:

	2025	2024
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	\$ -	\$ -
Weighted Average Remaining Lease Term	6.7 Years	7.7 Years
Weighted Average Discount Rate	1.63%	1.63%

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NOTE 10 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2025, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>	
2026	\$ 24,000	
2027	24,000	
2028	24,000	
2029	24,000	
2030	24,000	
Thereafter	40,000	
Undiscounted Cash Flows	160,000	
Less: Imputed Interest	(7,132)	
Total Present Value	<u>\$ 152,868</u>	

	<u>2025</u>	<u>2024</u>
Short-Term Lease Liabilities	\$ 21,899	\$ 21,548
Long-Term Lease Liabilities	130,969	152,869
Total	<u>\$ 152,868</u>	<u>\$ 174,417</u>

NOTE 11 DONATED SERVICES AND ASSETS

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

	<u>2025</u>	<u>2024</u>
Supplies	\$ 17,740	\$ 19,155
Rent	1,200	1,200
Donated Assets	13,000	15,000
Professional Services	170,181	99,135
Total	<u>\$ 202,121</u>	<u>\$ 134,490</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.

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.

Donated assets recognized comprise of donated HVAC units and a vehicle for the years ended December 31, 2025 and 2024, respectively. Contributed property and equipment are valued and are reported at the estimated fair value in the financial statements based on current rate for the asset.

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NOTE 11 DONATED SERVICES AND ASSETS (CONTINUED)

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.

All contributed nonfinancial assets received during the years ended December 31, 2025 and 2024 were without donor restrictions.

NOTE 12 RETIREMENT PLANS

The Organization participates in a 401(k) retirement plan available to all employees who have reached the age of 18 and completed 30 days of service. Employees may contribute to their accounts up to the annual amount allowed by law. The Organization matches 50% of the first 6% of employee contributions.

Total contribution expense recorded under the plan was \$6,167 and \$3,233 for the years ended December 31, 2025 and 2024, respectively.

NOTE 13 SIGNIFICANT CONCENTRATIONS

U.S. GAAP requires disclosures of information about current vulnerabilities due to certain concentrations. These matters include the following:

Revenue Concentrations

The Organization received \$350,000 or approximately 23% of its funding from one Organization for the year ended December 31, 2025.

The Organization received \$375,000 or approximately 27% of its funding from one Organization for the year ended December 31, 2024.