

H.E.R.O.E.S. CARE, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020

H.E.R.O.E.S. CARE, INC.
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees of
H.E.R.O.E.S. Care, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of H.E.R.O.E.S. Care, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of H.E.R.O.E.S. Care, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

June 1, 2021

BASIC FINANCIAL STATEMENTS

H.E.R.O.E.S. CARE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

	ASSETS		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 442,743	\$ -	\$ 442,743
Accounts Receivable	-	-	-
Inventory - In Kind Goods	4,878,396	-	4,878,396
Total Current Assets	<u>5,321,139</u>	-	<u>5,321,139</u>
Non-Current Assets:			
Property, Plant, and Equipment, Net	10,764	-	10,764
Total Non-Current Assets	<u>10,764</u>	-	<u>10,764</u>
TOTAL ASSETS	<u><u>5,331,903</u></u>	<u><u>-</u></u>	<u><u>5,331,903</u></u>
LIABILITIES & NET ASSETS			
LIABILITIES			
Accounts Payable	843	-	843
Note Payable-Regions	57,000	-	57,000
Note Payable-SBA	150,000	-	150,000
Line of Credit	-	-	-
Accrued Interest	2,265	-	2,265
TOTAL LIABILITIES	<u>210,108</u>	<u>-</u>	<u>210,108</u>
NET ASSETS			
Without Donor Restrictions	5,121,795	-	5,121,795
With Donor Restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>5,121,795</u>	<u>-</u>	<u>5,121,795</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 5,331,903</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,331,903</u></u>

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions			
Donations	\$ 578,536	\$ -	\$ 578,536
In Kind Contributions	23,779,136	-	23,779,136
Other	-	-	-
Revenue Released from Restrictions	<u>2,549</u>	<u>(2,549)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	24,360,221	(2,549)	24,357,672
Expenses			
Programs	25,213,683	-	25,213,683
Administrative	117,650	-	117,650
Fundraising	<u>53,245</u>	<u>-</u>	<u>53,245</u>
TOTAL EXPENSES	<u>25,384,577</u>	<u>-</u>	<u>25,384,577</u>
CHANGE IN NET ASSETS	(1,024,356)	(2,549)	(1,026,905)
NET ASSETS, BEGINNING OF YEAR	<u>6,146,151</u>	<u>2,549</u>	<u>6,148,700</u>
NET ASSETS, END OF YEAR	<u><u>\$ 5,121,795</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,121,795</u></u>

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services		Support Services		Total
	Programs	General and Administrative	Fundraising		
Compensation and Related Expense					
Salaries	\$ 221,855	\$ 22,690	\$ 22,690	\$ 267,234	
Payroll Taxes	16,871	9,094	5,478	31,443	
	<u>238,726</u>	<u>31,784</u>	<u>28,167</u>	<u>298,677</u>	
Professional Fees					
Payroll Services	-	1,078	-	1,078	
Technology Services	589	16,017	7,334	23,940	
Audit Services	-	6,500	-	6,500	
Background Check Services	50	-	-	50	
Development Services	-	-	-	-	
Attorney Fees	-	-	-	-	
Other Professional Services	15,821	2,153	1,331	19,305	
Accounting Services	-	1,860	-	1,860	
Supplies					
Office Supplies	163	2,608	-	2,771	
Warehouse Supplies	3,364	9,195	331	12,890	
Printing Supplies	800	1,558	-	2,358	
Technology Supplies	-	-	-	-	
Event supplies	-	-	3,389	3,389	
Promotional Supplies	-	1,370	4,412	5,782	
Heroes Training	-	-	-	-	
Communication					
Internet Services	3,141	628	419	4,188	
Cell Phone Service	3,037	530	353	3,920	
Postage and Shipping					
Postage	23	440	-	463	
Shipping	752	48	-	800	
Occupancy					
Building Rent	57,165	7,958	5,305	70,428	
Vehicle Maintenance	-	13,435	-	13,435	
Utilities	4,227	4,960	610	9,798	
Insurances	-	6,893	-	6,893	
Licenses and Fees	-	530	-	530	
Facilities Repairs	-	598	-	598	
Occupancy - Other	-	-	-	-	
Printing and Publications					
Advertising	-	-	-	-	
Event Items	-	-	-	-	
Travel					
Commercial Airlines	-	-	-	-	
Fuel	11,616	316	259	12,191	
Lodging	2,172	35	841	3,047	
Meals and Incidentals	990	110	85	1,186	
Rental of Vehicle	3,473	210	-	3,684	
Travel - Other	4,325	670	-	4,994	
Conference and Meetings					
Registration Fees	-	-	407	407	

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services	Support Services		Total
	Programs	General and Administrative	Fundraising	
Specific Assistance				
Holiday Program	\$ 6,640	\$ -	\$ -	\$ 6,640
Military Family Events	1,982	-	-	1,982
Care Packages	35,972	-	-	35,972
Bereavement	300	-	-	300
Direct Assistance - Other	12,711	-	-	12,711
Transportation	650	-	-	650
Network	-	-	-	-
Auto Payment - Insurance	2,863	15	-	2,878
Auto Repair - Maintenance	648	-	-	648
Computer Assistance	-	-	-	-
Food Assistance	7,812	-	-	7,812
Household/Baby Items	12,450	-	-	12,450
Home Repair Assistance	452	-	-	452
Morale- Other	10,663	-	-	10,663
Moving/Relocation	1,397	-	-	1,397
Counseling/Referral Services	1,000	-	-	1,000
Rent/Mortgage Assistance	5,403	-	-	5,403
Travel Assistance	1,000	-	-	1,000
Utilities Assistance	6,136	-	-	6,136
Health Care Assistance	250	-	-	250
Specific Assistance - Other	1,028	-	-	1,028
Membership and Dues				
Membership Dues	-	65	-	65
Membership & Dues - Other	-	-	-	-
Special Events				
Supplies and Materials	-	-	-	-
Venue & Entertainment	-	-	-	-
Special Events - Other	-	-	-	-
In-Kind Expenses				
Gift Cards	-	-	-	-
Goods	24,743,786	-	-	24,743,786
Holiday Program	-	-	-	-
Disaster Relief	-	-	-	-
Furniture	-	-	-	-
Services	-	-	-	-
Miscellaneous Expense				
Bank Charges	88	781	-	869
Credit Card Fees	-	1,552	-	1,552
Miscellaneous Expenses - Other	-	314	-	314
Depreciation	7,176	-	-	7,176
Interest Expense	2,265	-	-	2,265
Staff and Volunteer Gifts	576	3,342	-	3,918
	<u>\$ 25,213,683</u>	<u>\$ 117,650</u>	<u>\$ 53,245</u>	<u>\$ 25,384,577</u>

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) In Net Assets	\$ (1,026,905)
Adjustments to Reconcile Increase (Decrease) In Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	7,176
(Increase) Decrease in Operating Assets	
Inventory	964,650
(Increase) Decrease in Accounts Receivable	150,000
Increase (Decrease) in Operating Liabilities	
Accounts payable	(626)
Short Term-Loans Payable	184,272
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	278,567

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Vehicle	-
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/> 164,176
CASH AND CASH EQUIVALENTS, END OF YEAR	<hr/> <hr/> \$ 442,743

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Business

H.E.R.O.E.S. Care, Inc. (“Organization”) is a non-profit Missouri corporation, organized for the purpose of providing assistance to families of deployed military and families of wounded service members in Missouri and Southwest Illinois.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified as without donor restrictions and with donor restrictions based upon the existence or absence of donor-imposed or grantor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined as follows:

1. Net Assets with Donor Restrictions – Net assets subject to donor-imposed or grantor-imposed stipulations that they may be maintained permanently by the Organization. Generally, the donors or grantors of these types of assets permit the Association to use all or part of the investment return on these assets. This category also includes net assets whose use by the Association is subject to donor-imposed or grantor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
2. Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed or grantor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board or may otherwise be limited by contractual agreements with outside parties.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

E. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Volunteers have donated their time in carrying out the Organization's operations and various programs. These services are not reflected in the accompanying financial statements since they did not meet the recognition criteria of SFAS No. 116.

F. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted contributions. In the case of absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

H. Inventory

Inventory consists of donated items and is recorded at estimated fair value at the date of donation. Cost is determined on the first-in, first-out method.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

I. Subsequent Events

Management has evaluated subsequent events through June 1, 2021, the date the financial statements were issued.

J. Income Taxes: The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law as charitable organizations whereby only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization has adopted provisions of FASB standard on Accounting for Uncertainty in Income Taxes (ASV 740-10-25). The Organization does not believe there are any material uncertain tax provisions and, accordingly, they will not recognize any liability for unrecorded tax benefits. The Organization's Forms 990, Return for Organization Exempt from Income Taxes, for the years ended December 31, 2019, 2018, and 2017 are subject to examination by the IRS, generally three years after they were filed.

II. CASH AND CASH EQUIVALENTS

At December 31, 2020, the cash and bank balances of the Organization's deposits totaled \$442,743.02, and \$430,313.74, respectively. Of this bank balance of \$430,313.74, \$250,000 was covered by FDIC insurance at December 31, 2020 and \$180,313.74 was unsecured.

III. CAPITAL ASSETS

All purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted contributions. Depreciation for reporting purposes is provided on the straight-line method over the estimated useful lives of the assets.

Furniture, Equipment and Books	3-10 Years
Building and Improvements	39-50 Years
Automobiles	5 Years

Upon disposition of furniture, fixtures or books, the asset cost and related accumulated depreciation are eliminated from the respective accounts. Any gain or loss is included in current operations. Expenditures for maintenance and repairs, which do not materially extend the life of assets, are included in operating expenses.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

III. CAPITAL ASSETS (concluded)

Description	Balance December 31, 2019	Additions	Disposals And Adjustments	Balance December 31, 2020
Depreciable Assets:				
Automobiles	\$ 65,031	\$ -	\$ -	\$ 65,031
Total Depreciable Assets	65,031	-	-	65,031
Less: Accumulated Depreciation	(47,091)	(7,176)	-	(54,267)
Total Depreciable Assets, Net	<u>\$ 17,940</u>	<u>\$ (7,176)</u>	<u>\$ -</u>	<u>\$ 10,764</u>

IV. RELATED PARTY TRANSACTIONS

Various members of the Board of Trustees perform services for H.E.R.O.E.S. Care, Inc., including among other things, construction and banking services. These services are provided at discounted rates/fees and/or at no charge. The value of these donated services has been valued and recorded as operating revenue in accordance to SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

V. NOTES PAYABLE

On June 14, 2020, H.E.R.O.E.S. Care, Inc., entered into a note payable with the U.S. Small Business Administration in the amount of \$150,000. Payments are deferred for twelve months and will begin June 14, 2021, and go through June 14, 2050, at a rate of 2.75%. The loan is payable in monthly installments of principal and interest in the amount of \$641.00. Interest accumulated at December 31, 2020, is \$2,265.47.

On May 1, 2020, H.E.R.O.E.S. Care, Inc., entered into a Payroll Protection Program loan agreement for the purpose of meeting financial needs due to COVID-19 shutdown. This unsecured loan was made available through the U.S. Small Business Administration. This loan was for \$57,000, with interest at 1% payable over a two-year period. The loan is payable in monthly installments of principal and interest in the amount of \$3,192.16. H.E.R.O.E.S. Care, Inc., believes the note to be forgiven, but has not been forgiven at time of the audit report.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

V. NOTES PAYABLE (concluded)

Debt service requirements at December 31, 2020, to maturity are:

Year ending December 31,	Principal	Interest	Total
2021	\$ 38,349	\$ 6,995	\$ 45,344
2022	19,754	4,189	23,942
2023	3,643	4,049	7,692
2024	3,744	3,948	7,692
2025	3,849	3,843	7,692
2026-2030	20,913	17,547	38,460
2031-2035	23,991	14,469	38,460
2036-2040	27,523	10,937	38,460
2041-2045	31,575	6,885	38,460
2046-2050	33,658	2,238	35,896
Total	<u>\$ 207,000</u>	<u>\$ 75,099</u>	<u>\$ 282,099</u>

VI. OPERATING LEASES

As of March 28, 2016, H.E.R.O.E.S. Care, Inc. leases a building from True North Properties LLC with monthly payments of \$5.50 per square foot amounting to \$5,792 per month. The lease is annually renewable every November 30. The future minimum payment of this lease for 2020 is \$69,500.

VII. LINE OF CREDIT

During the year, H.E.R.O.E.S. Care, Inc. received \$37,000 in a short-term line of credit through Regions Bank. The current balance of the loan is \$0.

VIII. CONTINGENCIES

The Organization is not involved in any pending litigation as of the audit report date that is required to be disclosed.

IX. SUBSEQUENT EVENTS

There are no subsequent events to note for the year ended December 31, 2020.

COMPLIANCE SECTION

H.E.R.O.E.S. CARE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

I. FINANCIAL STATEMENT FINDINGS

No findings were noted for the year ended December 31, 2020.

H.E.R.O.E.S. CARE, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

I. FINANCIAL STATEMENT FINDINGS – PRIOR YEAR

No findings were noted in the prior year.