

H.E.R.O.E.S. CARE, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 H.E.R.O.E.S. Care, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of H.E.R.O.E.S. Care, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the H.E.R.O.E.S. Care, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinions. 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting 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 judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- * exercise professional judgement 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 H.E.R.O.E.S. Care, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the H.E.R.O.E.S. Care, 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.

Daniel Jones & Associates

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

June 6, 2022

BASIC FINANCIAL STATEMENTS

H.E.R.O.E.S. CARE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 372,259	\$ -	\$ 372,259
Accounts Receivable	-	-	-
Inventory - In Kind Goods	4,070,071	-	4,070,071
Total Current Assets	<u>4,442,330</u>	<u>-</u>	<u>4,442,330</u>
Non-Current Assets:			
Property, Plant, and Equipment, Net	49,671	-	49,671
Total Non-Current Assets	<u>49,671</u>	<u>-</u>	<u>49,671</u>
TOTAL ASSETS	<u>4,492,001</u>	<u>-</u>	<u>4,492,001</u>
LIABILITIES & NET ASSETS			
LIABILITIES			
Accounts Payable	560	-	560
Note Payable-SBA	147,967	-	147,967
Line of Credit	-	-	-
Accrued Interest	4,016	-	4,016
TOTAL LIABILITIES	<u>152,543</u>	<u>-</u>	<u>152,543</u>
NET ASSETS			
Without Donor Restrictions	4,339,458	-	4,339,458
With Donor Restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>4,339,458</u>	<u>-</u>	<u>4,339,458</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 4,492,001</u>	<u>\$ -</u>	<u>\$ 4,492,001</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, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions			
Donations	\$ 797,415	\$ -	\$ 797,415
In Kind Contributions	18,027,779	-	18,027,779
Other	57,005	-	57,005
Revenue Released from Restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	18,882,199	-	18,882,199
Expenses			
Programs	19,421,748	-	19,421,748
Administrative	178,683	-	178,683
Fundraising	<u>64,105</u>	<u>-</u>	<u>64,105</u>
TOTAL EXPENSES	<u>19,664,536</u>	<u>-</u>	<u>19,664,536</u>
CHANGE IN NET ASSETS	(782,337)	-	(782,337)
NET ASSETS, BEGINNING OF YEAR	<u>5,121,795</u>	<u>-</u>	<u>5,121,795</u>
NET ASSETS, END OF YEAR	<u>\$ 4,339,458</u>	<u>\$ -</u>	<u>\$ 4,339,458</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, 2021

	Program Services		Support Services		Total
	Programs	General and Administrative	Fundraising		
Compensation and Related Expense					
Salaries	\$ 177,235	\$ 30,918	\$ 31,837	\$ 239,990	
Payroll Taxes	57,610	36,996	9,070	103,676	
	<u>234,846</u>	<u>67,914</u>	<u>40,906</u>	<u>343,666</u>	
Professional Fees					
Payroll Services	-	2,677	-	2,677	
Technology Services	254	5,477	8,120	13,851	
Audit Services	-	6,500	-	6,500	
Background Check Services	-	-	-	-	
Development Services	-	-	-	-	
Attorney Fees	-	1,530	-	1,530	
Other Professional Services	4,373	3,152	494	8,019	
Accounting Services	-	1,619	-	1,619	
Supplies					
Office Supplies	-	1,891	-	1,891	
Warehouse Supplies	2,587	12,225	-	14,812	
Printing Supplies	-	2,867	-	2,867	
Technology Supplies	654	1,872	-	2,526	
Event supplies	376	2,162	2,347	4,885	
Promotional Supplies	-	4,947	1,336	6,283	
Heroes Training	-	-	-	-	
Communication					
Internet Services	3,225	645	430	4,300	
Cell Phone Service	3,066	613	409	4,087	
Postage and Shipping					
Postage	-	174	220	394	
Shipping	452	696	-	1,148	
Occupancy					
Building Rent	82,921	8,364	5,965	97,250	
Vehicle Maintenance	-	22,271	(25)	22,246	
Utilities	14,653	13,095	603	28,350	
Insurances	601	10,028	-	10,629	
Licenses and Fees	-	1,013	100	1,113	
Facilities Repairs	-	635	-	635	
Occupancy - Other	-	-	-	-	
Printing and Publications					
Advertising	-	-	-	-	
Event Items	-	145	-	145	
Travel					
Commercial Airlines	-	-	-	-	
Fuel	7,521	25	140	7,686	
Lodging	2,665	-	424	3,089	
Meals and Incidentals	1,846	-	826	2,671	
Rental of Vehicle	898	2,302	-	3,200	
Travel - Other	698	-	-	698	
Conference and Meetings					
Registration Fees	-	-	-	-	

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, 2021

	Program Services		Support Services		Total
	Programs	General and Administrative	Fundraising		
Specific Assistance					
Holiday Program	\$ 40,950	\$ -	\$ -		\$ 40,950
Military Family Events	3,300	-	-		3,300
Care Packages	4,510	-	-		4,510
Bereavement	-	-	-		-
Direct Assistance - Other	13,591	-	-		13,591
Transportation	-	-	-		-
Network	-	-	-		-
Auto Payment - Insurance	862	-	-		862
Auto Repair - Maintenance	4,788	-	-		4,788
Computer Assistance	-	-	-		-
Food Assistance	4,417	-	-		4,417
Household/Baby Items	9,550	-	-		9,550
Home Repair Assistance	4,044	-	-		4,044
Morale- Other	37,527	-	-		37,527
Moving/Relocation	4,205	-	-		4,205
Counseling/Referral Services	-	-	-		-
Rent/Mortgage Assistance	4,323	-	-		4,323
Travel Assistance	59	-	-		59
Utilities Assistance	6,061	-	-		6,061
Health Care Assistance	-	-	-		-
Appliance Repair Assistance	461	-	-		461
VA Bowling at JB	66,022	-	-		66,022
Specific Assistance - Other	-	-	-		-
Membership and Dues					
Membership Dues	200	10	200		410
Membership & Dues - Other	-	-	-		-
Special Events					
Supplies and Materials	1,174	-	1,170		2,344
Venue & Entertainment	-	-	415		415
Special Events - Other	-	-	5		5
In-Kind Expenses					
Gift Cards	-	-	-		-
Goods	18,836,104	-	-		18,836,104
Holiday Program	-	-	-		-
Disaster Relief	-	-	-		-
Furniture	-	-	-		-
Services	-	-	-		-
Miscellaneous Expense					
Bank Charges	3	98	20		121
Credit Card Fees	-	-	-		-
Miscellaneous Expenses - Other	9	558	-		567
Depreciation	10,393	-	-		10,393
Interest Expense	4,204	-	-		4,204
Staff and Volunteer Gifts	3,355	3,032	-		6,387
	<u>\$ 19,421,748</u>	<u>\$ 178,683</u>	<u>\$ 64,105</u>		<u>\$ 19,664,536</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) In Net Assets	\$ (782,337)
Adjustments to Reconcile Increase (Decrease) In Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	10,393
(Increase) Decrease in Operating Assets	
Inventory	808,325
(Increase) Decrease in Accounts Receivable	-
Increase (Decrease) in Operating Liabilities	
Accounts payable	(282)
Short Term-Loans Payable	<u>(57,283)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(21,184)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Vehicle	(49,300)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>442,743</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 372,259</u></u>
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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, 2021

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, 2021

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, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

I. Subsequent Events

Management has evaluated subsequent events through June 6, 2022, 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, 2020, 2019, and 2018 are subject to examination by the IRS, generally three years after they were filed.

II. CASH AND CASH EQUIVALENTS

At December 31, 2021, the cash and bank balances of the Organization's deposits totaled \$372,258.87, and \$373,784.37, respectively. Of this bank balance of \$373,784.37, \$250,000 was covered by FDIC insurance at December 31, 2021 and \$123,784.37 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, 2021

III. CAPITAL ASSETS (concluded)

Description	Balance December 31, 2020	Additions	Disposals And Adjustments	Balance December 31, 2021
Depreciable Assets:				
Automobiles	\$ 65,031	\$ 49,300	\$ 29,151	\$ 85,180
Total Depreciable Assets	65,031	-	-	85,180
Less: Accumulated Depreciation	(54,267)	(10,393)	29,151	(35,509)
Total Depreciable Assets, Net	\$ 10,764	\$ 38,907	\$ -	\$ 49,671

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 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, 2021, is \$4,015.64.

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. This loan was forgiven on June 23, 2021.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

V. NOTES PAYABLE (concluded)

Debt service requirements at December 31, 2021, to maturity are:

Year ending December 31,	Principal	Interest	Total
2022	\$ 3,562	\$ 4,130	\$ 7,692
2023	3,662	4,030	7,692
2024	3,764	3,928	7,692
2025	3,868	3,824	7,692
2026	3,976	3,716	7,692
2027-2031	21,605	16,855	38,460
2032-2036	24,785	13,675	38,460
2037-2041	28,434	10,026	38,460
2042-2046	32,620	5,840	38,460
2047-2050	25,706	1,270	26,976
Total	<u>\$ 151,982</u>	<u>\$ 67,294</u>	<u>\$ 219,276</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 2021 is \$69,500.

VII. CONTINGENCIES

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

VIII. SUBSEQUENT EVENTS

There are no subsequent events to note for the year ended December 31, 2021.

COMPLIANCE SECTION

H.E.R.O.E.S. CARE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

I. FINANCIAL STATEMENT FINDINGS

No findings were noted for the year ended December 31, 2021.

H.E.R.O.E.S. CARE, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

I. FINANCIAL STATEMENT FINDINGS – PRIOR YEAR

No findings were noted in the prior year.