



**LONE SURVIVOR™**  
FOUNDATION

**FINANCIAL STATEMENTS**

**Years Ending December 31, 2015 and 2014**

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**CONTENTS**

	<b>Pages</b>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11
Supplementary Information	
Statement of Functional Expenses - Year Ended December 31, 2015	12
Statement of Functional Expenses - Year Ended December 31, 2014	13



Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Lone Survivor Foundation  
(A Nonprofit Organization)

We have audited the accompanying financial statements of

LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)

which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Lone Survivor Foundation as of December 31, 2015 and 2014, 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.

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Functional Expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Atlanta, Georgia  
April 8, 2016

*HLB Gross Collins, P.C.*

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2015 and 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,372,768	\$ 3,529,792
Property held for sale (Note 4)	-	672,000
Contributions receivable, net of allowance for doubtful accounts of \$-0- in 2015 and 2014	23,794	102,639
Contributed asset available for auction (Note 5)	112,840	112,840
Prepaid expenses	101,379	37,309
Investments	81,855	20,657
Inventory	13,990	12,668
<b>TOTAL CURRENT ASSETS</b>	<b>5,706,626</b>	<b>4,487,905</b>
<b>PROPERTY, PLANT AND EQUIPMENT, NET (Note 3)</b>	<b>1,287,352</b>	<b>668,812</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,993,978</b>	<b>\$ 5,156,717</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 59,879	\$ 33,626
<b>NET ASSETS</b>		
UNRESTRICTED NET ASSETS	6,369,094	4,529,144
TEMPORARILY RESTRICTED NET ASSETS	565,005	593,947
<b>TOTAL NET ASSETS</b>	<b>6,934,099</b>	<b>5,123,091</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,993,978</b>	<b>\$ 5,156,717</b>

**The accompanying Notes to Financial Statements are an integral part of these statements.**

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**STATEMENTS OF ACTIVITIES**

**Years Ended December 31, 2015 and 2014**

	2015	2014
REVENUE, GAINS, AND OTHER SUPPORT, UNRESTRICTED		
Contributions	\$ 1,967,513	\$ 2,266,028
In-kind contributions	245,308	112,840
Events	1,393,103	1,538,379
Interest income	5,752	4,902
Other income (expenses)	2,342	(200)
TOTAL REVENUE, GAINS, AND OTHER SUPPORT, UNRESTRICTED	3,614,018	3,921,949
FUNCTIONAL EXPENSES, UNRESTRICTED		
Program services	1,339,197	1,334,167
Management and general	127,890	99,573
Fundraising	306,981	339,500
TOTAL FUNCTIONAL EXPENSES, UNRESTRICTED	1,774,068	1,773,240
INCREASE IN UNRESTRICTED NET ASSETS	1,839,950	2,148,709
REVENUE, GAINS, AND OTHER SUPPORT, TEMPORARILY RESTRICTED		
Contributions	991,295	1,368,174
Restrictions satisfied by payments	(1,020,237)	(917,860)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(28,942)	450,314
INCREASE IN NET ASSETS	1,811,008	2,599,023
NET ASSETS, BEGINNING OF YEAR	5,123,091	2,524,068
NET ASSETS, END OF YEAR	\$ 6,934,099	\$ 5,123,091

**The accompanying Notes to Financial Statements are an integral part of these statements.**

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2015 and 2014**

	2015	2014
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 3,529,792	\$ 1,253,859
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase in unrestricted net assets	1,839,950	2,148,709
Increase (decrease) in temporarily restricted net assets	(28,942)	450,314
Adjustment to reconcile change in unrestricted net assets to net cash provided by operating activities		
Contributions of property, plant and equipment (Note 3)	(431,690)	(325,708)
Contributions of asset available for auction (Note 5)	-	(112,840)
Depreciation	43,945	46,256
Realized loss on disposal of assets (Note 3 and 4)	74,966	-
Impairment of property held for sale (Note 4)	-	282,430
(Increase) decrease in assets:		
Contributions receivable	78,845	52,386
Inventory	(1,322)	(5,368)
Investments	(61,198)	(11,570)
Prepaid expenses	(64,070)	(25,568)
Increase in liabilities:		
Accounts payable and accrued liabilities	26,253	5,710
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,476,737</b>	<b>2,504,751</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES (USED IN)</b>		
Purchase of property, plant and equipment	(234,794)	(228,818)
Proceeds from disposals of property, plant and equipment	601,033	-
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>366,239</b>	<b>(228,818)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,842,976</b>	<b>2,275,933</b>
CASH AND CASH EQUIVALENTS, END OF YEAR	<b>\$ 5,372,768</b>	<b>\$ 3,529,792</b>

**The accompanying Notes to Financial Statement are an integral part of these statements.**

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

**(1) Nature of organization**

Lone Survivor Foundation (the “Organization”), is a nonprofit organization formed on February 6, 2010 which seeks to restore, empower, and renew hope for wounded service members and their families through health, wellness, and therapeutic support. The Organization accomplishes these objectives through the following initiatives: conducting retreats at various facilities that support wounded service members and their families affected by Post-Traumatic Stress (PTS), traumatic brain injury, military service trauma and chronic pain; emphasizing the use of natural settings and outdoor activities to heal and empower wounded service members and their families through targeted recreational and sports therapy opportunities; reducing the wounded service members need for narcotic pain management; stabilizing and enhancing family structures and relationships through education, counseling, support, and inspiration using short-term retreats and medium-term in-house care and advocacy programs; identifying, connecting with, and establishing therapeutic support for wounded service members’ families that have, for whatever reason, stalled in their healing process with primary government care systems; and collaborating with recognized government and non-profit agencies to provide wounded service members families the proper resources for their needs. The Organization relies solely on contributions received to meet its objectives.

**(2) Summary of significant accounting policies**

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, income and expenses are recognized in the year when they are earned or incurred.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (“FASB ASC”) 958, *Not-For-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Contributions and contributions receivable - Contributions and contributions receivable are recorded at their net realizable value as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. All contributions receivable are expected to be received within twelve months of the statement of financial position date and no allowance for doubtful accounts is considered necessary by management for the years ended December 31, 2015 and 2014.



**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

**(2) Summary of significant accounting policies (continued)**

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. Temporarily restricted net assets totaled \$565,005 as of December 31, 2015 and \$593,947 as of December 31, 2014. Temporarily restricted net assets consist of donor-imposed stipulations for retreat funding, retreat locations, specific retreat venues, and various other donor stipulations.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will remain permanently restricted. There were no permanently restricted net assets as of December 31, 2015 and 2014.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has elected to report donor restricted contributions whose restrictions are met in the same reporting year as unrestricted support.

Unconditional promises to give are recognized as revenues or gains in the year received and as assets, decreases in liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-kind donations are measured at their fair values at the time of contribution.

Cash and cash equivalents - The Organization considers all highly liquid investments with maturity of three months or less to be cash.

Concentration of credit risk - The Organization maintains its cash in bank accounts which at times may exceed federally insured limits. The Organization does not believe it is exposed to any significant credit risk in such accounts.

Inventory - Inventory consists of purchased Lone Survivor merchandise for resale and is valued at the lower of cost or market.

Investments - Investments are reported at their estimated fair market value. Investments received through gifts are recorded at estimated fair market value at the date of donation. Realized and unrealized gains and losses are included in the statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time ends or a purpose restriction is accomplished) in the reporting year in which the income and gains are recognized.

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

**(2) Summary of significant accounting policies (continued)**

Property, plant and equipment - The cost of property, plant and equipment in excess of \$1,000 is capitalized. Purchased property, plant and equipment is capitalized at cost. Donated property, plant and equipment are capitalized at fair value at the date of the gift. Expenditures for major renewals and betterments that extend the useful lives of property, plant and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The straight line method is used for computing depreciation on all property, plant and equipment. Depreciation is based on the estimated useful life of the assets, which are 5 to 7 years for boat and furniture and equipment and 5 to 27.5 years for buildings and land improvements.

Income taxes - Lone Survivor Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 590(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi).

The Organization follows FASB ASC 740, *Income Taxes*. FASB ASC 740 provides guidance for how uncertain tax provisions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions would "more-likely-than-not" be sustained if challenged by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the year determined.

Management has evaluated the implications of FASB ASC 740 and does not believe it has a material impact on the Organization's Statements of Financial Position. Management is unaware of any unrecognized tax positions in existence as of December 31, 2015 and 2014. All of the Organization's tax returns prior to 2012 are no longer subject to examination.

Functional allocation of expenses - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and support services on the basis of an estimate of periodic time and expense. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but contribute to the overall support and direction of the Organization. Certain costs are allocated among program and supporting services benefitted based on how employees spent their time and the purpose of the services.

Estimates - The preparation of the financial statements requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Fair value of financial instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

**(3) Property, plant and equipment**

Property, plant and equipment consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cost		
Buildings and improvements	\$ 975,549	\$ 462,708
Land (non-depreciable)	204,556	162,000
Furniture and equipment	148,413	41,325
Boat	<u>35,000</u>	<u>35,000</u>
Total	1,363,518	701,033
Less accumulated depreciation	<u>(76,166)</u>	<u>(32,221)</u>
Property, plant and equipment, net	<u>\$ 1,287,352</u>	<u>\$ 668,812</u>

The aggregate depreciation charged to operations was \$43,945 for the year ended December 31, 2015 and \$46,526 for the year ended December 31, 2014. The depreciation policies followed by the Organization are described in Note (2).

Included in property, plant and equipment are donations received in 2015 totaling \$431,690 and in 2014 totaling \$325,708. These donations were recorded at fair market value in the Statement of Activities for the years ended December 31, 2015 and 2014, respectively.

As discussed in Note (4), certain property, plant and equipment with a net book value of \$954,430 was reclassified as held for sale as of December 31, 2014. The property, plant and equipment were reduced to estimated fair market value of \$672,000 as of December 31, 2014 and were sold for \$650,000 in 2015. A \$71,716 loss was realized net of \$49,717 selling expenses.

The Company sold land with an original cost of \$4,000 for \$750 in 2015. A loss of \$3,250 was realized.

**(4) Property held for sale**

During 2014, the Organization's Board of Directors voted to place the Missouri Ranch property on the market for sale. As discussed in Note (3), the property was listed for sale as of December 31, 2014, and was reclassified as property held for sale. In accordance with FASB ASC 360, *Property, Plant, and Equipment*, a long-lived asset held for sale should be measured at the lesser of its carrying amount or fair value. Accordingly, an impairment of \$282,430 was recorded during 2014 to reduce the property's \$954,430 net book value to the estimated \$672,000 fair market value, as determined by an independent third-party appraiser. The Missouri Ranch was sold in 2015 for \$650,000 and a \$71,716 loss was realized on the sale of the property.

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

**(5) Contributed asset available for auction**

During 2014, the Organization received an automobile that was custom painted with a patriotic Lone Survivor military theme. The Organization intended to auction the automobile for sale in 2015, and the donation was recorded as an unrestricted contribution at estimated fair market value in the Statement of Activities for the years ended December 31, 2015 and 2014. Due to circumstances beyond the Organization's control, the auction was postponed to 2016.

**(6) Operating lease commitments**

The Organization leased office space in Houston, Texas under a non-cancelable operating lease that was set to expire on December 31, 2015. Due to the approaching expiration of this lease, the Organization signed a new non-cancelable operating lease in October 2015 for different office space in Houston, Texas that expires on November 30, 2020. Total rent expense related to the leases was \$32,818 for the year ended December 31, 2015 and \$24,618 for the year ended December 31, 2014.

Future minimum annual rental requirements under the lease agreement are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2016	\$ 78,384
2017	78,540
2018	80,261
2019	80,417
2020	<u>75,293</u>
Total	<u>\$ 392,895</u>

**(7) Allocation of joint costs**

The Organization conducted fundraising and events activities during the current and prior year that included requests for contributions, related management and general expenses, and program services components. Those activities included direct mail, on-line, and direct response campaigns. The cost of conducting these activities included a total of \$537,274 of joint costs for the year ended December 31, 2014. Of these costs, \$333,451 was allocated to program services, \$-0- was allocated to management and general expenses, and \$203,823 was allocated to fundraising costs. For the year ended December 31, 2015, the cost of conducting these activities included a total of \$312,297 of joint costs. Of these costs, \$215,720 was allocated to program services, \$-0- was allocated to management and general expenses, and \$96,577 was allocated to fundraising costs.

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

**(8) Major contributions and major events**

There were no major contributors for the years ended December 31, 2015 and 2014.

For the year ended December 31, 2014, approximately 48%, or \$741,731, of the Organization's unrestricted events revenue came from two events. For the year ended December 31, 2015, approximately 51%, or \$712,231, of the Organization's unrestricted events revenue came from three events.

**(9) Subsequent events**

Management has evaluated subsequent events through April 8, 2016, the date which the financial statements were available to be issued, and has determined there were no additional subsequent event matters that require recognition or disclosure in the December 31, 2015, financial statements.

**SUPPLEMENTARY INFORMATION**

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**SUPPLEMENTARY INFORMATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2015**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Payroll	\$ 229,948	\$ 76,579	\$ 84,012	\$ 390,539
Event costs	217,484	-	158,511	375,995
Program services	371,532	-	-	371,532
Media/printed materials	240,178	593	550	241,321
Insurance	53,369	13,134	11,269	77,772
Loss from sale of assets (Note 3 and 4)	74,966	-	-	74,966
Depreciation	39,267	2,339	2,339	43,945
Occupancy	12,028	10,395	10,395	32,818
Travel	22,018	981	845	23,844
Professional fees	8,240	9,308	6,180	23,728
Crystal Beach Bolivar property	16,541	-	-	16,541
Telephone and internet	6,594	4,314	4,314	15,222
Bank charges	-	154	13,356	13,510
Supplies	8,757	1,344	1,374	11,475
Computer expense	1,942	636	7,496	10,074
Postage and delivery	4,120	1,694	1,695	7,509
Missouri Ranch property	1,984	-	-	1,984
Other costs	30,229	6,419	4,645	41,293
Total	<u>\$ 1,339,197</u>	<u>\$ 127,890</u>	<u>\$ 306,981</u>	<u>\$ 1,774,068</u>

**LONE SURVIVOR FOUNDATION  
(A NONPROFIT ORGANIZATION)**

**SUPPLEMENTARY INFORMATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2014**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Events	\$ 339,410	\$ -	\$ 210,865	\$ 550,275
Program services	345,834	-	-	345,834
Property impairment (Note 4)	282,430	-	-	282,430
Payroll	163,636	42,408	42,408	248,452
Insurance	31,245	10,468	10,468	52,181
Professional fees	15,533	23,640	12,033	51,206
Depreciation	41,836	2,210	2,210	46,256
Crystal Beach Bolivar property	31,613	-	-	31,613
Travel	26,169	517	1,459	28,145
Bank charges/merchant fees	45	-	24,957	25,002
Occupancy	8,206	8,206	8,206	24,618
Media/printed materials	17,418	-	1,514	18,932
Telephone and internet	6,040	4,601	4,502	15,143
Computer expense	781	430	8,428	9,639
Missouri Ranch property	8,609	-	-	8,609
Postage and delivery	4,043	2,136	2,221	8,400
Supplies	2,237	1,333	1,909	5,479
Other costs	9,082	3,624	8,320	21,026
<b>Total</b>	<b>\$ 1,334,167</b>	<b>\$ 99,573</b>	<b>\$ 339,500</b>	<b>\$ 1,773,240</b>