LONE SURVIVOR™
FOUNDATION

FINANCIAL STATEMENTS

Years Ending December 31, 2016 and 2015

LONE SURVIVOR FOUNDATION
(A NONPROFIT ORGANIZATION)

CONTENTS

HLB Gross Collins

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, 2016 and 2015, 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, 2016 and 2015, 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 13 and 14 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.

HLB Gross Collins, P.C.

Atlanta, Georgia
May 12, 2017

LONE SURVIVOR FOUNDATION
(A NONPROFIT ORGANIZATION)

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,430,498	$ 5,372,768
Contributions receivable, net of allowance for doubtful accounts of $-0- in 2016 and 2015	45,796	23,794
Contributed asset held for sale (Note 5)	-	112,840
Prepaid expenses	81,029	101,379
Investments	92,321	81,855
Inventory	4,754	13,990
TOTAL CURRENT ASSETS	6,654,398	5,706,626
PROPERTY, PLANT AND EQUIPMENT, NET (Note 3)	1,414,613	1,287,352
TOTAL ASSETS	$ 8,069,011	$ 6,993,978
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 51,828	$ 59,879
NET ASSETS		
UNRESTRICTED NET ASSETS	7,779,529	6,369,094
TEMPORARILY RESTRICTED NET ASSETS	237,654	565,005
TOTAL NET ASSETS	8,017,183	6,934,099
TOTAL LIABILITIES AND NET ASSETS	$ 8,069,011	$ 6,993,978

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, 2016 and 2015

	2016	2015
REVENUE, GAINS, AND OTHER SUPPORT, UNRESTRICTED		
Contributions	$ 2,064,287	$ 1,967,513
In-kind contributions	43,229	245,308
Events	1,447,087	1,393,103
Interest income	3,934	5,752
Realized gain on contributed asset held for sale (Note 5)	37,160	-
Other income	1,124	2,342
TOTAL REVENUE, GAINS, AND OTHER SUPPORT, UNRESTRICTED	3,596,821	3,614,018
FUNCTIONAL EXPENSES, UNRESTRICTED		
Program services	1,664,655	1,339,197
Management and general	132,842	127,890
Fundraising	388,889	306,981
TOTAL FUNCTIONAL EXPENSES, UNRESTRICTED	2,186,386	1,774,068
INCREASE IN UNRESTRICTED NET ASSETS	1,410,435	1,839,950
REVENUE, GAINS, AND OTHER SUPPORT, TEMPORARILY RESTRICTED		
Contributions	464,639	991,295
Restrictions satisfied by payments	(791,990)	(1,020,237)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(327,351)	(28,942)
INCREASE IN NET ASSETS	1,083,084	1,811,008
NET ASSETS, BEGINNING OF YEAR	6,934,099	5,123,091
NET ASSETS, END OF YEAR	$ 8,017,183	$ 6,934,099

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, 2016 and 2015

	2016	2015
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	$ 5,372,768	$ 3,529,792
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	1,410,435	1,839,950
Decrease in temporarily restricted net assets	(327,351)	(28,942)
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)
Depreciation	72,632	43,945
Realized loss on disposal of assets (Notes 3 and 4)	6,390	74,966
(Increase) decrease in assets:		
Contributions receivable	(22,002)	78,845
Inventory	9,236	(1,322)
Investments	(10,466)	(61,198)
Contributed asset held for sale (Note 5)	112,840	-
Prepaid expenses	20,350	(64,070)
Increase in liabilities:		
Accounts payable and accrued liabilities	(8,051)	26,253
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,264,013	1,476,737
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(206,283)	(234,794)
Proceeds from disposals of property, plant and equipment	-	601,033
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(206,283)	366,239
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,057,730	1,842,976
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,430,498	$ 5,372,768

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

(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 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 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, 2016 and 2015.

Contributed assets held for sale - The Organization records contributed assets held for sale at estimated fair value. Assets are classified as held for sale only when the asset is available for sale and its sale is highly probable. Capital gains and losses from the sale of contributed assets are recognized in income and expense in the period they are realized.

(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 $237,654 as of December 31, 2016 and $565,005 as of December 31, 2015. 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, 2016 and 2015.

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.

(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 the boat, vehicles, 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, 2016 and 2015. All of the Organization's tax returns prior to 2013 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.

(2) Summary of significant accounting policies (continued)

Recent accounting pronouncements - In August 2015, the FASB issued Accounting Standards Update ("ASU") 2015-14, *Revenue from Contracts with Customers (Topic 606)*. The guidance in this update delays the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606): Summary and Amendments that Create Revenue from Contracts with Customers (Topic 606)* and *Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the industry topics of the codification. ASU 2015-14 delays the effective date for non-public not-for-profit entities to interim and annual reporting periods beginning after December 15, 2018. The Organization is currently assessing the impact that this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Lease (Topic 842)*. The guidance in this update requires an entity to recognize lease assets and lease liabilities by lessees who classify the leases as operating leases on the statement of financial position and statement of activities. ASU 2016-02 is effective for non-public not-for-profit entities for years beginning after December 15, 2019. The Organization is currently assessing the impact that this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which makes several qualitative and quantitative changes to the financial statements of Not-for-Profit entities including reducing the number of classes of net assets. ASU 2016-14 is effective for annual financial statements covering fiscal years beginning after December 15, 2017. The Organization is currently assessing the impact that this guidance will have on its financial statements.

(3) Property, plant and equipment

Property, plant and equipment consist of the following as of December 31, 2016 and 2015:

	2016	2015
Cost		
Buildings and improvements	$ 1,114,760	$ 975,549
Land (non-depreciable)	207,213	204,556
Furniture and equipment	165,784	148,413
Boat	-	35,000
Vehicles	47,044	-
Total	1,534,801	1,363,518
Less accumulated depreciation	(120,188)	(76,166)
Property, plant and equipment, net	$ 1,414,613	$ 1,287,352

(3) Property, plant and equipment (continued)

The aggregate depreciation charged to operations was $72,632 for the year ended December 31, 2016 and $43,945 for the year ended December 31, 2015. The depreciation policies followed by the Organization are described in Note (2).

Included in property, plant and equipment are donations received in 2016 totaling $-0- and in 2015 totaling $431,690. These donations were recorded at fair market value in the Statement of Activities for the years ended December 31, 2016 and 2015, respectively.

As discussed in Note (4), certain property, plant and equipment, recorded at an estimated fair market value of $672,000 as of December 31, 2014, sold for $650,000 in 2015. A $71,716 loss was realized, net of $49,717 selling expenses.

In 2016, the Organization realized a loss of $6,390 on the disposition of donated property. In 2015, the Organization sold land with an original cost of $4,000 for $750 and realized a loss of $3,250.

(4) Property held for sale

During 2015, the Organization sold the Missouri Ranch property for $650,000. The property was recorded at $672,000, the estimated fair market value as determined by an independent third-party appraiser. The Organization realized a $71,716 loss on the sale of the property.

(5) Contributed asset held for sale

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 an estimated fair market value of $112,840 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.

The automobile sold at auction in 2016. The Organization raised $250,000 during this auction; the winning bid on the car was $150,000 and the original donor contributed an additional $100,000, resulting in a realized gain of $37,160 on the asset and contribution revenue of $100,000.

(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 the lease, the Organization signed a new non-cancelable operating lease in October 2015 for a new office space in Houston that expires on November 30, 2020. Total rent expense was $78,384 for the year ended December 31, 2016 and $32,818 for the year ended December 31, 2015.

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

Year ending December 31,	Amount
2017	$ 78,540
2018	80,261
2019	80,417
2020	75,293
Total	$ 314,511

(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 $312,297 of joint costs for the year ended December 31, 2015. 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. For the year ended December 31, 2016, the cost of conducting these activities included a total of $283,667 of joint costs. Of these costs, $183,256 was allocated to program services, $-0- was allocated to management and general expenses, and $100,411 was allocated to fundraising costs.

(8) Major contributions and major events

During the year ended December 31, 2016, approximately 13%, or $346,512, of the Organization's contributions were received from one donor. There were no major contributors during the year ended December 31, 2015.

For the year ended December 31, 2016, approximately 65%, or $925,082, of the Organization's unrestricted events revenue came from four events. For the year ended December 31, 2015, approximately 51%, or $712,231, of the Organization's unrestricted events revenue came from two events.

(9) Employee retirement benefit plan

The Organization began sponsoring a 401(k) plan (the "Plan") effective July 15, 2016. The Plan covers all employees who have attained age 21 and completion of 1,000 hours of service in a one-year computation period. Per the terms of the Plan, employer matching contributions made on behalf of each eligible employee will equal (i) 100% of the amount deferred by the eligible employee that does not exceed 3% of the eligible employee's compensation plus (ii) 50% of the amount deferred by the eligible employee that exceeds 3% of the eligible employee's compensation but that does not exceed 5% of the eligible employee's compensation.

Matching contributions are to be calculated based on the eligible employee's compensation for each pay period. Because of the employer matching policy, the Plan qualifies as a Safe Harbor 401(k) plan. The Organization may make additional qualified non-elective contributions to all employees who are employed at the end of the Plan year at management's discretion. Employer matching contributions totaled $8,967 for the year ended December 31, 2016.

(10) Subsequent events

Management has evaluated subsequent events through May 12, 2017, 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 financial statements for the year ended December 31, 2016.

SUPPLEMENTARY INFORMATION

LONE SURVIVOR FOUNDATION
(A NONPROFIT ORGANIZATION)

SUPPLEMENTARY INFORMATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Program services	$ 817,323	$ -	$ -	$ 817,323
Payroll	336,875	82,182	159,416	578,473
Event costs	186,463	-	136,368	322,831
Rent	52,456	7,791	18,137	78,384
Insurance	53,922	8,106	16,040	78,068
Depreciation	67,877	1,600	3,155	72,632
Media/printed materials	53,065	30	2,553	55,648
Travel	22,785	4,776	2,726	30,287
Computer expense	13,323	546	14,906	28,775
Professional fees	8,500	6,375	6,375	21,250
Bank charges	-	5	12,232	12,237
Telephone and internet	7,729	1,265	2,436	11,430
Supplies	5,091	1,634	2,521	9,246
Loss from disposition of assets (Note 3)	6,390	-	-	6,390
Postage and delivery	2,771	170	2,801	5,742
State registration Fees	-	4,300	875	5,175
Meetings	-	1,668	-	1,668
Other costs	30,085	12,394	8,348	50,827
Total	$ 1,664,655	$ 132,842	$ 388,889	$ 2,186,386

LONE SURVIVOR FOUNDATION
(A NONPROFIT ORGANIZATION)

SUPPLEMENTARY INFORMATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
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 disposition of assets (Notes 3 and 4)	74,966	-	-	74,966
Depreciation	39,267	2,339	2,339	43,945
Rent	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	$ 1,339,197	$ 127,890	$ 306,981	$ 1,774,068