

**LONE SURVIVOR FOUNDATION**

**FINANCIAL STATEMENTS**

**From February 6, 2010 (Date of Inception) to December 31, 2010**

# LONE SURVIVOR FOUNDATION

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Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Lone Survivor Foundation

We have audited the accompanying statement of financial position of

Lone Survivor Foundation  
(A Nonprofit Organization)

as of December 31, 2010, and the related statements of activities and cash flows for the period from February 6, 2010 (Date of Inception) to December 31, 2010. These financial statements are the responsibility of the management of Lone Survivor Foundation. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and its activities and cash flows for the period February 6, 2010 to December 31, 2010.

Our audit was made for the purpose of expressing an opinion on the financial statements taken as a whole. The additional information on page 9 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HLB Gross Collins, P.C.

Atlanta, Georgia  
August 30, 2011

**LONE SURVIVOR FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**

**December 31, 2010**

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 95,192
Investments (Note 3)	54,117
Deposits	<u>2,370</u>
<b>TOTAL CURRENT ASSETS</b>	<b>151,679</b>
<b>PROPERTY AND EQUIPMENT, NET (Note 4)</b>	<u>10,904</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 162,583</u></u>

**LIABILITIES**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 30,000
Accrued expenses	<u>22,659</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>52,659</b>

**NET ASSETS**

<b>UNRESTRICTED NET ASSETS</b>	<u>109,924</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 162,583</u></u>

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

# LONE SURVIVOR FOUNDATION

## STATEMENT OF ACTIVITIES

From February 6, 2010 (Date of Inception) to December 31, 2010

### REVENUE, GAINS, AND OTHER SUPPORT

Contributions	\$ 508,865
Auctions	104,780
Events	57,000
Interest income	589
Realized and unrealized losses on investments	(963)
TOTAL SUPPORT AND REVENUE	<u>670,271</u>

### FUNCTIONAL EXPENSES

Program services	176,834
Management and general	70,402
Fundraising	313,111
TOTAL FUNCTIONAL EXPENSES	<u>560,347</u>

INCREASE IN UNRESTRICTED NET ASSETS 109,924

UNRESTRICTED NET ASSETS, BEGINNING OF YEAR -

UNRESTRICTED NET ASSETS, END OF YEAR \$ 109,924

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

**LONE SURVIVOR FOUNDATION**

**STATEMENT OF CASH FLOWS**

**From February 6, 2010 (Date of Inception) to December 31, 2010**

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ -</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Increase in unrestricted net assets	109,924
Adjustment to reconcile change in unrestricted net assets to net cash provided by operating activities	
Depreciation	471
Realized and unrealized loss on investments	963
(Increase) decrease in assets:	
Deposits	(2,370)
Increase (decrease) in liabilities:	
Accounts payable	30,000
Accrued expenses	<u>22,659</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>161,647</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(11,375)
Purchase of investments	(75,580)
Proceeds from sale of investments	<u>20,500</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(66,455)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>95,192</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 95,192</u></u>

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

# LONE SURVIVOR FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

From February 6, 2010 (Date of Inception) to December 31, 2010

### (1) Nature of organization

Lone Survivor Foundation (the “Organization”) is a nonprofit organization which seeks to restore, empower, and renew hope for our wounded warriors and their families through health, wellness, and therapeutic support. Lone Survivor Foundation accomplishes these objectives through the following initiatives: building a nationally recognized therapeutic ranch facility that supports wounded warriors and their families affected by Post-Traumatic Stress Disorder (PTSD) and serious combat injury; emphasize the use of natural settings and outdoor activities to heal and empower wounded warriors and their families through targeted recreational and sports therapy opportunities; reduce the wounded service members need for narcotic pain management; stabilize and enhance family structures and relationships through education, counseling, support, and inspiration using short-term retreats and medium-term in-house care and advocacy programs; identify, connect with, and establish therapeutic support for wounded warrior families that have, for whatever reason, stalled in their healing process with primary government care systems; collaborate with recognized government and non-profit agencies to provide wounded warrior 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 in accordance with accounting principles generally accepted in the United States of America. Under this method, income and expenses are recognized in the period 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 (“ASC”) 958, *Not-For-Profit Entities*. Under 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:

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

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will remain permanently restricted as the donation principal may not be used by the Organization.

There we no temporarily restricted or permanently restricted net assets as of December 31, 2010.

# LONE SURVIVOR FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

From February 6, 2010 (Date of Inception) to December 31, 2010

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

Contributions – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets represent funds provided with a type-of-use restriction. There are no temporarily restricted net assets that are time-of-availability restricted.

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 and grants whose restrictions are met in the same reporting period as unrestricted support.

Unconditional promises to give are recognized as revenues or gains in the period 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.

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

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 statement of changes in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and equipment – The cost of property and equipment in excess of \$1,000 is capitalized. Purchased property and equipment is capitalized at cost. Donated property is capitalized at fair value at the date of the gift. Expenditures for major renewals and betterments that extend the useful lives of property 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 and equipment. Depreciation is based on the estimated useful life of the assets, which are 7 years for office equipment and 5 years for computer equipment.

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).

# LONE SURVIVOR FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

From February 6, 2010 (Date of Inception) to December 31, 2010

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

On July 13, 2006, the Financial Accounting Standards Board (“FASB”) released FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes* (primarily codified by 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 Company’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 current year.

In September 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-06, *Income Taxes (Topic 740) Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*. This ASU provides further guidance on the application of FASB ASC 740 as it relates to uncertainty in income taxes and eliminates certain disclosure requirements for nonpublic companies. This guidance is effective for financial statements issued for interim and annual periods that end after September 15, 2009.

Effective February 6, 2010 (Date of Inception), the Organization adopted FASB ASC 740. Management has evaluated the implications of FASB ASC 740 and does not believe it has a material impact on the 2010 statement of financial position of the Organization. Management is unaware of any unrecognized tax positions in existence as of December 31, 2010.

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 provide to the overall support and direction of the Organization.

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.

### (3) Investments

The investments consist of marketable securities and are presented in the financial statements at fair value based on quoted prices in active markets (all Level 1 measurements as of December 31, 2010). Market risk could occur and is dependent on the future changes in market prices of the various investments held.

**LONE SURVIVOR FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**From February 6, 2010 (Date of Inception) to December 31, 2010**

**(3) Investments (continued)**

As of December 31, 2010 investments are comprised of the following:

	Fair Value	Cost
ST Government Mutual Funds	\$ 54,117	\$ 54,936

Investment income from these investments for the period February 6, 2010 (Date of Inception) to December 31, 2010 is summarized as follows:

Interest and dividends	\$ 589
Net realized and unrealized loss	(963)
Total	\$ (374)

**(4) Property and equipment**

Property and equipment consists of the following as of December 31, 2010:

Cost	
Computer and office equipment	\$ 11,375
Less accumulated depreciation	(471)
Property and equipment, net	\$ 10,904

The aggregate depreciation charged to operations was \$471 for the period ended December 31, 2010. The depreciation policies followed by the Organization are described in Note (2).

**(5) Commitments and contingencies**

The Company leases office space under a non-cancelable operating lease. Future minimum annual rental requirements under the lease agreement are as follows:

Year ending December 31,	Amount
2011	\$ 10,000

Total rent expense for the year ended December 31, 2010 was \$6,737.

**(6) Subsequent events**

The Company has evaluated subsequent events through August 30, 2011, the date which the financial statements were available to be issued, and has determined there were no subsequent events that require recognition or disclosure in the financial statements.

## **ADDITIONAL INFORMATION**

**LONE SURVIVOR FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**From February 6, 2010 (Date of Inception) to December 31, 2010**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Fundraising fees	\$ -	\$ -	\$ 273,767	\$ 273,767
Program services	106,499	-	-	106,499
Payroll	56,472	35,374	28,236	120,082
Professional fees	-	20,272	-	20,272
Computer expense	4,875	6,094	1,219	12,188
Occupancy	4,042	2,021	674	6,737
Meetings	1,207	3,621	1,207	6,035
Telephone and internet	1,376	459	2,753	4,588
Supplies	454	1,814	2,268	4,536
Postage and delivery	464	232	1,624	2,320
Bank charges	549	366	915	1,830
Depreciation	283	47	141	471
Other costs	613	102	307	1,022
<b>Total</b>	<b>\$ 176,834</b>	<b>\$ 70,402</b>	<b>\$ 313,111</b>	<b>\$ 560,347</b>