

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

FINANCIAL STATEMENTS

Year Ended December 31, 2011

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

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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 statement of financial position of

LONE SURVIVOR FOUNDATION
(A NONPROFIT ORGANIZATION)

as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The Statement of Functional Expenses on page 9 is presented for purposes of additional analysis and is 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 audit 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Atlanta, Georgia
June 25, 2012

HLB Gross Collins, P.C.

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

STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents, unrestricted	\$ 414,570
Cash and cash equivalents, temporarily restricted	20,000
Other current assets	<u>5,921</u>
TOTAL CURRENT ASSETS	440,491
PROPERTY AND EQUIPMENT, NET (Note 3)	<u>6,946</u>
TOTAL ASSETS	<u><u>\$ 447,437</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	<u>\$ 35,681</u>
NET ASSETS	
UNRESTRICTED NET ASSETS	391,756
TEMPORARILY RESTRICTED NET ASSETS	<u>20,000</u>
TOTAL NET ASSETS	<u>411,756</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 447,437</u></u>

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

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

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

REVENUE, GAINS, AND OTHER SUPPORT, UNRESTRICTED

Contributions	\$ 261,929
In-kind contributions	70,978
Events	779,810
Interest income	495
Realized loss on disposal of property and equipment	(2,628)
TOTAL SUPPORT AND REVENUE, UNRESTRICTED	<u>1,110,584</u>

FUNCTIONAL EXPENSES, UNRESTRICTED

Program services	510,413
Management and general	109,554
Fundraising	208,785
TOTAL FUNCTIONAL EXPENSES, UNRESTRICTED	<u>828,752</u>

INCREASE IN UNRESTRICTED NET ASSETS 281,832

REVENUE, GAINS, AND OTHER SUPPORT, TEMPORARILY RESTRICTED

Contributions	<u>20,000</u>
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INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 20,000

INCREASE IN NET ASSETS 301,832

NET ASSETS, BEGINNING OF YEAR 109,924

NET ASSETS, END OF YEAR \$ 411,756

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

**LONE SURVIVOR FOUNDATION
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STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 95,192</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Increase in unrestricted net assets	281,832
Increase in temporarily restricted net assets	20,000
Adjustment to reconcile change in unrestricted net assets to net cash provided by operating activities	
Depreciation	1,330
Realized loss on disposal of property and equipment	2,628
(Increase) decrease in assets:	
Other current assets and deposits	(3,551)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	<u>(16,978)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>285,261</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Proceeds from disposal of investments	<u>54,117</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>339,378</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 434,570</u></u>

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

(1) Nature of organization

Lone Survivor Foundation (the “Organization”), is a nonprofit organization formed on February 6, 2010 (date of inception) which seeks to restore, empower, and renew hope for 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; and 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 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 – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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. Temporarily restricted net assets totaled \$20,000 as of December 31, 2011.

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 were no permanently restricted net assets as of December 31, 2011.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

(2) Summary of significant accounting policies (continued)

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 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.

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.

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 year ends or a purpose restriction is accomplished) in the reporting year 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
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NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

(2) Summary of significant accounting policies (continued)

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 current year.

Management has evaluated the implications of FASB ASC 740 and does not believe it has a material impact on the 2011 statement of financial position of the Organization. Management is unaware of any unrecognized tax positions in existence as of December 31, 2011.

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. 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.

(3) Property and equipment

Property and equipment consists of the following as of December 31, 2011:

Cost	
Computer and office equipment	\$ 8,508
Less accumulated depreciation	<u>(1,562)</u>
Property and equipment, net	<u><u>\$ 6,946</u></u>

The aggregate depreciation charged to operations was \$1,330 for the year ended December 31, 2011. The depreciation policies followed by the Organization are described in Note (2).

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NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2011

(4) Operating lease commitments

During 2011, the Organization leased office space under a non-cancelable operating lease that expired in September. Total rent expense related to this lease was \$11,062 for the year ended December 31, 2011.

In May 2012, the Organization leased office space in Houston, Texas under a new non-cancelable operating lease. The Organization will occupy the facilities beginning in July 2012. Future minimum annual rental requirements under the new lease agreement are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2012	\$ 11,880
2013	23,760
2014	<u>11,880</u>
Total	<u>\$ 47,520</u>

(5) Allocation of joint costs

The Organization conducted fundraising and events activities during the current year that included requests for contributions, related management and general expenses, and program services components. Those activities included direct mail, online and direct response campaigns. The cost of conducting these activities included a total of \$437,208 of joint costs for the year ended December 31, 2011. Of these costs, \$263,614 was allocated to program services, \$4,661 was allocated to management and general expenses, and \$168,933 was allocated to fundraising costs.

(6) Subsequent events

Subsequent to year end, the Organization received a donation offer from a private individual for a 640 acre ranch in Drury, Missouri, subject to certain donor conditions. At a special meeting on May 10, 2012, the Board of Directors voted unanimously in favor of accepting the ranch as a donation. Management believes that the property could be utilized as a therapeutic ranch facility to support wounded warriors and their families affected by Post-Traumatic Stress Disorder and serious combat injury. Management estimates that approximately \$250,000 will be required to build a new housing facility on the property. Additional expenditures are expected to be required to fund other needed improvements to the ranch. Future fundraising events and current cash reserves will be required to subsidize these endeavors.

As discussed in Note (4), the Organization leased new office space subsequent to year end.

Management has evaluated subsequent events through June 25, 2012, 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, 2011 financial statements.

SUPPLEMENTARY INFORMATION

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

STATEMENT OF FUNCTIONAL EXPENSES, UNRESTRICTED

SUPPLEMENTARY INFORMATION

Year Ended December 31, 2011

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Events	\$ 278,273	\$ 4,661	\$ 168,933	\$ 451,867
Payroll	103,216	34,275	33,469	170,960
Professional fees	-	57,909	-	57,909
Program services	109,375	-	-	109,375
Occupancy	7,895	3,947	1,316	13,158
Telephone and internet	4,393	2,196	732	7,321
Postage and delivery	2,433	346	694	3,473
Meetings	1,346	2,020	-	3,366
Supplies	1,768	884	295	2,947
Bank charges	-	-	2,489	2,489
Insurance	-	1,590	-	1,590
Registration costs (states)	-	1,440	-	1,440
Depreciation	798	133	399	1,330
Other costs	916	153	458	1,527
Total	<u>\$ 510,413</u>	<u>\$ 109,554</u>	<u>\$ 208,785</u>	<u>\$ 828,752</u>