

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

FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 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 financial statements of

LONE SURVIVOR FOUNDATION
(A NONPROFIT ORGANIZATION)

which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the 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, 2012 and 2011, 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.

Other Matter

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 11 and 12 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Atlanta, Georgia
March 22, 2013

HLB Gross Collins, P.C.

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 821,136	\$ 414,570
Cash and cash equivalents, temporarily restricted	188,951	20,000
Prepaid expenses	5,474	-
Other current assets	-	5,921
TOTAL CURRENT ASSETS	1,015,561	440,491
PROPERTY AND EQUIPMENT, NET (Note 3)	1,071,129	6,946
TOTAL ASSETS	\$ 2,086,690	\$ 447,437
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 8,724	\$ 35,681
NET ASSETS		
UNRESTRICTED NET ASSETS	1,889,015	391,756
TEMPORARILY RESTRICTED NET ASSETS	188,951	20,000
TOTAL NET ASSETS	2,077,966	411,756
TOTAL LIABILITIES AND NET ASSETS	\$ 2,086,690	\$ 447,437

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, 2012 and 2011

	2012	2011
REVENUE, GAINS, AND OTHER SUPPORT, UNRESTRICTED		
Contributions (Note 3)	\$ 1,736,540	\$ 261,929
In-kind contributions	18,833	70,978
Events	521,747	779,810
Interest income	2,056	495
Realized loss on disposal of property and equipment	-	(2,628)
TOTAL SUPPORT AND REVENUE, UNRESTRICTED	2,279,176	1,110,584
FUNCTIONAL EXPENSES, UNRESTRICTED		
Program services	591,710	510,413
Management and general	91,628	109,554
Fundraising	118,579	208,785
TOTAL FUNCTIONAL EXPENSES, UNRESTRICTED	801,917	828,752
INCREASE IN UNRESTRICTED NET ASSETS	1,477,259	281,832
REVENUE, GAINS, AND OTHER SUPPORT, TEMPORARILY RESTRICTED		
Contributions	188,951	20,000
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	188,951	20,000
INCREASE IN NET ASSETS	1,666,210	301,832
NET ASSETS, BEGINNING OF YEAR	411,756	109,924
NET ASSETS, END OF YEAR	\$ 2,077,966	\$ 411,756

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, 2012 and 2011

	2012	2011
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 434,570	\$ 95,192
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	1,477,259	281,832
Increase in temporarily restricted net assets	188,951	20,000
Adjustment to reconcile change in unrestricted net assets to net cash provided by operating activities		
Contributions of property and equipment (Note 3)	(1,064,500)	-
Depreciation	17,547	1,330
Realized loss on disposal of property and equipment	-	2,628
(Increase) decrease in assets:		
Prepaid expenses	(5,474)	-
Other current assets and deposits	5,921	(3,551)
Increase (decrease) in liabilities:		
Accounts payable	(26,957)	(16,978)
NET CASH PROVIDED BY OPERATING ACTIVITIES	592,747	285,261
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(17,230)	-
Proceeds from disposal of investments	-	54,117
NET CASH PROVIDED BY (USED) IN INVESTING ACTIVITIES	(17,230)	54,117
NET INCREASE IN CASH AND CASH EQUIVALENTS	575,517	339,378
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,010,087	\$ 434,570

Supplemental disclosure of cash flow information:

No taxes or interest were paid by the Organization during 2012 or 2011.

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

**LONE SURVIVOR FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 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: operating a nationally recognized therapeutic ranch facility that supports wounded warriors and their families affected by Post-Traumatic Stress Disorder (PTSD) and serious combat injury; emphasizing the use of natural settings and outdoor activities to heal and empower wounded warriors 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 warrior 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 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 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 - 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 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 \$188,951 as of December 31, 2012 and \$20,000 as of December 31, 2011.

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, 2012 and 2011.

**LONE SURVIVOR FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 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 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 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).

**LONE SURVIVOR FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 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 Statements of Financial Position of the Organization. Management is unaware of any unrecognized tax positions in existence as of December 31, 2012 and 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.

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NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

(3) Property and equipment

Property and equipment consists of the following as of December 31, 2012 and 2011:

	2012	2011
Cost		
Land (non-depreciable)	\$ 667,000	\$ -
Buildings and improvements	323,200	-
Land improvements	41,300	-
Boat	35,000	-
Furniture and equipment	23,738	8,508
Total	1,090,238	8,508
Less accumulated depreciation	(19,109)	(1,562)
Property and equipment, net	\$ 1,071,129	\$ 6,946

The aggregate depreciation charged to operations was \$17,547 for the year ended December 31, 2012 and \$1,330 for the year ended December 31, 2011. The depreciation policies followed by the Organization are described in Note (2).

Included in property and equipment are property and equipment donations received in 2012 totaling \$1,064,500. These donations were recorded as unrestricted contributions at fair market value in the Statement of Activities for the year ended December 31, 2012.

(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. Total rent expense related to this lease was \$12,130 for the year ended December 31, 2012.

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

Years ending December 31,	Amount
2013	\$ 23,760
2014	11,880
Total	\$ 35,640

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NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

(5) 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, online, and direct response campaigns. The cost of conducting these activities included a total of \$199,946 of joint costs for the year ended December 31, 2012. Of these costs, \$159,815 was allocated to program services, \$0 was allocated to management and general expenses, and \$40,131 was allocated to fundraising costs. For the year ended December 31, 2011, the cost of conducting these activities included a total of \$437,208 of joint costs. 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) Major contributions

For the year ended December 31, 2012, approximately 60%, or \$1,029,500, of the Organization's contribution revenue came from one donor. The donation consisted of a ranch in Missouri used by the Organization to aid wounded warriors and their families. There were no major contributions for the year ended December 31, 2011.

(7) Subsequent events

Management has evaluated subsequent events through March 22, 2013, 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, 2012 financial statements.

SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Events	\$ 222,040	\$ -	\$ 49,532	\$ 271,572
Payroll	153,715	35,155	35,155	224,025
Program services	102,459	-	-	102,459
Professional fees	32,460	35,154	-	67,614
Depreciation	14,411	1,568	1,568	17,547
Insurance	14,313	4,771	4,771	23,855
Occupancy	8,087	4,043	-	12,130
Telephone and internet	3,644	2,705	2,743	9,092
Supplies	1,866	497	1,359	3,722
Postage and delivery	1,334	846	861	3,041
Computer expense	150	112	112	374
Meetings	-	298	-	298
Bank charges	-	-	14,514	14,514
Other costs	37,231	6,479	7,964	51,674
Total	\$ 591,710	\$ 91,628	\$ 118,579	\$ 801,917

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SUPPLEMENTARY INFORMATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Events	\$ 278,273	\$ 4,661	\$ 168,933	\$ 451,867
Program services	109,375	-	-	109,375
Payroll	103,216	34,275	33,469	170,960
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
Supplies	1,768	884	295	2,947
Meetings	1,346	2,020	-	3,366
Depreciation	798	133	399	1,330
Professional fees	-	57,909	-	57,909
Bank charges	-	-	2,489	2,489
Insurance	-	1,590	-	1,590
Registration costs (states)	-	1,440	-	1,440
Other costs	916	153	458	1,527
Total	\$ 510,413	\$ 109,554	\$ 208,785	\$ 828,752