

LONE SURVIVOR FOUNDATION
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 and 2016

**LONE SURVIVOR FOUNDATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lone Survivor Foundation
(A Nonprofit Organization)

We have audited the accompanying statements of financial position of Lone Survivor Foundation a non-profit organization), as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year's 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 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 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 the Lone Survivor Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year's then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Lone Survivor Foundation for the year ended December 31, 2016, were audited by other accountants whose report dated May 12, 2017 stated that, based on their audit, they were not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Reimer, McGuinness & Associates, P.C.

Houston, Texas
March 7, 2018

FINANCIAL STATEMENTS

**LONE SURVIVOR FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 and 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,877,768	\$ 6,430,498
Contributions receivable, net of allowance for doubtful accounts in 2017 and 2016	68,320	45,796
Prepaid expenses	71,276	81,029
Investments	3,360,181	92,321
Inventory	6,201	4,754
TOTAL CURRENT ASSETS	6,383,746	6,654,398
Property, plant, and equipment, NET (Note 2)	1,434,031	1,414,613
TOTAL ASSETS	7,817,777	8,069,011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	44,046	51,828
Deferred revenue contribution (Note 9)	38,400	
TOTAL CURRENT LIABILITIES	82,446	51,828
NET ASSETS		
Unrestricted net assets	7,197,126	7,779,529
Temporarily restricted net assets	538,205	237,654
TOTAL NET ASSETS	7,735,331	8,017,183
TOTAL LIABILITIES AND NET ASSETS	\$ 7,817,777	\$ 8,069,011

See independent auditors' report and notes to financial statements

**LONE SURVIVOR FOUNDATION
STATEMENTS OF ACTIVITIES
FOR YEARS ENDING DECEMBER 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
REVENUE, GAINS, AND OTHER SUPPORT, UNRESTRICTED		
Contributions	\$ 806,904	\$ 2,064,287
In-kind contributions	245,000	43,229
Events	1,051,467	1,447,087
Interest income	21,999	3,934
Realized gain on contributed assets held for sale (Note 3)		37,160
Other income	1,045	1,124
TOTAL REVENUE, GAINS, AND OTHER SUPPORT, UNRESTRICTED	<u>2,126,415</u>	<u>3,596,821</u>
FUNCTUONAL EXPENSES, UNRESTRICTED		
Program Services	2,057,334	1,664,655
Management and general	217,321	132,842
Fundraising	434,163	388,889
TOTAL FUNCTIONAL EXPENSES, UNRESTRICTED	<u>2,708,818</u>	<u>2,186,386</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	<u>(582,403)</u>	<u>1,410,435</u>
REVENUE, GAINS, AND OTHER SUPPORT, TEMPORARILY RESTRICTED		
Contributions	555,952	464,639
Restrictions satisfied by payments	(255,401)	(791,990)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>300,551</u>	<u>(327,351)</u>
(DECREASE) INCREASE IN NET ASSETS	(281,852)	1,083,084
NET ASSETS, BEGINNING OF YEAR	<u>8,017,183</u>	<u>6,934,099</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,735,331</u>	<u>\$ 8,017,183</u>

See independent auditors' report and notes to financial statements

**LONE SURVIVOR FOUNDATION
STATEMENTS OF CASH FLOWS
FOR YEARS ENDING DECEMBER 31, 2017 and 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in unrestricted net assets	\$ (582,403)	\$ 1,410,435
Increase in temporarily restricted net assets	300,551	(327,351)
Adjustment to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	81,367	72,632
Realized loss on disposal of assets (Note 2)		6,390
(Increase) decrease in assets:		
Contributions receivable	(22,524)	(22,002)
Inventory	(1,447)	9,236
Contributed assets held for sale (Note 3)		112,840
Prepaid expense	9,753	20,350
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(7,783)	(8,051)
Deferred revenue contribution	38,400	
NET CASH PROVIDED BY OPERATING ACTIVITIES	(184,086)	1,274,479
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(100,784)	(206,283)
Investments	(3,267,860)	(10,466)
NET CASH USED BY INVESTING ACTIVITIES	(3,368,644)	(216,749)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,552,730)	1,057,730
BEGINNING CASH AND CASH EQUIVALENTS	6,430,498	5,372,768
ENDING CASH AND CASH EQUIVALENTS	\$ 2,877,768	\$ 6,430,498

See independent auditors' report and notes to financial statements

**LONE SURVIVOR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING DECEMBER 31, 2016**

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

See independent auditors' report and notes to financial statements

**LONE SURVIVOR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING DECEMBER 31, 2017**

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		FUNDRAISING	MANAGEMENT AND GENERAL	
Program Services	\$ 900,132	\$	\$	\$ 900,132
Payroll	451,973	254,156	136,543	842,672
Event Cost	141,449	72,378		213,827
Rent	52,394	17,967	10,311	80,672
Insurance	77,269	28,901	12,344	118,514
Depreciation expense	75,260	4,304	1,803	81,367
Media/printed materials	254,047	2,524	107	256,678
Travel	17,621	4,782	31,893	54,296
Computer expense	15,633	17,826	2,523	35,982
Professional fees	27,992	4,680	9,428	42,100
Bank charges		10,383	179	10,562
Telephone and internet	9,088	2,416	1,217	12,721
Supplies	4,116	1,199	799	6,114
Loss from disposition of assets (Note 3)				
Postage & Delivery	4,387	1,166	431	5,984
State registration fees		2,324		2,324
Meetings			754	754
Other costs	25,974	9,157	8,988	44,119
	<u>\$ 2,057,335</u>	<u>\$ 434,163</u>	<u>\$ 217,320</u>	<u>\$ 2,708,818</u>

See independent auditors' report and notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

Contribution Recognition

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.

Contributions and contributions receivable - Contributions and contributions receivable 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, 2017 and 2016.

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION AND 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 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.

Functional Expense Allocation

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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). Organization's tax returns prior to 2014 are no longer subject to examination.

Financial Statement Presentation

The Organization follows the recommendation of the Financial Accounting Standards Board in *Accounting Standards Codification 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 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 \$538,205 as of December 31, 2017 and

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

\$237,655 as of December 31, 2016. 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, 2017 and 2016.

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.

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification Adjustments

Certain adjustments have been made to make the presentation of prior year amounts conform to current year presentation. These adjustments have no impact on net income or net assets and are not material to the financial statements.

Subsequent Events

Subsequent events have been evaluated through March 7, 2018, which is the date the financial statements were issued.

NOTE 2 – PROPERTY, PLANT, AND EQUIPMENT

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the estimated useful lives are used:

Buildings	27.5 years
Land Improvements	27.5 years
Furniture and equipment	5-7 years
Vehicles	5-7 years
Boats	5-7 years

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2 – PROPERTY, PLANT, AND EQUIPMENT (continued)

Fixed assets consist of the following as of December 31, 2017 and 2016 :

	<u>2017</u>	<u>2016</u>
Cost		
Buildings and improvements	\$1,118,075	\$ 1,114,760
Land (non-depreciable)	245,613	207,213
Furniture and Equipment	197,203	165,783
Vehicles	62,044	47,044
Construction in progress	12,650	
Total	<u>1,635,585</u>	<u>1,534,800</u>
Less accumulated depreciation	<u>(201,554)</u>	<u>(120,187)</u>
Property, plant and equipment, net	<u><u>\$1,434,031</u></u>	<u><u>\$ 1,414,613</u></u>

The aggregate depreciation charged to operations was \$81,367 for the year ended December 31, 2017 and \$72,632 for the year ended December 31, 2016.

In 2017, the Organization realized a loss of \$-0- on the disposition of donated property. In 2016, the Organization realized a loss of \$6,391 on the disposition of donated property.

NOTE 3 – CONTRIBUTED ASSETS HELD FOR SALE

The Organization intended to auction a donated 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. 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.

NOTE 4 – OPERATING LEASE COMMITMENTS

The Organization leases office space in Houston, Texas under a non-cancelable operating lease that expires on November 30, 2020. Total rent expense was \$80,671 for the year ended December 31, 2017 and \$78,384 for the year ended December 31, 2016.

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 4 – OPERATING LEASE COMMITMENTS (continued)

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

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 80,261
2019	80,417
2020	75,293
Total	<u>\$235,971</u>

NOTE 5 – ALLOCATION OF JOINT COST

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 \$283,667 of joint costs for the year ended December 31, 2016. 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. For the year ended December 31, 2017, the cost of conducting these activities included a total of \$201,797 of joint costs. Of these costs, \$138,041 was allocated to program services, \$-0- was allocated to management and general expenses, and \$63,756 was allocated to fundraising costs.

NOTE 6 – MAJOR CONTRIBUTIONS AND MAJOR EVENTS

During the year ended December 31, 2017, approximately 18%, or \$250,000, of the Organization's contributions were received from one donor. For the year ended December 31, 2016, approximately 13%, or \$346,512, of the Organization's contributions were received from one donor.

For the year ended December 31, 2017, approximately 50%, or \$544,222, of the Organization's unrestricted events revenue came from four events. For the year ended December 31, 2016, approximately 65%, or \$925,082, of the Organization's unrestricted events revenue came from four events.

NOTE 7 – 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

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 7 – EMPLOYEE RETIREMENT BENEFIT PLAN (continued)

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 contributed totaled \$22,200 for the year ended December 31, 2017, and \$8,967 for the year ended December 31, 2016.

NOTE 8 – FAIR VALUE MEASUREMENTS

The Organization has adopted Accounting Standards Codification (ASC) 820: Fair Value Measurements and Disclosures, which among other things, requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. ASC 820 establishes a hierarchal disclosure framework which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy established under ASC 820 gives the highest priority to adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to observable inputs (Level 3 measurements).

The Three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted, quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs, excluding those included in Level 1, are either observable prices for identical assets or liabilities in active markets, observable prices for similar assets and liabilities, or other inputs derived principally from, or corroborated by, observable market data at the measurement date.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

LONE SURVIVOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 8 – FAIR VALUE MEASUREMENTS (continued)

Debt and equity securities are valued at quoted market prices as of December 31. Mutual funds are valued at the net asset value (NAV) of shares held by the Organization at December 31.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's consolidated assets at fair value as of December 31, 2017:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Marketable Securities	\$	\$	\$
Money Market/Certificates of Deposit	3,360,181		
Total Assets at Fair Value	<u>\$ 3,360,181</u>	<u>\$</u>	<u>\$</u>

NOTE 9 – DEFERRED REVENUE CONTRIBUTION

During the year ended December 31, 2017, the Organization received contributed land with an estimated value of \$38,400 to build a new facility in North Carolina. Prior to commencing construction, the land was assessed and deemed unbuildable due to soil testing. This parcel of land will not be used by the Organization, and the Organization has verbally committed to returning the land to the original donor. This transaction is expected to take place in 2018. Since this parcel of land will not be used in the operations of the Organization, the contribution has not been reflected on the statement of activities, and instead is shown on the balance sheet as both an asset and as a component of the current liability, deferred revenue contribution.

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