

Lead the Way Fund, Inc.

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lead the Way Fund, Inc.

We have audited the accompanying financial statements of Lead the Way Fund, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, statements of functional expenses 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.

Auditor's 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 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.

To the Board of Directors
Lead the Way Fund, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lead the Way Fund, Inc. as of June 30, 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.

Sheehan & Company CPA, P.C.

Brightwaters, New York
September 7, 2016

Lead the Way Fund, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 415,969	\$ 1,649,677
Investments	107,300	112,366
Contributions receivable	4,800	114,802
Prepaid expenses	<u>77,541</u>	<u>138,141</u>
Total current assets	<u>605,610</u>	<u>2,014,986</u>
Property and equipment:		
Furniture and fixtures	5,000	5,000
Equipment	23,335	23,335
Other	<u>15,425</u>	<u>15,425</u>
Sub-total	43,760	43,760
Less accumulated depreciation	<u>(32,751)</u>	<u>(28,102)</u>
Property and equipment, net	<u>11,009</u>	<u>15,658</u>
Other assets:		
Cash designated for endowment fund	5,717,051	1,286,853
Investments designated for endowment fund	2,388,165	4,119,852
Security deposit	<u>3,460</u>	<u>3,460</u>
Total other assets	<u>8,108,676</u>	<u>5,410,165</u>
Total assets	<u>\$ 8,725,295</u>	<u>\$ 7,440,809</u>

The accompanying notes are an integral part of these financial statements

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Lead the Way Fund, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 41,755	\$ 86,325
Deferred revenue	<u>40,577</u>	<u>256,349</u>
Total current liabilities	<u>82,332</u>	<u>342,674</u>
Total liabilities	<u>82,332</u>	<u>342,674</u>
Net assets:		
Unrestricted:		
General operating - undesignated	537,747	1,691,430
Board designated - endowment fund	<u>8,105,216</u>	<u>5,406,705</u>
Total unrestricted	<u>8,642,963</u>	<u>7,098,135</u>
Total net assets	<u>8,642,963</u>	<u>7,098,135</u>
Total liabilities and net assets	<u>\$ 8,725,295</u>	<u>\$ 7,440,809</u>

The accompanying notes are an integral
part of these financial statements

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Lead the Way Fund, Inc.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and other revenue:								
Contributions and events	\$ 3,231,547	-	-	\$ 3,231,547	\$ 1,120,652	-	-	\$ 1,120,652
In-kind donations	116,466	-	-	116,466	238,355	-	-	238,355
Dividend and interest income	104,251	-	-	104,251	92,900	-	-	92,900
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total support and other revenue	<u>3,452,264</u>	<u>-</u>	<u>-</u>	<u>3,452,264</u>	<u>1,451,907</u>	<u>-</u>	<u>-</u>	<u>1,451,907</u>
Expenses:								
Program services	781,627	-	-	781,627	460,570	-	-	460,570
Management and general	171,011	-	-	171,011	151,082	-	-	151,082
Fundraising	680,805	-	-	680,805	498,463	-	-	498,463
Total expenses	<u>1,633,443</u>	<u>-</u>	<u>-</u>	<u>1,633,443</u>	<u>1,110,115</u>	<u>-</u>	<u>-</u>	<u>1,110,115</u>
Change in net assets before other income (loss)	<u>1,818,821</u>	<u>-</u>	<u>-</u>	<u>1,818,821</u>	<u>341,792</u>	<u>-</u>	<u>-</u>	<u>341,792</u>
Other income (loss):								
Other income	14,945	-	-	14,945	-	-	-	-
Realized gain (loss) on investments	(29,693)	-	-	(29,693)	(7,908)	-	-	(7,908)
Unrealized gain (loss) on investments	(259,245)	-	-	(259,245)	37,450	-	-	37,450
Total other income (loss)	<u>(273,993)</u>	<u>-</u>	<u>-</u>	<u>(273,993)</u>	<u>29,542</u>	<u>-</u>	<u>-</u>	<u>29,542</u>
Change in net assets	<u>1,544,828</u>	<u>-</u>	<u>-</u>	<u>1,544,828</u>	<u>371,334</u>	<u>-</u>	<u>-</u>	<u>371,334</u>
Net assets, beginning of year	<u>7,098,135</u>	<u>-</u>	<u>-</u>	<u>7,098,135</u>	<u>6,726,801</u>	<u>-</u>	<u>-</u>	<u>6,726,801</u>
Net assets, end of year	<u>\$ 8,642,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,642,963</u>	<u>\$ 7,098,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,098,135</u>

The accompanying notes are an integral part of these financial statements

Lead the Way Fund, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	<u>Gold Star Program</u>	<u>Wounded Ranger Recovery and Warrior Transition Program</u>	<u>Ranger and Family Health & Wellness Program</u>	<u>Ranger Champion Special Programs</u>	<u>Program Services - Other</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Assistance to rangers and/or families	\$ 51,730	\$ 394,678	\$ 58,063	\$ -	\$ -	\$ 504,471	\$ -	\$ -	\$ 504,471
Assistance to ranger and/or other organizations	-	-	153,619	40,000	-	193,619	-	-	193,619
Salaries	-	-	-	-	21,441	21,441	18,048	55,511	95,000
Payroll taxes and benefits	-	-	-	-	1,954	1,954	1,643	5,057	8,654
Meetings and ranger events	-	-	-	-	4,089	4,089	-	-	4,089
Travel	-	-	-	-	16,103	16,103	-	-	16,103
Professional fees	-	28,356	-	-	-	28,356	47,763	-	76,119
Insurance	-	-	-	-	-	-	3,172	-	3,172
Office, operating and administrative costs	-	126	-	-	617	743	39,886	-	40,629
Advertising	-	-	-	-	10,851	10,851	-	-	10,851
Licenses and permits	-	-	-	-	-	-	2,245	-	2,245
Bank charges	-	-	-	-	-	-	252	-	252
Investment advisory fees	-	-	-	-	-	-	32,191	-	32,191
Meetings	-	-	-	-	-	-	170	-	170
Rent	-	-	-	-	-	-	20,992	-	20,992
Utilities	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	4,649	-	4,649
Event facility rental	-	-	-	-	-	-	-	206,060	206,060
Other event expenses	-	-	-	-	-	-	-	414,177	414,177
	<u>\$ 51,730</u>	<u>\$ 423,160</u>	<u>\$ 211,682</u>	<u>\$ 40,000</u>	<u>\$ 55,055</u>	<u>\$ 781,627</u>	<u>\$ 171,011</u>	<u>\$ 680,805</u>	<u>\$ 1,633,443</u>

The accompanying notes are an integral part of these financial statements

Lead the Way Fund, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	<u>Gold Star Program</u>	<u>Wounded Ranger Recovery and Warrior Transition Program</u>	<u>Ranger and Family Health & Wellness Program</u>	<u>Ranger Champion Special Programs</u>	<u>Program Services - Other</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Assistance to rangers and/or families	\$ 53,021	\$ 44,885	\$ 53,608	\$ -	\$ -	\$ 151,514	\$ -	\$ -	\$ 151,514
Assistance to ranger and/or other organizations	-	6,750	188,950	30,000	-	225,700	-	-	225,700
Salaries	-	-	-	-	16,481	16,481	17,906	42,613	77,000
Payroll taxes and benefits	-	-	-	-	1,568	1,568	1,705	4,056	7,329
Meetings and ranger events	-	-	-	-	2,841	2,841	-	-	2,841
Travel	-	-	-	-	30,366	30,366	-	-	30,366
Professional fees	-	-	-	-	-	-	37,050	-	37,050
Insurance	-	-	-	-	-	-	3,088	-	3,088
Office, operating and administrative costs	-	-	-	-	1,445	1,445	32,727	-	34,172
Advertising	-	-	-	-	30,655	30,655	3,130	-	33,785
Licenses and permits	-	-	-	-	-	-	645	-	645
Bank charges	-	-	-	-	-	-	223	-	223
Investment advisory fees	-	-	-	-	-	-	27,875	-	27,875
Meetings	-	-	-	-	-	-	472	-	472
Rent	-	-	-	-	-	-	20,912	-	20,912
Utilities	-	-	-	-	-	-	53	-	53
Depreciation	-	-	-	-	-	-	5,296	-	5,296
Event facility rental	-	-	-	-	-	-	-	12,300	12,300
Other event expenses	-	-	-	-	-	-	-	439,494	439,494
	<u>\$ 53,021</u>	<u>\$ 51,635</u>	<u>\$ 242,558</u>	<u>\$ 30,000</u>	<u>\$ 83,356</u>	<u>\$ 460,570</u>	<u>\$ 151,082</u>	<u>\$ 498,463</u>	<u>\$ 1,110,115</u>

The accompanying notes are an integral part of these financial statements

Lead the Way Fund, Inc.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,544,828	\$ 371,334
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,649	5,296
Net realized (gain) loss on investments	29,693	7,908
Net unrealized (gain) loss on investments	259,245	(37,450)
Cash designated for endowment fund	(4,430,198)	1,882,127
In-kind donations	(4,760)	-
Stock dividend	-	(513)
(Increase) decrease in assets:		
Contributions receivable	110,002	82,612
Prepaid expenses	60,600	(93,596)
Increase in liabilities:		
Accounts payable and accrued expenses	(44,570)	(311)
Deferred revenue	(215,772)	227,412
Net cash provided (used) by operating activities	<u>(2,686,283)</u>	<u>2,444,819</u>
Cash flows from investing activities:		
Proceeds from the sale of investments designated for endowment fund	2,150,650	416,539
Dividends reinvested in investments designated for endowment fund	(71,816)	(66,076)
Purchases of investments designated for endowment fund	(626,259)	(2,490,519)
Purchases of property and equipment	-	(1,450)
Net cash provided (used) by investing activities	<u>1,452,575</u>	<u>(2,141,506)</u>

The accompanying notes are an integral
part of these financial statements

Lead the Way Fund, Inc.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from financing activities:		
Cash designated for endowment fund	\$ 4,430,198	\$ (1,882,127)
Net cash provided (used) by financing activities	<u>4,430,198</u>	<u>(1,882,127)</u>
Net increase in cash	3,196,490	(1,578,814)
Cash and cash equivalents, July 1	<u>2,936,530</u>	<u>4,515,344</u>
Cash and cash equivalents, June 30	<u>\$ 6,133,020</u>	<u>\$ 2,936,530</u>
Supplemental disclosures of cash flow information:		
Non-cash transactions:		
In-kind donations	\$ 4,760	\$ -

The accompanying notes are an integral
part of these financial statements

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

1. Nature of the Organization:

Lead the Way Fund, Inc. (the Organization) is a not-for-profit organization, doing business as Army Ranger Lead the Way Fund, that was established in 2007 to raise funds in support of families of U.S. Army Rangers who have died, have been disabled or who are currently serving in harm's way around the world. The funds raised by the Organization provide the spouses and children of deceased, disabled or active duty Rangers with assistance for health and wellness programs and other financial aid programs.

The nature and purpose of the Organization's primary program services are as follows:

Gold Star Program: When a Ranger has paid the ultimate sacrifice, whether in combat or in training, Army Ranger Lead the Way Fund believes there is a normal obligation to support the dependents of these heroes. The program ensures that the essential necessities of the families go uninterrupted.

Wounded Ranger Recovery and Warrior Transition Program: The Organization, in connection with USSOCOM and Unit Command, assists the identified wounded Ranger and his family with financial support and other services determined to be vital and necessary during the acute phase of his recovery. The funds that we provide are not available through the United States Government.

Ranger and Family Health and Wellness Programs: The Family Readiness Groups (FRG's) help families enhance their quality of life and well being by providing information, offer support and outreach, promote involvement and solidarity among the Ranger families. During times of deployment, the FRG's identify the needs of family members and provide information and referral assistance.

Ranger Chaplain Special Programs: These programs identify and allow the Organization to provide grants to support single and married Rangers and/or their families with the sole purpose of preserving this extremely pressured force. Through these programs, Army Ranger Lead the Way Fund provides enrichment funds to be used for family activities such as Support Groups for Spouses of the Deployed, Marriage Enrichment Training, childcare and events for our single Rangers.

2. Summary of significant accounting policies:

Basis of presentation: The Organization's financial statements have been prepared using the accrual basis of accounting. As required under accounting principles generally accepted in the United States of America, the Organization's financial statements distinguish between

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies:

Basis of presentation (continued):

unrestricted, temporarily restricted and permanently restricted net assets. The Organization's net assets consist of the following:

Unrestricted - Net assets of the Organization, which have not been restricted by an outside donor or by law and, therefore, are available for use in carrying out the operations of the Organization. As described in Note 4, the Board of Director's (the Board) designated, as of June 30, 2016 and 2015, \$8,105,216 and \$5,406,705, respectively, of its cash and investment balance as a Board designated - endowment fund, which is included in unrestricted net assets. The purpose of the fund is to help accomplish the long-term goals of the Organization. Restricted funds, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Temporarily restricted - Net assets of the Organization which have been limited by donor imposed stipulation or by law that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations. At June 30, 2016 and 2015, there were no amounts considered temporarily restricted net assets.

Permanently restricted - Net assets of the Organization, which donors have stipulated, are to remain intact so that only the investment income can be utilized for operating purposes. At June 30, 2016 and 2015, there were no amounts considered to be permanently restricted net assets.

Contributions: As prescribed by accounting principles generally accepted in the United States of America, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of the restrictions.

A significant portion of the Organization's current year revenue was derived from an annual fundraising event. For the year ended June 30, 2016, the Organization received approximately \$2,227,017 from the Gala held in September 2015. For the year ended June 30, 2015, a similar event was not held but is currently being planned for April 2017.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Contribution of materials and services: The Organization benefits from contributed materials attributable to special events and programs. Various non-cash contributions are recorded at their estimated fair values at the dates of donation.

Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The service requires specialized skills and the services provided by individuals possessing those skills.
- The service would typically need to be purchased if not donated.

For the years ended June 30, 2016 and 2015, the Organization received donated legal and marketing services with an estimated fair value of \$111,706 and \$238,355, respectively. See Note 7 for additional details.

In addition, the Organization receives contributed services of volunteers that do not meet the criteria for recognition. Accordingly, the value of these contributed services has not been reflected in the accompanying financial statements.

Revenue recognition: The Organization is a member of Military Family & Veterans Service Organizations of America (MFVSOA). MFVSOA is a charitable agency federation, certified by the U. S. Office of Personnel Management (OPM) to participate in the annual combined federal campaign, as well as state and corporate workplace giving campaigns.

The Organization recognizes contribution revenue as an increase in unrestricted net assets when notification of the campaign designations is received.

As a member of MFVSOA during 2016 and 2015, the Organization is assessed a portion of MFVSOA's annual operating budget based on the relative amount of total pledges made to the Organization compared with the sum of all member agency pledges. Pledges designated to MFVSOA (versus a member agency) and other revenue, such as interest income, are shared among all member agencies in this same proportion. Therefore, if MFVSOA's revenue exceeds expenses, the member agencies share the excess income. This excess income is distributed in the following year. The Organization recognizes such distributions as an increase in unrestricted net assets when received. The Organization received \$24,124 and \$27,802 in 2016 and 2015, respectively, for excess income recognized by MFVSOA in 2015 and 2014.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Revenue recognition (continued):

The contribution revenue outstanding related to the 2015 campaign has not yet been determined by the MFVSOA. It is management's estimate that the remaining collectible pledges are not material to the financial statements and, therefore, have not been included in the financial statements.

Cash and cash equivalents: The Organization considers all highly liquid debt instruments purchased with maturities of three months or less to be cash.

Concentrations of credit risk: The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposited in financial institutions. The Organization deposits its cash with high credit quality institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurance limits.

Fair value measurements: As required by accounting principles generally accepted in the United States of America, the Organization reports the fair value of assets and liabilities based on established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Contributions receivable and allowance for doubtful accounts: Contributions receivable are stated at unpaid balances, less an allowance for doubtful accounts. Contributions receivable normally consists of special events and other fundraising activity income. Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. The allowance for doubtful accounts was \$-0- for the years ended June 30, 2016 and 2015, based upon management's estimate of collectability.

Investments: In accordance with generally accepted accounting principles in the United States of America, the Organization's investments in marketable securities with readily determinable fair values are reported at their fair values in the Statements of Financial Position. Realized and unrealized gains and losses are included in the change of net assets. Investment income, net realized and unrealized gain (losses) on investments and those restricted by a donor are reported as increases (decreases) in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

The Organization maintains its investments with reputable financial institutions. At times, the Organization's investments may be in excess of the FDIC and SIPC insurance limits.

Property and equipment: Property and equipment are stated at cost at date of acquisition or, if donated, at the estimated fair value at the date of donation. The Organization's policy is to capitalize all property and equipment with a cost of \$1,000 or more. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets. The useful lives of the assets are as follows:

<u>Classification</u>	<u>Years</u>
Furniture and fixtures	5
Equipment	5
Other	3

Repairs and maintenance charges, which do not increase the useful lives of assets, are charged to operations as incurred and betterments that materially prolong the useful life of the assets are capitalized.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional expense allocation: The cost of providing various program and supporting services have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among program and supporting services benefited.

Income taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

The Organization adopted requirements for accounting for uncertainty in income taxes in accordance with accounting standards. As of June 30, 2016 and 2015, the Organization does not believe it has any uncertain tax positions that would require either recognition or disclosure in the accompanying financial statements. Additionally, the Organization's 2012 to 2014 tax returns are still subject to potential examination by the Federal and New York State taxing authorities.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses. During the years ending June 30, 2016 and 2015, the Organization did not recognize or accrue any interest or penalties related to unrecognized tax benefits.

Advertising: Advertising is expensed as incurred. Program advertising expense includes public service announcements, which are produced by the Organization to focus attention on the programs the Organization provides for Army Rangers. The public service announcements are distributed to television stations that then provide airtime to deliver announcements to assist the Organization in its mission, free of charge. The value of donated airtime has not been determined. Additionally, program advertising includes printed informational material which serves as a platform to market to the public the available programs and the mission of the Organization.

Subsequent events: Subsequent events have been evaluated by management through September 7, 2016, which is the date the financial statements were available to be issued.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

3. Investments:

Investments measured at fair value on a recurring basis as of June 30, 2016 and 2015 are as follows:

<u>2016</u>	<u>Cost Value</u>	<u>Quoted Market Prices in Active Markets (Level 1)</u>
Unrestricted:		
Equities	\$1,503,034	\$1,478,194
Fixed-income	624,275	613,430
Mutual funds	<u>412,319</u>	<u>403,841</u>
Total	<u>\$2,539,628</u>	<u>\$2,495,465</u>

<u>2015</u>	<u>Cost Value</u>	<u>Quoted Market Prices in Active Markets (Level 1)</u>
Unrestricted:		
Equities	\$2,436,812	\$2,646,893
Fixed-income	767,864	767,105
Non-traditional	818,321	813,632
Mutual funds	<u>3,364</u>	<u>4,588</u>
Total	<u>\$4,026,361</u>	<u>\$4,232,218</u>

The financial assets and liabilities valued using Level 1 inputs are based upon quoted market prices within active markets. There were no assets or liabilities measured using Level 2 or Level 3 inputs. Valuation techniques utilized to determine fair value are consistently applied.

Investment income from these investments for the years ending June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Net interest and dividends	\$ 103,873	\$ 92,068
Net realized gains (losses)	(29,693)	(7,908)
Net unrealized gains (losses)	(259,245)	37,450
Investment management fees	<u>(32,191)</u>	<u>(27,875)</u>
Total	<u>\$ (217,256)</u>	<u>\$ 93,735</u>

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

4. Board designated - endowment fund:

As of June 30, 2016 and 2015, the Board designated \$8,105,216 and \$5,406,705, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

At this time, it is the Organization's policy to let earnings in the endowment to accumulate. Any amounts distributed from the endowment fund must be Board approved. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. It is the Board's objective for the endowment assets to attempt to provide a predictable stream of funding to the Organization's programs while also maintaining the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets will be invested in a well diversified asset mix, which will include equity and debt securities, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Board-designated endowment net assets, beginning of year	\$5,406,705	\$5,128,958
Contributions	3,117,212	200,000
Investment income	98,320	86,086
Realized gains (losses)	(29,693)	(7,908)
Unrealized gains (losses)	(254,892)	27,444
Program expense	(200,000)	-
Investment expense	<u>(32,436)</u>	<u>(27,875)</u>
Board-designated endowment net assets, end of year	<u>\$8,105,216</u>	<u>\$5,406,705</u>

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

5. Deferred revenue:

For the years ended June 30, 2016 and 2015, the Organization received \$40,577 and \$256,349, respectively, in advance payments for fundraising events. Once the events have taken place, the advance payments will be recognized as revenue. In the event that the fundraising events do not take place, the advance payments will be available for refund.

6. Operating leases:

The Organization leases office space under an operating lease, which expires August 1, 2017. During the years ended June 30, 2016 and 2015, the Organization paid \$20,992 and \$20,912, respectively, for rent expense. The following is a schedule, by years, of future minimum payments as of June 30, 2016:

<u>Year Ending June 30:</u>	<u>Amount</u>
2017	\$20,400
2018	<u>1,700</u>
Total	<u>\$22,100</u>

7. Contributions in-kind:

During the years ended June 30, 2016 and 2015, the Organization received the following non-cash contributions:

	<u>2016</u>	<u>2015</u>
Marketing	\$ 78,795	\$ 236,385
Legal services	32,911	1,970
Securities	<u>4,760</u>	<u>-</u>
	<u>\$ 116,466</u>	<u>\$ 238,355</u>

Contributions in-kind are reflected as contributions in the Statements of Activities. Donated legal services are reflected as an expense in the Wounded Ranger Recovery Program services and professional fees in management and general. Donated marketing services are reflected as fundraising expenses within the Statements of Functional Expenses.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

7. Contributions in-kind (continued):

Additionally, the Organization received contributed air time and other donated services in connection with the Army Ranger Lead the Way Fund Public Service Announcement video, which aired during the year. The fair value of these contributed services received cannot be reasonably estimated and, accordingly, are not recognized as revenues.

8. Commitments and contingencies:

Pursuant to the terms of a Contribution Agreement dated January 14, 2014, the Organization entered into a purchase agreement, dated January 31, 2014, for the purchase of a residential home, which was transferred to a wounded ranger on February 27, 2014.

The value of the home is approximately \$251,600 and is included in program expense in the Statements of Activities at June 30, 2014.

The property transfer is subject to certain restrictions and a right of reversion in favor of the Organization. The right of reversion expires ten (10) years from the date the Warranty Deed With Right to Reversion was filed with the County Recorder for Maricopa County, February 27, 2014. The Organization may terminate their right to reversion under certain terms at any time during the ten-year period.

The Organization has entered into an agreement with Jared Allen's Homes 4 Wounded Warriors to construct a home for Army Ranger Green Beret Master Sergeant Christopher Corbin. The handicap-accessible home will be in North Carolina. Upon completion, it is expected the home will be transferred to Master Sergeant Corbin subject to certain restrictions and a right of reversion in favor of the Organization. Costs to date approximate \$200,000 and is included in program expense.

9. Allocation of joint costs:

For the years ended June 30, 2016 and 2015, the Organization conducted a special event that included requests for contributions as well as program components. The cost of conducting those activities included a total of \$60,641 and \$79,610 of joint costs, for June 30, 2016 and 2015, respectively. Joint costs were allocated as follows:

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

9 **Allocation of joint costs (continued):**

	<u>2016</u>	<u>2015</u>
Gold Star Program	\$ 47,697	\$ 53,021
Program Services - other	5,761	6,148
Fundraising	<u>7,183</u>	<u>20,441</u>
	<u>\$ 60,641</u>	<u>\$ 79,610</u>

10. **Related party transactions:**

For the years ended June 30, 2016 and 2015, the Organization paid \$95,000 and \$81,000, respectively, in compensation to one employee who is related to a member of the Board of Directors. As of June 30, 2016 and 2015, the Organizations accounts payable respectively included \$-0- and \$630 that was payable to this employee for reimbursement of expenses paid by the employee on behalf of the Organization.

11. **Reclassification:**

Certain 2015 amounts have been reclassified to conform with the presentation of the June 30, 2016 amounts. The reclassification has no effect on net assets for the year ended June 30, 2015.