

Lead the Way Fund, Inc.

FINANCIAL STATEMENTS

June 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014 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
August 25, 2015

Lead the Way Fund, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 1,649,677	\$ 1,346,364
Investments	112,366	102,129
Contributions receivable	114,802	197,414
Prepaid expenses	138,141	44,545
Total current assets	<u>2,014,986</u>	<u>1,690,452</u>
Property and equipment:		
Furniture and fixtures	5,000	5,000
Equipment	23,335	21,885
Other	15,425	15,425
Sub-total	<u>43,760</u>	<u>42,310</u>
Less accumulated depreciation	<u>(28,102)</u>	<u>(22,806)</u>
Property and equipment, net	<u>15,658</u>	<u>19,504</u>
Other assets:		
Cash designated for endowment fund	1,286,853	3,168,980
Investments designated for endowment fund	4,119,852	1,959,978
Security deposit	3,460	3,460
Total other assets	<u>5,410,165</u>	<u>5,132,418</u>
 Total assets	 <u>\$ 7,440,809</u>	 <u>\$ 6,842,374</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, 2015 and 2014

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 86,325	\$ 86,636
Deferred revenue	256,349	28,937
Total current liabilities	<u>342,674</u>	<u>115,573</u>
Total liabilities	<u>342,674</u>	<u>115,573</u>
Net assets:		
Unrestricted:		
General operating - undesignated	1,691,430	1,597,843
Board designated - endowment fund	<u>5,406,705</u>	<u>5,128,958</u>
Total unrestricted	<u>7,098,135</u>	<u>6,726,801</u>
Total net assets	<u>7,098,135</u>	<u>6,726,801</u>
Total liabilities and net assets	<u>\$ 7,440,809</u>	<u>\$ 6,842,374</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, 2015 and 2014

	2015			2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and other revenue:							
Contributions and events	\$ 1,120,652	\$ -	\$ -	\$ 3,852,228	\$ -	\$ -	\$ 3,852,228
In-kind donations	238,355	-	-	108,045	-	-	108,045
Dividend and interest income	92,900	-	-	29,109	-	-	29,109
Net assets released from restrictions	-	-	-	6,000	(6,000)	-	-
Total support and other revenue	<u>1,451,907</u>	<u>-</u>	<u>-</u>	<u>3,995,382</u>	<u>(6,000)</u>	<u>-</u>	<u>3,989,382</u>
Expenses:							
Program services	401,401	-	-	799,130	-	-	799,130
Management and general	151,082	-	-	114,887	-	-	114,887
Fundraising	557,632	-	-	589,533	-	-	589,533
Total expenses	<u>1,110,115</u>	<u>-</u>	<u>-</u>	<u>1,503,550</u>	<u>-</u>	<u>-</u>	<u>1,503,550</u>
Change in net assets before other income (loss)	<u>341,792</u>	<u>-</u>	<u>-</u>	<u>2,491,832</u>	<u>(6,000)</u>	<u>-</u>	<u>2,485,832</u>
Other income (loss):							
Realized gain (loss) on investments	(7,908)	-	-	(1,297)	-	-	(1,297)
Unrealized gain (loss) on investments	37,450	-	-	129,643	-	-	129,643
Total other income (loss)	<u>29,542</u>	<u>-</u>	<u>-</u>	<u>128,346</u>	<u>-</u>	<u>-</u>	<u>128,346</u>
Change in net assets	<u>371,334</u>	<u>-</u>	<u>-</u>	<u>2,620,178</u>	<u>(6,000)</u>	<u>-</u>	<u>2,614,178</u>
Net assets, beginning of year	<u>6,726,801</u>	<u>-</u>	<u>-</u>	<u>4,106,623</u>	<u>6,000</u>	<u>-</u>	<u>4,112,623</u>
Net assets, end of year	<u>\$ 7,098,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,726,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,726,801</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

	Gold Star Wives with Dependent Children Program	Wounded Ranger Recovery Program	Ranger and Family Health & Wellness Program	Ranger Champlain Special Programs	Program Services - Other	Total Program Services	Management and General	Fundraising	Total Expenses
Assistance to rangers and/or families	\$ -	\$ 44,885	\$ 53,608	\$ -	\$ -	\$ 98,493	\$ -	\$ -	\$ 98,493
Assistance to ranger and/or other organizations	-	6,750	188,950	30,000	-	225,700	-	-	225,700
Salaries	-	-	-	-	10,867	10,867	17,906	48,227	77,000
Payroll taxes and benefits	-	-	-	-	1,034	1,034	1,705	4,590	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	-	-	-	-	-	-	-	64,321	64,321
Other event expenses	-	-	-	-	-	-	-	440,494	440,494
	<u>\$ -</u>	<u>\$ 51,635</u>	<u>\$ 242,558</u>	<u>\$ 30,000</u>	<u>\$ 77,208</u>	<u>\$ 401,401</u>	<u>\$ 151,082</u>	<u>\$ 557,632</u>	<u>\$ 1,110,115</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, 2014

	Gold Star Wives with Dependent Children Program	Wounded Ranger Recovery Program	Ranger and Family Health & Wellness Program	Ranger Champlain Special Programs	Program Services - Other	Total Program Services	Management and General	Fundraising	Total Expenses
Assistance to rangers and/or families	\$ 9,535	\$ 540,996	\$ 57,350	\$ -	\$ -	\$ 607,881	\$ -	\$ -	\$ 607,881
Assistance to ranger and/or other organizations	-	-	149,183	27,000	-	176,183	-	-	176,183
Salaries	-	-	-	-	-	-	-	-	-
Payroll taxes and benefits	-	-	-	-	-	-	-	-	-
Meetings and ranger events	-	-	-	-	1,734	1,734	-	-	1,734
Travel	-	-	-	-	10,841	10,841	-	-	10,841
Professional fees	-	-	-	-	-	-	35,848	-	35,848
Insurance	-	-	-	-	-	-	3,025	-	3,025
Office, operating and administrative costs	-	910	760	-	821	2,491	38,536	-	41,027
Advertising	-	-	-	-	-	-	3,920	-	3,920
Licenses and permits	-	-	-	-	-	-	1,044	-	1,044
Bank charges	-	-	-	-	-	-	272	-	272
Investment advisory fees	-	-	-	-	-	-	10,445	-	10,445
Meetings	-	-	-	-	-	-	2,154	-	2,154
Rent	-	-	-	-	-	-	15,351	-	15,351
Utilities	-	-	-	-	-	-	127	-	127
Depreciation	-	-	-	-	-	-	4,165	-	4,165
Event facility rental	-	-	-	-	-	-	-	223,132	223,132
Other event expenses	-	-	-	-	-	-	-	366,401	366,401
	<u>\$ 9,535</u>	<u>\$ 541,906</u>	<u>\$ 207,293</u>	<u>\$ 27,000</u>	<u>\$ 13,396</u>	<u>\$ 799,130</u>	<u>\$ 114,887</u>	<u>\$ 589,533</u>	<u>\$ 1,503,550</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Changes in net assets	\$ 371,334	\$ 2,614,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,296	4,165
Net realized (gain) loss on investments	7,908	1,297
Net unrealized (gain) loss on investments	(37,450)	(129,643)
Cash designated for endowment fund	1,882,127	31,110
In-kind donations	-	(23,774)
Stock dividend	(513)	-
(Increase) decrease in assets:		
Accounts receivable	82,612	(197,414)
Prepaid expenses	(93,596)	(8,205)
Security deposit	-	(1,750)
Increase in liabilities:		
Accounts payable and accrued expenses	(311)	65,732
Deferred revenue	227,412	28,937
Net cash provided (used) by operating activities	<u>2,444,819</u>	<u>2,384,633</u>
Cash flows from investing activities:		
Proceeds from the sale of investments designated for endowment fund	416,539	130,006
Dividends reinvested in investments designated for endowment fund	(66,076)	(10,764)
Purchases of investments designated for endowment fund	(2,490,519)	(1,964,412)
Purchases of property and equipment	(1,450)	(19,722)
Net cash (used) by investing activities	<u>(2,141,506)</u>	<u>(1,864,892)</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from financing activities:		
Cash designated for endowment fund	<u>\$ (1,882,127)</u>	<u>\$ (31,110)</u>
Net cash provided (used) by financing activities	<u>(1,882,127)</u>	<u>(31,110)</u>
Net increase in cash	(1,578,814)	488,631
Cash and cash equivalents, July 1	<u>4,515,344</u>	<u>4,026,713</u>
Cash and cash equivalents, June 30	<u>\$ 2,936,530</u>	<u>\$ 4,515,344</u>
Supplemental disclosures of cash flow information:		
Non-cash transactions:		
In-kind donations	\$ -	\$ 23,774

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 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 Wives with Dependent Children 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 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 us 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, 2015 and 2014, \$5,406,705 and \$5,128,958, 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, 2015 and 2014, 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, 2015 and 2014, 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 prior year revenue was derived from an annual fundraising event. For the year ended June 30, 2014, the Organization received approximately \$1,937,524 from the Gala held in May 2014. For the year ended June 30, 2015, a similar event was not held but is currently being planned for September 2015.

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, 2015 and 2014, the Organization received donated legal and marketing services with an estimated fair value of \$238,355 and \$84,271, 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 2015 and 2014, 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 \$27,802 and \$-0- in 2015 and 2014, respectively, for excess income recognized by MFVSOA in 2014 and 2013.

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 2014 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, 2015 and 2014, 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, 2015 and 2014, 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 2011 to 2013 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, 2015 and 2014, 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 August 25, 2015, 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, 2015 and 2014 are as follows:

<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>
<u>2014</u>	<u>Cost Value</u>	<u>Quoted Market Prices in Active Markets (Level 1)</u>
Unrestricted:		
Equities	\$ 932,216	\$1,081,334
Fixed-income	462,675	468,013
Non-traditional	501,033	508,160
Mutual funds	<u>3,364</u>	<u>4,600</u>
Total	<u>\$1,899,288</u>	<u>\$2,062,107</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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$92,068	\$ 23,419
Net realized gains (losses)	(7,908)	(1,297)
Net unrealized gains (losses)	37,450	129,643
Investment management fees	<u>(27,875)</u>	<u>(10,539)</u>
Total	<u>\$93,735</u>	<u>\$141,226</u>

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

4. Board designated - endowment fund:

As of June 30, 2015 and 2014, the Board designated \$5,406,705 and \$5,128,958, 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, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Board-designated endowment net assets, beginning of year	\$5,128,958	\$3,200,090
Contributions	200,000	1,801,180
Investment income	86,086	23,419
Realized gains (losses)	(7,908)	(1,297)
Unrealized gains (losses)	27,444	116,105
Investment expense	<u>(27,875)</u>	<u>(10,539)</u>
Board-designated endowment net assets, end of year	<u>\$5,406,705</u>	<u>\$5,128,958</u>

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

5. **Deferred revenue:**

For the years ended June 30, 2015 and 2014, the Organization received \$256,349 and \$28,937, respectively, in advance payments for fundraiser 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 January 31, 2016. During the years ended June 30, 2015 and 2014, the Organization paid \$20,912 and \$15,351, respectively, for rent expense. The following is a schedule, by years, of future minimum payments as of June 30, 2015:

<u>Year Ending June 30:</u>	<u>Amount</u>
2016	<u>\$11,900</u>

7. **Contributions in-kind:**

During the years ended June 30, 2015 and 2014, the Organization received the following non-cash contributions:

	<u>2015</u>	<u>2014</u>
Marketing	\$ 236,385	\$ -
Legal services	<u>1,970</u>	<u>84,271</u>
	<u>\$ 238,355</u>	<u>\$ 84,271</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 donated marketing services are reflected as fundraising expense within the Statements of Functional Expenses.

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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

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.

9. Related party transactions:

During the year ended June 30, 2015, the Organization paid \$81,000 in compensation to one employee, who is related to a member of the Board of Directors. This is the first year the Organization had payroll and, accordingly, no wages were paid to this individual during fiscal year ended June 30, 2014. As of June 30, 2015, the Organization's accounts payable includes \$630 payable to this employee for reimbursement of expenses paid by the employee on behalf of the Organization.