

Lead the Way Fund, Inc.

FINANCIAL STATEMENTS

June 30, 2019 and 2018

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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, 2019 and 2018, 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 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.

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, 2019 and 2018 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
November 3, 2019

Lead the Way Fund, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 1,966,474	\$ 514,299
Restricted cash	33,000	-
Contributions receivable	-	30,020
Prepaid expenses	<u>106,787</u>	<u>181,077</u>
Total current assets	<u>2,106,261</u>	<u>725,396</u>
Property and equipment:		
Furniture and fixtures	14,658	14,658
Equipment	17,216	30,136
Other	<u>12,750</u>	<u>12,750</u>
Sub-total	44,624	57,544
Less accumulated depreciation	<u>(20,538)</u>	<u>(27,833)</u>
Property and equipment, net	<u>24,086</u>	<u>29,711</u>
Other assets:		
Cash designated for endowment fund	622,575	660,452
Investments designated for endowment fund	9,744,865	9,372,512
Security deposit	5,427	5,427
Intangible assets, net	<u>8,421</u>	<u>10,500</u>
Total other assets	<u>10,381,288</u>	<u>10,048,891</u>
Total assets	<u>\$ 12,511,635</u>	<u>\$ 10,803,998</u>

The accompanying notes are an integral part of these financial statements

Lead the Way Fund, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 57,862	\$ 38,269
Deferred revenue	<u>106,695</u>	<u>213,958</u>
Total current liabilities	<u>164,557</u>	<u>252,227</u>
Total liabilities	<u>164,557</u>	<u>252,227</u>
Net assets:		
Net assets without donor restrictions		
General operating - undesignated	1,779,638	318,807
Board designated - endowment fund	<u>10,367,440</u>	<u>10,032,964</u>
Total net assets without donor restrictions	<u>12,147,078</u>	<u>10,351,771</u>
Net assets with donor restrictions	<u>200,000</u>	<u>200,000</u>
Total net assets	<u>12,347,078</u>	<u>10,551,771</u>
Total liabilities and net assets	<u>\$ 12,511,635</u>	<u>\$ 10,803,998</u>

The accompanying notes are an integral part of these financial statements

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Sheehan
& COMPANY

Lead the Way Fund, Inc.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2019 and 2018

	2019			2018		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and revenue:						
Contributions and events	\$ 3,414,329	\$ -	\$ 3,414,329	\$ 988,443	\$ -	\$ 988,443
In-kind donations	67,763	-	67,763	9,248	-	9,248
Dividend and interest income, net investment fees	198,452	-	198,452	114,170	-	114,170
Realized and unrealized gains (losses) on investments	144,913	-	144,913	(36,183)	-	(36,183)
Gain (loss) on sale of assets	(2,510)	-	(2,510)	-	-	-
Total support and revenue	<u>3,822,947</u>	<u>-</u>	<u>3,822,947</u>	<u>1,075,678</u>	<u>-</u>	<u>1,075,678</u>
Expenses:						
Program services	996,186	-	996,186	1,209,847	-	1,209,847
Management and general	228,822	-	228,822	149,601	-	149,601
Fundraising	802,632	-	802,632	272,988	-	272,988
Total expenses	<u>2,027,640</u>	<u>-</u>	<u>2,027,640</u>	<u>1,632,436</u>	<u>-</u>	<u>1,632,436</u>
Change in net assets	<u>1,795,307</u>	<u>-</u>	<u>1,795,307</u>	<u>(556,758)</u>	<u>-</u>	<u>(556,758)</u>
Net assets, beginning of year	<u>10,351,771</u>	<u>200,000</u>	<u>10,551,771</u>	<u>10,908,529</u>	<u>200,000</u>	<u>11,108,529</u>
Net assets, end of year	<u>\$ 12,147,078</u>	<u>\$ 200,000</u>	<u>\$ 12,347,078</u>	<u>\$ 10,351,771</u>	<u>\$ 200,000</u>	<u>\$ 10,551,771</u>

The accompanying notes are an integral
part of these financial statements

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Lead the Way Fund, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	<u>Gold Star Program</u>	<u>Wounded Ranger Recovery and Warrior Transition Program</u>	<u>Ranger and Family Health & Wellness Program</u>	<u>Ranger Chaplain 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	\$ 53,042	\$ 190,099	\$ 220,852	\$ -	\$ -	\$ 463,993	\$ -	\$ -	\$ 463,993
Assistance to ranger and/or other organizations	-	-	206,900	80,000	-	286,900	-	-	286,900
Salaries	-	-	-	-	133,028	133,028	32,589	112,747	278,364
Payroll taxes and benefits	-	-	-	-	36,392	36,392	6,571	12,178	55,141
Meetings and ranger events	-	-	-	-	7,440	7,440	-	-	7,440
Travel	-	4,878	-	-	27,568	32,446	-	-	32,446
Professional fees	-	17,627	-	-	-	17,627	72,437	-	90,064
Insurance	-	-	-	-	-	-	2,758	-	2,758
Office, operating and administrative costs	568	286	516	-	16,990	18,360	59,511	-	77,871
Licenses and permits	-	-	-	-	-	-	6,007	-	6,007
Bank charges	-	-	-	-	-	-	1,085	-	1,085
Rent	-	-	-	-	-	-	36,244	-	36,244
Depreciation and amortization	-	-	-	-	-	-	11,620	-	11,620
Other event expenses	-	-	-	-	-	-	-	677,707	677,707
	<u>\$ 53,610</u>	<u>\$ 212,890</u>	<u>\$ 428,268</u>	<u>\$ 80,000</u>	<u>\$ 221,418</u>	<u>\$ 996,186</u>	<u>\$ 228,822</u>	<u>\$ 802,632</u>	<u>\$ 2,027,640</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, 2018

	Gold Star Program	Wounded Ranger Recovery and Warrior Transition Program	Ranger and Family Health & Wellness Program	Ranger Chaplain Special Programs	Program Services - Other	Total Program Services	Management and General	Fundraising	Total Expenses
Assistance to rangers and/or families	\$ 65,599	\$ 642,301	\$ 78,178	\$ -	\$ -	\$ 786,078	-	-	\$ 786,078
Assistance to ranger and/or other organizations	-	-	128,877	83,588	-	212,465	-	-	212,465
Salaries	-	-	-	-	111,644	111,644	21,161	106,905	239,710
Payroll taxes and benefits	-	-	-	-	27,388	27,388	4,004	13,414	44,806
Meetings and ranger events	-	-	-	-	519	519	-	-	519
Travel	-	4,415	-	-	23,855	28,270	-	-	28,270
Professional fees	-	32,169	-	-	-	32,169	32,839	-	65,008
Insurance	-	-	-	-	-	-	2,747	-	2,747
Office, operating and administrative costs	1,462	197	401	-	6,604	8,664	45,753	-	54,417
Advertising	-	-	-	-	2,650	2,650	-	-	2,650
Licenses and permits	-	-	-	-	-	-	4,227	-	4,227
Bank charges	-	-	-	-	-	-	381	-	381
Bad debt expense	-	-	-	-	-	-	3,750	-	3,750
Rent	-	-	-	-	-	-	21,928	-	21,928
Utilities	-	-	-	-	-	-	485	-	485
Depreciation and amortization	-	-	-	-	-	-	12,326	-	12,326
Other event expenses	-	-	-	-	-	-	-	152,669	152,669
	<u>\$ 67,061</u>	<u>\$ 679,082</u>	<u>\$ 207,456</u>	<u>\$ 83,588</u>	<u>\$ 172,660</u>	<u>\$ 1,209,847</u>	<u>\$ 149,601</u>	<u>\$ 272,988</u>	<u>\$ 1,632,436</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,795,307	\$ (556,758)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,620	12,326
Net realized (gain) loss on investments	(8,014)	(289,810)
Net unrealized (gain) loss on investments	(136,899)	325,993
Loss on sale of asset	2,510	-
Cash designated for endowment fund	37,877	5,685,402
(Increase) decrease in assets:		
Contributions receivable	30,020	82,447
Prepaid expenses	74,290	(99,656)
Security deposit	-	(1,967)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	19,593	(39,383)
Deferred revenue	(107,263)	197,287
Net cash provided (used) by operating activities	<u>1,719,041</u>	<u>5,315,881</u>
Cash flows from investing activities:		
Proceeds from the sale of investments designated for endowment fund	2,275,356	2,238,205
Dividends reinvested in investments designated for endowment fund	-	(4,256)
Purchases of investments designated for endowment fund	(2,502,796)	(9,462,093)
Purchases of property and equipment	(6,426)	(23,621)
Net cash provided (used) by investing activities	<u>(233,866)</u>	<u>(7,251,765)</u>
Cash flows from financing activities:		
Cash designated for endowment fund	(37,877)	(5,685,402)
Net cash provided (used) by financing activities	<u>(37,877)</u>	<u>(5,685,402)</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net decrease in cash	\$ 1,447,298	\$ (7,621,286)
Cash and cash equivalents, July 1	<u>1,174,751</u>	<u>8,796,037</u>
Cash and cash equivalents, June 30	<u>\$ 2,622,049</u>	<u>\$ 1,174,751</u>
Supplemental disclosures of cash flow information:		
Reconciliation of cash and cash equivalents to		
Statements of Financial Position:		
Cash and cash equivalents	\$ 1,966,474	\$ 514,299
Restricted cash	33,000	-
Cash designated for endowment fund	<u>622,575</u>	<u>660,452</u>
	<u>\$ 2,622,049</u>	<u>\$ 1,174,751</u>
Non-cash transactions:		
In-kind donations	\$ 67,763	\$ 9,248

The accompanying notes are an integral
part of these financial statements

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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/her family with financial support and other services determined to be vital and necessary during the acute phase of his/her recovery. The funds that they provide are not available through the United States Government.

Ranger and Family Health and Wellness Programs: The Family Readiness Groups (FRGs) 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 FRGs 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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

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 (U.S. GAAP), the Organization's financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions: 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 5, the Board of Directors (the Board) designated, as of June 30, 2019 and 2018, \$10,367,440 and \$10,032,964, respectively, of its cash and investment balance as a Board designated - endowment fund, which is included in net assets without donor restrictions. The purpose of the fund is to help accomplish the long-term goals of the Organization. Net assets with donor restrictions, whose restrictions are met in the same reporting period, are reported as support without donor restriction.

Net assets with donor restrictions: 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, 2019 and 2018, \$200,000 was donor restricted for the purchase of homes for Wounded Rangers.

Contributions: The Organization reports contributions restricted by donors as an increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

A significant portion of the Organization's current year revenue was derived from a bi-annual fundraising event. For the year ended June 30, 2019, the Organization received approximately \$2,300,000 from the Gala held in September 2018. A similar event was not held during the year ended June 30, 2018, however, a Gala is planned for June 2020.

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, 2019 and 2018, the Organization received donated services with an estimated fair value of \$42,380 and \$1,173, 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 net assets without donor restrictions when notification of the campaign designation is received.

As a member of MFVSOA during 2019 and 2018, 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 net assets without donor restrictions when received. The Organization received \$10,965 and \$14,810 in 2019 and 2018, respectively, for excess income recognized by MFVSOA in 2018 and 2017.

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 2018 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.

Restricted cash: Restricted cash represents a general-purpose grant received in June 2019 for use in fiscal operating year June 30, 2020.

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 U.S. GAAP, 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.

Endowment: The New York Prudent Management of Institutional Funds Act (NYPMIFA) applies to the Organization's endowment fund. NYPMIFA provides guidance and authority to charitable organizations concerning the management and investment of endowment funds held.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Endowment (continued): The Organization classifies as net assets with donor restrictions (to be held in perpetuity) the original value of gifts donated to a donor restricted endowment and the original value of any subsequent gifts to a donor restricted endowment. Investment income from a donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Organization in a matter consistent with the donor stipulated purposes within the standard of prudence established by NYPMIFA. At June 30, 2019 and 2018, the Organization had no donor restricted endowment funds.

Underwater endowment: The Organization considers an endowment to be underwater if the fair value is less than the sum of (1) the original value of initial and subsequent gift amounts donated to the endowment and (2) any accumulations to the endowment required to be held in perpetuity per donor direction. The Organization has no underwater endowment funds at June 30, 2019 or 2018.

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, 2019 and 2018, based upon management's estimate of collectability. Receivables written off during the years ended June 30, 2019 and 2018 were \$-0- and \$3,750, respectively and have been recognized as bad debt expense in the Statements of Functional Expenses.

Investments: In accordance with U.S. GAAP, 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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

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-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.

Long-lived assets: Long-lived assets are calculated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. No such impairment losses have been necessary through June 30, 2019.

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

Functional allocation of expenses: The Statements of Activities reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Income taxes (continued): The Organization adopted requirements for accounting for uncertainty in income taxes in accordance with accounting standards. As of June 30, 2019 and 2018, 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 2015 to 2017 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, 2019 and 2018, 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.

Recently issued accounting standards: In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for non-profit organizations and enhances their required disclosures. The major changes impacting the Organization include: (1) requiring the presentation of only two classes of net assets now titled "net assets with donor restriction" and "net assets without donor restriction," (2) requiring that all non-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement or in the notes and disclose a summary of the allocation methods used to allocate costs, (3) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources and (4) presenting investment return net of external investment expenses, and (5) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of non-profit financial statements.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Recently issued accounting standards (continued): The Organization has adopted ASU 2016-14 as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. As a result of adopting ASU 2016-14, amounts that were previously reported as unrestricted net assets are now reported as net assets without restrictions, temporary and permanently restricted net assets are presented as net assets with restrictions. Additionally, investment expenses are netted against investment returns on the Statement of Activities and the Organization expanded its disclosures as required by ASU 2016-14.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events: Subsequent events have been evaluated by management through November 3, 2019, which is the date the financial statements were available to be issued.

3. Intangible assets:

The intangible assets consist of the following at June 30, 2019:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Amortization Expense</u>
Website domain	\$ 8,700	\$ (4,350)	\$ 4,350	\$ 1,740
Trademark	<u>5,088</u>	<u>(1,017)</u>	<u>4,071</u>	<u>339</u>
Total	<u>\$13,788</u>	<u>\$ (5,367)</u>	<u>\$ 8,421</u>	<u>\$ 2,079</u>

The intangible assets consist of the following at June 30, 2018:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Amortization Expense</u>
Website domain	\$ 8,700	\$ (2,610)	\$ 6,090	\$1,740
Trademark	<u>5,088</u>	<u>(678)</u>	<u>4,410</u>	<u>339</u>
Total	<u>\$13,788</u>	<u>\$ (3,288)</u>	<u>\$10,500</u>	<u>\$2,079</u>

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

3. Intangible assets, net (continued):

Estimated amortization expense over future years is as follows:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2020	\$ 2,079
2021	2,079
2022	1,209
2023	339
2024	339
Thereafter	<u>2,376</u>
Total	<u>\$ 8,421</u>

4. Investments:

Investments measured at fair value on a recurring basis as of June 30, 2019 and 2018 are as follows:

<u>2019</u>	<u>Cost Value</u>	<u>Quoted Market Prices in Active Markets (Level 1)</u>
Unrestricted:		
Equities	\$5,952,175	\$5,948,413
Fixed-income	3,782,782	3,796,452
Mutual	-	-
Total	<u>\$9,734,957</u>	<u>\$9,744,865</u>
<u>2018</u>	<u>Cost Value</u>	<u>Quoted Market Prices in Active Markets (Level 1)</u>
Unrestricted:		
Equities	\$5,451,288	\$5,413,676
Fixed-income	2,902,352	2,861,719
Mutual	<u>1,145,862</u>	<u>1,097,117</u>
Total	<u>\$9,499,502</u>	<u>\$9,372,512</u>

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

4. Investments(continued):

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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Net interest and dividends	\$ 244,425	\$ 173,294
Net realized gains (losses)	8,014	289,810
Net unrealized gains (losses)	136,899	(325,993)
Investment management fees	<u>(62,808)</u>	<u>(59,124)</u>
Total	<u>\$ 326,530</u>	<u>\$ 77,987</u>

5. Endowment fund:

The Organization's endowment consists solely of board designated funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the relevant law: The spending of endowment funds by a not-for-profit Organization in the State of New York is currently governed by NYPMIFA. The Organization has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restrictions (to be held in perpetuity) (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Organization and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, (7) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund,

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

5. Endowment fund (continued):

Interpretation of the relevant law (continued):

giving due consideration to the effect that such alternatives may have on the Organization, and (8) the investment policy of the Organization.

Investment return objectives, risk parameters, strategies and spending policy(continued):

The Organization follows an investment policy, approved for all investments including endowment assets. According to the Organization's policy, endowment funds shall be invested with the objective of preserving the long-term real purchasing power of the funds' assets while realizing appropriate investment income. Endowment fund assets may be invested in certificates of deposit, Treasury bills, commercial paper, bankers' acceptances, repurchase agreements, mutual funds, exchange traded funds, equities (including common stock, preferred stock, convertible securities and other equities, whether traded on an exchange or not publicly traded), fixed income securities, real estate, commodities, natural-resource related stock, hedge funds, derivatives, alternate investment vehicles and, as to an appropriate portion, cash equivalent investments. The asset allocation of each of the endowment funds shall be determined from time-to-time by the Board of Directors, in consultation with any managers or advisors if desired (unless the Board delegates such task to an external manager), which allocation shall reflect a proper balance of the endowment fund's investment objective, any risk tolerance standard and the need for liquidity.

The Board of Directors will also review from time to time the Organization's arrangements with any investment managers, investment advisors, custodians and the banks and other entities with which the Organization maintains its financial assets to ensure that the costs and fees associated with each such arrangement are appropriate and reasonable in relation to the assets, the Organization's purposes and the skills available.

It is understood that spending of a donor-restricted endowment is to be limited to market appreciation on the original funds contributed. In the event that a donor-restricted endowment account's market value is below the value of the original amount contributed, spending will cease until such a time when the account has recovered its original value through market appreciation.

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

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

5. Endowment fund (continued):

Investment return objectives, risk parameters, strategies and spending policy(continued):

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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Board-designated endowment net assets, beginning of year	\$10,032,964	\$8,378,248
Contributions	5,000	1,580,060
Investment income	247,371	169,963
Realized gains (losses)	8,014	289,810
Unrealized gains (losses)	136,899	(325,993)
Program expense	-	-
Investment expense	<u>(62,808)</u>	<u>(59,124)</u>
Board-designated endowment net assets, end of year	<u>\$10,367,440</u>	<u>\$10,032,964</u>

6. Deferred revenue:

For the years ended June 30, 2019 and 2018, the Organization received \$106,695 and \$213,958, respectively, in advanced payments for fundraising events. Once the events have taken place, the advanced payments will be recognized as revenue. In the event that the fundraising events do not take place, the advanced payments will be available for refund.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

7. Contributions in-kind:

During the years ended June 30, 2019 and 2018, the Organization received the following non-cash contributions:

	<u>2019</u>	<u>2018</u>
Information technology services	\$ 6,525	\$ 1,173
Legal services	35,855	-
Donated goods	20,000	-
Donated facilities	<u>5,383</u>	<u>8,075</u>
	<u>\$ 67,763</u>	<u>\$ 9,248</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 information technology and facilities services are reflected as office and rent expense and donated goods are reflected as other event expenses, 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.

8. Commitments and contingencies:

The Organization has partnered with an unaffiliated not-for-profit organization to purchase residential property to construct and/or remodel homes to make them handicap accessible for wounded Army Rangers. Each organization has agreed to share the costs related to the acquisition and construction of each home equally. Upon completion of the construction or remodel, the property is transferred to the beneficiary subject to certain restrictions and a right of reversion in favor of Lead the Way Fund, Inc. The right of reversion expires ten years from the date the Warranty Deed with Right to Reversion is filed with the municipality where the property is located. The Organization may terminate their right to reversion under certain terms at any time during the ten-year period. As of June 30, 2019, the Organization has provided and transferred two completed homes to wounded Army Rangers and has two homes in progress.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

9. Liquidity and availability:

The Organization manages its liquidity and reserves following three guiding principles: (1) operating within a prudent range of financial stability, (2) maintaining adequate liquidity to fund near-term operations and (3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

As discussed in Note 2, a significant portion of the Organization's current year revenue was derived from a bi-annual fundraising event. None of the funds were donor restricted and are available to meet cash needs for general expenditures.

Additionally, all of the Organization's investments are held in a board designated endowment fund. It is the intent of the Board to allow the investments and its income in the endowment to accumulate to attempt to provide a predictable stream of funding for the Organization's programs. The investment portfolio consists of equity securities and fixed income funds which are not subject to any constraints limiting the Organization's ability to respond quickly to changes in market conditions. All funds in the board designated endowment are available, with Board approval, should the Organization need cash for general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash	\$ 2,589,050	\$ 1,174,751
Investments at fair value	9,744,865	9,372,512
Accounts receivable	-	30,020
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,333,915</u>	<u>\$ 10,577,283</u>

10. Lease commitments:

The Organization has entered into a new office lease expiring in August 2023. Approximate future minimum annual rental payments required under the operating lease as of June 30, 2019, are as follows:

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

10. Lease commitments(continued):

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 33,386
2021	34,282
2022	35,206
2023	36,157
2024	<u>6,148</u>
Total	<u>\$145,179</u>

Rent expense charged to operations for all operating leases totaled approximately \$36,000 and \$22,000, respectively for the years ended June 30, 2019 and 2018.

11. Allocation of joint costs:

For the years ended June 30, 2019 and 2018, 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 \$75,580 and \$82,166 of joint costs, for June 30, 2019 and 2018, respectively. Joint costs were allocated as follows:

	<u>2019</u>	<u>2018</u>
Gold Star Program	\$ 42,947	\$ 52,873
Program Services-Other	-	-
Fundraising	<u>32,633</u>	<u>29,293</u>
	<u>\$ 75,580</u>	<u>\$ 82,166</u>

12. Related party transactions:

For the years ended June 30, 2019 and 2018, the Organization paid \$177,000 and \$168,685, respectively, in compensation and \$30,374 and \$24,702 in benefits to two employees who are related to members of the Board of Directors.