

Lead the Way Fund, Inc.

FINANCIAL STATEMENTS

June 30, 2021 and 2020

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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, 2021 and 2020 and the related statements of activities, 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.

To the Board of Directors
Lead the Way Fund, Inc.
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lead the Way Fund, Inc. as of June 30, 2021 and 2020 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 C.P.A., P.C.

Brightwaters, New York
December 21, 2021

Lead the Way Fund, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 692,729	\$ 567,714
Contributions receivable	-	14,464
Prepaid expenses	<u>172,458</u>	<u>158,926</u>
Total current assets	<u>865,187</u>	<u>741,104</u>
Property and equipment:		
Furniture and fixtures	14,658	14,658
Equipment	21,821	21,821
Other	<u>12,750</u>	<u>12,750</u>
Sub-total	49,229	49,229
Less accumulated depreciation	<u>(34,875)</u>	<u>(27,943)</u>
Property and equipment, net	<u>14,354</u>	<u>21,286</u>
Other assets:		
Cash designated for endowment fund	1,004,716	965,008
Investments designated for endowment fund	13,558,650	10,825,068
Security deposit	5,427	5,427
Intangible assets, net	<u>4,262</u>	<u>6,342</u>
Total other assets	<u>14,573,055</u>	<u>11,801,845</u>
Total assets	<u>\$ 15,452,596</u>	<u>\$ 12,564,235</u>

The accompanying notes are an integral part of these financial statements

Lead the Way Fund, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 83,001	\$ 45,933
Deferred revenue	25,923	16,659
Paycheck Protection Plan loan	-	62,840
Total current liabilities	<u>108,924</u>	<u>125,432</u>
Total liabilities	<u>108,924</u>	<u>125,432</u>
Net assets:		
Net assets without donor restrictions		
General operating - undesignated	580,306	448,726
Board designated - endowment fund	<u>14,563,366</u>	<u>11,790,077</u>
Total net assets without donor restrictions	15,143,672	12,238,803
Net assets with donor restrictions	<u>200,000</u>	<u>200,000</u>
Total net assets	<u>15,343,672</u>	<u>12,438,803</u>
Total liabilities and net assets	<u>\$ 15,452,596</u>	<u>\$ 12,564,235</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, 2021 and 2020

	2021			2020		
	<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 grants	\$ 870,817	\$ -	\$ 870,817	\$ 865,425	\$ -	\$ 865,425
Gross special events revenue	400,916	-	400,916	337,804	-	337,804
Merchandise sales	52,395	-	52,395	-	-	-
In-kind donations	17,475	-	17,475	85,263	-	85,263
Dividend and interest income, net investment fees	178,558	-	178,558	212,326	-	212,326
Realized and unrealized gains on investments	2,594,805	-	2,594,805	16,385	-	16,385
Gain on extinguishment of debt	62,840	-	62,840	-	-	-
Total support and revenue	4,177,806	-	4,177,806	1,517,203	-	1,517,203
Expenses:						
Program services	774,788	-	774,788	932,554	-	932,554
Management and general	191,275	-	191,275	251,473	-	251,473
Fundraising	306,874	-	306,874	241,451	-	241,451
Total expenses	1,272,937	-	1,272,937	1,425,478	-	1,425,478
Change in net assets	2,904,869	-	2,904,869	91,725	-	91,725
Net assets, beginning of year	12,238,803	200,000	12,438,803	12,147,078	200,000	12,347,078
Net assets, end of year	\$ 15,143,672	\$ 200,000	\$ 15,343,672	\$ 12,238,803	\$ 200,000	\$ 12,438,803

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, 2021

	<u>Gold Star Family Program</u>	<u>Recovery, Resiliency Education and Transition Program</u>	<u>Ranger Family Health & Wellness Program</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	\$ 70,709	\$ 83,054	\$ 91,229	\$ -	\$ 244,992	\$ -	\$ -	\$ 244,992
Assistance to ranger and/or other organizations	-	40,000	266,810	-	306,810	-	-	306,810
Salaries	-	-	-	176,179	176,179	40,790	107,108	324,077
Payroll taxes and benefits	-	-	-	23,960	23,960	8,529	12,427	44,916
Meetings and ranger events	-	-	-	446	446	-	-	446
Travel	-	-	-	8,128	8,128	-	-	8,128
Professional fees	-	8,012	-	-	8,012	44,506	-	52,518
Insurance	-	-	-	-	-	3,059	-	3,059
Office, operating and administrative costs	-	41	78	6,082	6,201	51,458	19,842	77,501
Advertising	-	-	-	60	60	942	-	1,002
Licenses and permits	-	-	-	-	-	1,150	-	1,150
Bank charges	-	-	-	-	-	272	-	272
Rent	-	-	-	-	-	31,559	-	31,559
Depreciation and amortization	-	-	-	-	-	9,010	-	9,010
Events and merchandise expenses	-	-	-	-	-	-	167,497	167,497
	<u>\$ 70,709</u>	<u>\$ 131,107</u>	<u>\$ 358,117</u>	<u>\$ 214,855</u>	<u>\$ 774,788</u>	<u>\$ 191,275</u>	<u>\$ 306,874</u>	<u>\$ 1,272,937</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, 2020

	Gold Star Family Program	Recovery, Resiliency, Education and Transition Program	Ranger Family Health & Wellness Program	Program Services - Other	Total Program Services	Management and General	Fundraising	Total Expenses
Assistance to rangers and/or families	\$ 132,782	\$ 202,388	\$ 103,885	\$ -	\$ 439,055	\$ -	\$ -	\$ 439,055
Assistance to ranger and/or other organizations	-	46,137	143,313	-	189,450	-	-	189,450
Salaries	-	-	-	178,185	178,185	29,379	75,215	282,779
Payroll taxes and benefits	-	-	-	43,046	43,046	8,034	8,224	59,304
Meetings and ranger events	-	-	-	9,892	9,892	-	-	9,892
Travel	-	-	-	28,343	28,343	-	-	28,343
Professional fees	-	24,727	-	-	24,727	113,353	-	138,080
Insurance	-	-	-	-	-	2,792	-	2,792
Office, operating and administrative costs	468	312	296	18,775	19,851	46,331	-	66,182
Advertising	-	-	-	5	5	893	-	898
Licenses and permits	-	-	-	-	-	4,337	-	4,337
Bank charges	-	-	-	-	-	295	-	295
Rent	-	-	-	-	-	36,573	-	36,573
Depreciation and amorization	-	-	-	-	-	9,486	-	9,486
Events and merchandise expenses	-	-	-	-	-	-	158,012	158,012
	<u>\$ 133,250</u>	<u>\$ 273,564</u>	<u>\$ 247,494</u>	<u>\$ 278,246</u>	<u>\$ 932,554</u>	<u>\$ 251,473</u>	<u>\$ 241,451</u>	<u>\$ 1,425,478</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 2,904,869	\$ 91,725
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	9,010	9,486
(Gain) on extinguishment of debt	(62,840)	-
Net realized (gain) loss on investments	(410,321)	144,397
Net unrealized (gain) loss on investments	(2,184,484)	(160,782)
(Increase) decrease in assets:		
Contributions receivable	14,464	(14,464)
Prepaid expenses	(13,532)	(52,139)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	37,070	(11,931)
Deferred revenue	9,264	(90,036)
Net cash provided (used) by operating activities	<u>303,500</u>	<u>(83,744)</u>
Cash flows from investing activities:		
Proceeds from the sale of investments designated for endowment fund	762,052	3,147,155
Purchases of investments designated for endowment fund	(900,829)	(4,210,973)
Purchases of property and equipment	-	(4,605)
Net cash (used) by investing activities	<u>(138,777)</u>	<u>(1,068,423)</u>
Cash flows from financing activities:		
Proceeds from paycheck protection plan loan	-	62,840
Net cash provided by financing activities	<u>-</u>	<u>62,840</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net increase (decrease) in cash and cash equivalents	\$ 164,723	\$ (1,089,327)
Cash and cash equivalents, July 1	<u>1,532,722</u>	<u>2,622,049</u>
Cash and cash equivalents, June 30	<u>\$ 1,697,445</u>	<u>\$ 1,532,722</u>
Supplemental disclosures of cash flow information:		
Reconciliation of cash and cash equivalents to		
Statements of Financial Position:		
Cash and cash equivalents	\$ 692,729	\$ 567,714
Cash designated for endowment fund	<u>1,004,716</u>	<u>965,008</u>
	<u>\$ 1,697,445</u>	<u>\$ 1,532,722</u>
Non-cash transactions:		
In-kind donations	\$ 17,475	\$ 85,263

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, education and transition and other financial aid programs.

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

Gold Star Family 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.

Recovery, Resiliency, Education and 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. In addition, they assist Rangers with their reintegration with daily life by offering the opportunity for college education to provide them with an avenue to obtain a degree and a career. Funds for this type of program are not available through the United States Government.

Family Health and Wellness Program: 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. In addition, the program provides support services to families through 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 ("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:

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Basis of presentation (continued):

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 6, the Board of Directors (the "Board") designated, as of June 30, 2021 and 2020, \$14,563,366 and \$11,790,077, respectively, of its cash and investment balances 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, 2021 and 2020, \$200,000 was donor restricted for the purchase of homes for Wounded Rangers.

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

Contribution's receivable and allowance for doubtful accounts: Contribution's receivable are stated at unpaid balances, less an allowance for doubtful accounts. Contribution's 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, 2021 and 2020, based upon management's estimate of collectability.

Investments: In accordance with U.S. GAAP, the Organization's investments in marketable securities with readily determinable fair values are reported at their fair value 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 net assets without restrictions 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 Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("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. It is the Organization's policy to capitalize all property and equipment with a cost of \$1,000 or more. Depreciation is calculated 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, 2021

Intangible assets: Intangible assets subject to amortization include website design and trademark assets, which are amortized on a straight-line method over 5 years and 15 years respectively.

Deferred revenue: Revenue related to receipts collected prior to the occurrence of special events is deferred and recognized in the period in which the special event is held.

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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Contributions (continued): Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Non-cash contributions are recorded at estimated fair value.

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, 2021 and 2020, the Organization received donated services with an estimated fair value of \$17,475 and \$85,263, respectively. See Note 8 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.

Change in accounting principle: Effective July 1, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an organization to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization applied the modified retrospective method of adoption, which resulted in no adjustment to net assets as of July 1, 2019.

Effective July 1, 2019, the Organization adopted FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance on whether a transfer of assets is a contribution or an exchange and whether a contribution is conditional. The Organization applied the modified prospective method of adoption, which resulted in no adjustment to net assets as of July 1, 2019.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued):

Revenue and 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.

Additionally, the Organization holds many events during the year. Revenue is earned at the point in time that an event is held. Revenue is recorded for the portion of exchange services and the difference is recorded as a contribution. This typically occurs simultaneously. The timing of revenue recognition and cash collections can result in accounts receivable (contract assets) and deferred revenue (contract liabilities) on the Statements of Financial Position.

As a member of MFVSOA during 2021 and 2020, 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 \$8,696 and \$6,323 in 2021 and 2020, respectively, for excess income recognized by MFVSOA in 2020 and 2019.

The contribution revenue outstanding related to the 2020 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.

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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. **Summary of significant accounting policies (continued):**
Fair value measurements (continued):

- 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. 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, 2021 and 2020, 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, 2021 or 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 FDIC and SIPC insurance limits.

Income taxes: The Organization has been incorporated as a not-for-profit organization under the laws of Delaware. The Internal Revenue Service has granted approval for tax exempt status under Section 501(c)(3) of the Internal Revenue Code (the Code). Contributions to the Organization qualify for the charitable contribution deduction to the extent provided by Section 170 of the Code. Accordingly, no provision for federal or local income taxes has been provided for 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, 2021 and 2020, the Organization does not believe it has any uncertain tax positions that would require either recognition or disclosure in the accompanying financial statements.

Presentation of sales tax: The State of New York imposes a tax on the Organization's sales of merchandise to non-exempt customers. The Organization collects that sales tax and remits the entire amount to the State. The Organization's accounting policy is to exclude the tax collected and remitted to the State from revenues.

Shipping and handling cost: The Organization classifies shipping billed to customers as merchandise sales revenue and the related postage costs as office, operating and administrative costs under fundraising on the Statements of Functional Expenses.

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.

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.

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.

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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

2. **Summary of significant accounting policies (continued):**

Subsequent events: Subsequent events have been evaluated by management through December 21, 2021, 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, 2021:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Amortization Expense</u>
Website domain	\$ 8,700	\$ (7,830)	\$ 870	\$ 1,740
Trademark	<u>5,088</u>	<u>(1,696)</u>	<u>3,392</u>	<u>339</u>
Total	<u>\$13,788</u>	<u>\$ (9,526)</u>	<u>\$ 4,262</u>	<u>\$ 2,079</u>

The intangible assets consist of the following at June 30, 2020:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Amortization Expense</u>
Website domain	\$ 8,700	\$ (6,090)	\$ 2,610	\$1,740
Trademark	<u>5,088</u>	<u>(1,356)</u>	<u>3,732</u>	<u>339</u>
Total	<u>\$13,788</u>	<u>\$ (7,446)</u>	<u>\$ 6,342</u>	<u>\$2,079</u>

Estimated amortization expense over future years is as follows:

<u>Fiscal Year Ended</u>	<u>Amount</u>
2022	\$ 1,209
2023	339
2024	339
2025	339
2026	339
Thereafter	<u>1,697</u>
Total	<u>\$ 4,262</u>

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

4. Paycheck Protection Program Loan:

To provide stimulus to businesses and organizations, mitigate the adverse effects of the coronavirus outbreak and to keep employees paid, the Small Business Administration began offering loans under the Paycheck Protection Program ("PPP"). If the borrower complies with prescribed rules of the PPP, all or a portion of the loan is eligible to be forgiven. In April 2020, the Organization received First Draw PPP loan proceeds in the amount of \$62,840. The Organization recorded the PPP loan in accordance with FASB ACS 470 as a financial liability. Under this guidance, an entity initially records the cash inflow from the PPP loan as a liability. The proceeds from the loan remain recorded as a liability until formally forgiven. Once the loan is, in part or wholly, forgiven and legal release is received, the outstanding principal loan plus accrued interest will be reduced by the amount forgiven and a gain on extinguishment will be recorded. In March 2021, the Organization received full forgiveness for the loan. The forgiveness of the loan has been recognized as other income on the Statements of Activities.

5. Investments:

Investments measured at fair value on a recurring basis as of June 30, 2021 and 2020 are as follows:

<u>2021</u>	<u>Cost Value</u>	<u>Quoted Market Prices in Active Markets (Level 1)</u>
Unrestricted:		
Equities	\$ 7,194,701	\$ 9,448,611
Fixed income	<u>4,008,775</u>	<u>4,110,039</u>
Total	<u>\$11,203,476</u>	<u>\$13,558,650</u>

<u>2020</u>	<u>Cost Value</u>	<u>Quoted Market Prices in Active Markets (Level 1)</u>
Unrestricted:		
Equities	\$6,414,287	\$6,468,203
Fixed income	<u>4,240,090</u>	<u>4,356,865</u>
Total	<u>\$10,654,377</u>	<u>\$10,825,068</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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

5. Investments (continued):

Investment income from these investments for the years ending June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Net interest and dividends	\$ 253,986	\$ 274,192
Net realized gains (losses)	410,321	(144,397)
Net unrealized gains (losses)	2,184,484	160,782
Investment management fees	<u>(75,502)</u>	<u>(68,885)</u>
Total	<u>\$ 2,773,289</u>	<u>\$ 221,692</u>

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

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

6. Endowment fund (continued):

Investment return objectives, risk parameters, strategies and spending policy:

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 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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

6. Endowment fund (continued):

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

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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Board-designated endowment net assets, beginning of year	\$11,790,077	\$10,367,440
Contributions	-	1,200,000
Investment income	253,986	275,137
Realized gains (losses)	410,321	(144,397)
Unrealized gains (losses)	2,184,484	160,782
Program expense	-	-
Investment expense	<u>(75,502)</u>	<u>(68,885)</u>
Board-designated endowment net assets, end of year	<u>\$14,563,366</u>	<u>\$11,790,077</u>

7. Deferred revenue:

For the years ended June 30, 2021 and 2020, the Organization received \$25,923 and \$16,659, 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.

The Organization also incurred \$145,398 and \$135,469 in future event expenses that has been deferred for the years ended June 30, 2021 and 2020, respectively. Deferred event expenses are included in prepaid expenses on the Statements of Financial Position.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

8. Contributions in-kind:

During the years ended June 30, 2021 and 2020, the Organization received the following non-cash contributions:

	<u>2021</u>	<u>2020</u>
Printing services	\$ 5,400	\$ 6,600
Legal services	-	78,663
Donated goods	<u>12,075</u>	<u>-</u>
	<u>\$ 17,475</u>	<u>\$ 85,263</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 printing services and donated goods are reflected as other event expenses, within the Statements of Functional Expenses.

Additionally, the Organization received contributed airtime 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.

9. 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, 2021, the Organization has not exercised their right to reversion.

10. 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.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

11. Liquidity and availability (continued):

Additionally, all of the Organization's investments are held in a board designated endowment fund.

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	\$ 1,697,445	\$ 1,532,722
Investments at fair value	13,558,650	10,825,068
Contributions receivable	<u>-</u>	<u>14,464</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,256,095</u>	<u>\$ 12,372,254</u>

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.

11. Lease commitments:

The Organization has entered into an office lease expiring in August 2023. Approximate future minimum annual rental payments required under the operating lease as of June 30, 2021, are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2022	\$ 35,206
2023	36,076
2024	<u>6,148</u>
Total	<u>\$ 77,430</u>

Rent expense charged to operations for all operating leases totaled approximately \$31,559 and \$36,573, respectively, for the years ended June 30, 2021 and 2020.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

12. Allocation of joint costs:

For the years ended June 30, 2021 and 2020, 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 \$13,805 and \$80,796 of joint costs, for June 30, 2021 and 2020, respectively. Joint costs were allocated as follows:

	<u>2021</u>	<u>2020</u>
Gold Star Program	\$ -	\$ 63,984
Fundraising	<u>13,805</u>	<u>16,812</u>
	<u>\$ 13,805</u>	<u>\$ 80,796</u>

Due to the Covid pandemic, the Organization held the special event, that normally incurs joint costs, virtually. Therefore, the Organization determined that all costs related to the event in the current year were related to fundraising purposes.

13. Special event income:

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Special event revenue for the years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Special event revenue recognized at a point in time:		
Gross special event revenue	400,916	337,804
Less: cost of direct benefits to donors	<u>(21,489)</u>	<u>(32,795)</u>
Net special events revenue	<u>\$ 379,427</u>	<u>\$ 305,009</u>

14. Related party transactions:

For the years ended June 30, 2021 and 2020, the Organization paid \$214,274 and \$196,992, respectively, in compensation and \$19,353 and \$33,252 in benefits to two employees who are related to members of the Board of Directors.

Lead the Way Fund, Inc.

NOTES TO FINANCIAL STATEMENTS

15. Upcoming accounting pronouncement:

In February 2016, FASB released ASU 2016-02, *Leases (ASC 842)*. Under ASU 2016-02, lessees will be required to bring substantially all leases onto their balance sheets by recording a right-of-use asset and lease liability. Expense will be recognized on a straight-line basis for an operating lease. Recognition of expense for a finance lease will be similar to the current treatment of capital leases. As a result of ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, the requirements of ASU 2016-02 are currently effective for the Organization's fiscal year ending June 30, 2023. The Organization is currently evaluating the impact of this pronouncement.

In September 2020, FASB released ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 addresses concerns regarding lack of transparency about how certain gifts-in-kind are valued and used in a not-for-profit organization's programs and activities by requiring more prominent presentation of contributed nonfinancial assets and enhanced disclosures about the valuation of those contributions and their use in programs and other activities. The requirements of ASU 2020-07 are effective for the Organization's fiscal year ending June 30, 2022. The Organization is currently evaluating the impact of this pronouncement.