

PTSD FOUNDATION OF AMERICA

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Years Ended December 31, 2018 and 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
PTSD Foundation of America:

Report on the Financial Statements

We have audited the accompanying financial statements of PTSD Foundation of America (the "Foundation"), a Texas not-for-profit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018 and 2017, 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.

Ham, Langston & Brezina, L.L.P.

Houston, Texas
November 1, 2019

PTSD FOUNDATION OF AMERICA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 2,845,183	\$ 2,388,187
Investments, at fair value	26,717	-
Receivables:		
Contributions receivable	43,996	175,984
Pledges receivable	106,000	320,150
Other receivables	<u>1,608</u>	<u>5,218</u>
Total receivables	<u>151,604</u>	<u>501,352</u>
Prepaid expenses and other assets	-	3,556
Property and equipment, net	<u>3,213,035</u>	<u>3,165,831</u>
Total assets	<u>\$ 6,236,539</u>	<u>\$ 6,058,926</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 44,826	\$ 4,737
Accounts payable to related party	30,462	-
Accrued liabilities	<u>46,997</u>	<u>1,718</u>
Total liabilities	<u>122,285</u>	<u>6,455</u>
Net assets:		
Without donor restrictions	5,890,079	5,723,151
With donor restrictions	<u>244,176</u>	<u>329,320</u>
Total net assets	<u>6,114,255</u>	<u>6,052,471</u>
Total liabilities and net assets	<u>\$ 6,236,539</u>	<u>\$ 6,058,926</u>

The accompanying notes are an integral part of these financial statements.

PTSD FOUNDATION OF AMERICA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Public support:			
Contributions	\$ 3,084,436	\$ 90,590	\$ 3,175,026
In-kind contributions	1,051,784	-	1,051,784
Special events	492,746	-	492,746
Less: direct donor benefits	(124,734)	-	(124,734)
Other income	8,419	-	8,419
Total support and revenues before release of restrictions on net assets	4,512,651	90,590	4,603,241
Net assets released from restrictions	195,734	(195,734)	-
Total revenues and net assets released from restrictions	4,708,385	(105,144)	4,603,241
Expenses:			
Program services:			
Camp Hope	2,894,664	-	2,894,664
Chapters	1,173,307	-	1,173,307
Supporting services:			
Special events	68,854	-	68,854
General and administrative	404,632	-	404,632
Total expenses	4,541,457	-	4,541,457
Changes in net assets	166,928	(105,144)	61,784
Net assets, beginning of year	5,723,151	329,320	6,052,471
Net assets, end of year	\$ 5,890,079	\$ 244,176	\$ 6,114,255

The accompanying notes are an integral part of these financial statements.

PTSD FOUNDATION OF AMERICA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Public support:			
Contributions	\$ 2,442,269	\$ 153,336	\$ 2,595,605
In-kind contributions	1,137,846	-	1,137,846
Special events	341,017	-	341,017
Less: direct donor benefits	(106,585)	-	(106,585)
Other income	10,795	-	10,795
Total support and revenues before release of restrictions on net assets	3,825,342	153,336	3,978,678
Net assets released from restrictions	201,988	(201,988)	-
Total revenues and net assets released from restrictions	4,027,330	(48,652)	3,978,678
Expenses:			
Program services:			
Camp Hope	2,352,907	-	2,352,907
Chapters	670,678	-	670,678
Supporting services:			
Special events	73,388	-	73,388
General and administrative	409,068	-	409,068
Total expenses	3,506,041	-	3,506,041
Changes in net assets	521,289	(48,652)	472,637
Net assets, beginning of year	5,201,862	377,972	5,579,834
Net assets, end of year	\$ 5,723,151	\$ 329,320	\$ 6,052,471

The accompanying notes are an integral part of these financial statements.

PTSD FOUNDATION OF AMERICA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				
	Program		Special Events	General and Administrative	Total
	Camp Hope	Chapters			
Payroll	\$ 1,151,877	\$ 1,066,390	\$ -	\$ 215,807	\$ 2,434,074
Resident services and supplies	712,433	37,349	-	-	749,782
Public awareness	330,686	-	44,685	-	375,371
Depreciation expense	201,536	-	-	3,600	205,136
Rent and facility fees	139,488	-	4,000	-	143,488
Repairs and maintenance	88,984	432	-	28,915	118,331
Utilities	85,900	7,112	-	1,900	94,912
Insurance	77,155	-	-	1,706	78,861
Supplies and materials	-	29,817	-	66,036	95,853
Contract labor and services	40,734	13,033	17,540	-	71,307
Grants and awards	45,949	-	-	-	45,949
Travel	9,649	11,094	2,629	13,861	37,233
Staff development	-	-	-	29,867	29,867
Bank and other fees	-	-	-	16,628	16,628
Accounting	-	-	-	11,275	11,275
Books and manuals	8,581	-	-	-	8,581
Shipping	-	4,006	-	7,331	11,337
Other	-	2,472	-	5,946	8,418
Legal	-	-	-	1,760	1,760
Meals and entertainment	1,692	1,602	-	-	3,294
Total expenses	\$ 2,894,664	\$ 1,173,307	\$ 68,854	\$ 404,632	\$ 4,541,457

	2017				
	Program		Special Events	General and Administrative	Total
	Camp Hope	Chapters			
Payroll	\$ 858,417	\$ 602,000	\$ -	\$ 58,823	\$ 1,519,240
Resident services and supplies	535,370	14,637	-	-	550,007
Public awareness	198,714	490	42,461	-	241,665
Depreciation expense	191,335	-	-	3,600	194,935
Rent and facility fees	139,488	15,580	25,000	-	180,068
Repairs and maintenance	126,549	4,238	-	9,227	140,014
Utilities	87,591	8,040	-	1,937	97,568
Insurance	94,745	295	-	2,095	97,135
Supplies and materials	-	4,907	-	250,642	225,549
Contract labor and services	67,422	9,685	5,462	21,593	104,162
Grants and awards	16,707	-	-	-	16,707
Travel	8,372	5,663	465	9,110	23,610
Staff development	-	-	-	20,862	20,862
Bank and other fees	-	-	-	13,165	13,165
Accounting	-	-	-	9,665	9,665
Books and manuals	27,492	109	-	-	27,601
Shipping	-	3,217	-	4,272	7,489
Other	-	1,237	-	3,989	5,226
Legal	-	-	-	88	88
Meals and entertainment	705	580	-	-	1,285
Total expenses	\$ 2,352,907	\$ 670,678	\$ 73,388	\$ 409,068	\$ 3,506,041

The accompanying notes are an integral part of these financial statements.

PTSD FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 61,784	\$ 472,637
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	205,136	194,935
Net unrealized loss on investments	434	-
Non-cash contributions	(189,482)	(180,186)
Non-cash donations	25,405	-
Change in receivables	349,748	(157,797)
Change in prepaid expenses and other assets	3,556	13,358
Change in accounts payable and accrued expenses	<u>115,830</u>	<u>(8,318)</u>
Net cash provided by operating activities	<u>572,411</u>	<u>334,629</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(115,415)</u>	<u>(113,346)</u>
Net cash used in investing activities	<u>(115,415)</u>	<u>(113,346)</u>
Net increase in cash and cash equivalents	456,996	221,283
Cash and cash equivalents, beginning of year	<u>2,388,187</u>	<u>2,166,904</u>
Cash and cash equivalents, end of year	<u>\$ 2,845,183</u>	<u>\$ 2,388,187</u>

The accompanying notes are an integral part of these financial statements.

PTSD FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

1. Organization and Nature of Operations

PTSD Foundation of America (the "Foundation") is a not-for-profit corporation formed in the state of Texas. The purpose of the Foundation is to provide counseling and interim housing for combat veterans who suffer from post-traumatic stress disorder ("PTSD"). The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

The Foundation seeks to provide counseling for Active Duty, Reserves, and National Guard veterans and their families through pastoral counseling and peer mentoring on an individual basis and in group settings. This is accomplished primarily through the Camp Hope program, which allows veterans and their immediate family members to find healing, help and hope while benefiting from an intensive peer support and mentoring program for PTSD. In addition to temporary housing, Camp Hope offers a 90+ day PTSD recovery program in which residents attend group lessons and support sessions with other combat veterans, conduct individual mentoring sessions with certified combat trauma members, participate in off-site small group interaction activities, and get involved with local churches, businesses and volunteer organizations to assist in their personal healing and spread awareness regarding combat trauma.

In addition to the Camp Hope program, the Foundation establishes support groups, known as "Warrior Groups", and conducts peer coaching, with the assistance of local churches, volunteers, and other organizations, to help combat veterans find healing, balance and positive re-integration with their families and in society. Warrior Groups are established primarily in the Houston area. The Foundation has established chapters in North Carolina, South Carolina, Arizona, Washington, Colorado, Alabama, California, Georgia, and Oregon, as well as several other locations in Texas. Such chapters provide similar assistance to combat veterans as the assistance provided by the Warrior Groups in the Houston area.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and follows the guidance of the Financial Accounting Standards Board ("FASB") related to financial statements of not-for-profit organizations. Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Foundation and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Foundation had net assets without donor restrictions of \$5,890,078 and \$5,723,151 as of December 31, 2018 and 2017, respectively.
- Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Net assets with donor-imposed restrictions include net assets that are either (i) restricted until the donor-imposed stipulation has been met through the passage of time and/or by actions of the Board of Directors, or (ii) expected to be maintained in perpetuity. When a purpose restriction is accomplished or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions. The Foundation had net assets with donor restrictions of \$224,176 and \$329,320 as of December 31, 2018 and 2017, respectively.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash held in demand deposits and cash on hand.

Investments and Investment Income

The Foundation's investments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized and realized gains and losses on investments, dividends and interest income are reported in the Statements of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions or by law.

PTSD FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

Fair value estimates of financial instruments are based on relevant market information and may be subjective in nature and involve uncertainties and matters of significant judgment. The Foundation believes that the carrying value of its assets and liabilities approximates the fair value of such items. The Foundation does not hold or issue financial instruments for trading purposes.

Pledges Receivable

Pledges receivable are recognized when the donor makes a pledge to give to the Foundation that is, in substance, unconditional. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows.

Property and Equipment

Property and equipment are recorded at historical cost and/or the fair value of the assets contributed. Cost of the asset includes those capital expenditures for additions, improvements, and betterments, which significantly add to the production capacity, improve the efficiency of the assets or lengthen their useful lives. Normal or recurring expenditures for repair and maintenance and capital expenditures of insignificant amounts are expensed when incurred. Property and equipment, which are retired or otherwise disposed of, are removed from their respective asset accounts together with the related accumulated depreciation.

Depreciation is determined by the rates considered sufficient to allocate the cost of the assets over their estimated useful lives using the straight-line method. Leasehold improvements are depreciated over the lesser of the lease period or their estimated useful life. The estimated useful lives of significant assets are as follows:

Land improvements	20 years
Buildings	20 years
Furniture and fixtures	10 years
Office equipment	10 years
Vehicles	10 years
Leasehold improvements	3 years

Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Foundation first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent the carrying value exceeds its fair value. No impairment on long-lived assets was recognized for the years ended December 31, 2018 and 2017. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amount or their fair value less costs to sell and are not depreciated.

Contributions

Contributions are reported as contributions without donor-imposed restrictions or contributions with donor-imposed restrictions. Unconditional contributions, if any, are recorded at their fair market value in the period in which the Foundation was notified of the intent of the contribution. Conditional contributions are not included in contributions until such time as the conditions are substantially met. Expirations of restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the Statements of Activities and Changes in Net Assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions.

PTSD FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Contributed Services

Certain of the Foundation's directors and other community volunteers contribute their time to support the Foundation's programs. In accordance with FASB Accounting Standards Codification Topic 958-605, *Not-for-Profit-Entities – Accounting for Contributions Received and Contributions Made*, the Foundation recognizes contributed services at their estimated fair value if the services received (i) create or enhance a non-financial asset or (ii) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods that can be used internally for program purposes by the Foundation are recognized at fair value as of the date of donation.

For the years ended December 31, 2018 and 2017, volunteers provided approximately 3,656 and 3,620 hours of service, respectively, for which no value has been assigned. On occasion, supporters of the Foundation's programs provide goods or services directly to residents of Camp Hope to assist them or their families. Such contributions cannot be reasonably estimated and are not included in these financial statements.

Federal Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC. Form 990 is required to be filed with the Internal Revenue Service ("IRS") annually.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, costs that cannot be directly identified with a specific program or other activity are charged to the Camp Hope and Chapter programs and various supporting services based on management's estimates of time incurred, square footage of buildings, or other reasonable measure of usage. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Public Awareness Expenses

The Foundation expenses public awareness expenses as they are incurred. For the years ended December 31, 2018 and 2017, the Foundation recorded cash and in-kind public awareness expenses of \$375,371 and \$241,665, respectively.

Use of Estimates

The preparation of the Foundation's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the allocation of expenses among various programs. Actual results could differ from those estimates. The Foundation's management believes that the estimates made in connection with these financial statements are reasonable.

Concentrations

At times during the year, the Foundation maintained cash deposits in excess of the federally insured limit. The Foundation has not incurred any losses on such deposits and management believes that credit risk associated with these deposits is minimal.

Approximately 81% and 87% of the Foundation's contributions during the years ended December 31, 2018 and 2017, respectively, are received from donors in Texas.

Reclassifications

Certain items have been reclassified in the 2017 financial statements to conform to the 2018 presentation. Such reclassifications had no effect on the Foundation's net assets, changes in net assets or cash flows.

PTSD FOUNDATION OF AMERICA NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required than under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU No. 2014-09 recognized at the date of adoption (which includes additional footnote disclosures).

In July 2015, the FASB issued ASU No. 2015-14 which delayed the effective date of ASU No. 2014-09 by one year (effective for annual periods beginning after December 15, 2018). Management does not anticipate that the standard will have a material impact on the financial statements or footnote disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, to improve the financial reporting of leasing transactions. Under current guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This update will require the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use asset in the income statement and the repayment of the principal portion of the lease liability will be classified as a financing activity in the statement of cash flows while the interest component will be included in the operating activities in the statement of cash flows. ASU 2016-02 is effective for reporting periods beginning after December 15, 2018 for public entities and reporting periods beginning after December 15, 2019 for private entities and not-for-profits. However, in August 2019, the FASB approved the delay of this standard for one year and will now be effective for private companies and not-for-profits for annual reporting periods beginning after December 15, 2020. Early adoption is permitted. Upon adoption, leases will be recognized and measured at the beginning of the earliest period presented using a modified retrospective approach. Management is currently evaluating the effect of adoption of this ASU on the financial statements and related footnotes.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about the resources (and the changes in those resources) to donors, grantors, creditors and other users. The changes include more qualitative and quantitative requirements for net asset classes, investment return, expenses and liquidity and availability of resources. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and should be applied on a retrospective basis. The adoption of ASU No. 2016-14 is reflected through the classification of net assets in two groups (i.e., net assets with donor restrictions and net assets without donor restrictions) based on the existence or absence of donor-imposed restrictions, as well as more qualitative and quantitative requirements about its liquidity, financial performance and cash flows (see Note 10).

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 assist entities in (i) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (ii) determining whether a contribution is conditional. ASU No. 2018-08 will be effective for annual financial statements beginning after December 15, 2018. Management does not anticipate that the adoption of this ASU will have a material impact on the financial statements.

PTSD FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which is part of the FASB disclosure framework project to improve the effectiveness of disclosures in the notes to the financial statements. The amendments in the new guidance remove, modify and add certain disclosure requirements related to fair value measurements covered in FASB Accounting Standards Codification Topic 820 (“ASC 820”) *Fair Value Measurements and Disclosures*. The new standard is effective for Plan years beginning after December 15, 2019. Early adoption is permitted for either the entire standard or only the requirements that modify or eliminate the disclosure requirements, with certain requirements applied prospectively, and all other requirements applied retrospectively to all periods presented. Management does not expect the adoption of ASU No. 2018-13 to have a significant impact on the financial statements.

3. Fair Value Measurements

ASC 820 establishes a framework for measuring fair value. That framework provides a 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining fair value, the Foundation uses the market approach which uses quoted prices and other relevant data based on market transactions involving identical or comparable assets and liabilities.

Following is a description of the valuation methodology used for investment assets and liabilities measured at fair value.

Common stock – Valued at the closing price of the stock as reported by the market on which the securities are traded. (Market approach)

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

**PTSD FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS**

3. Fair Value Measurements, continued

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis as of December 31, 2018:

	Investment Assets at Fair Value at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 26,717	\$ -	\$ -	\$ 26,717
Total	\$ 26,717	\$ -	\$ -	\$ 26,717

4. Pledges Receivable

Pledges receivable at December 31, 2018 and 2017 consisted of \$106,000 and \$320,150, respectively, all of which are receivable in less than one year.

5. Property and Equipment

At December 31, 2018 and 2017, property and equipment consisted of:

	2018	2017
Land	\$ 200,000	\$ 200,000
Land improvements	178,927	170,165
Buildings	2,785,842	2,639,905
Furniture and fixtures	329,805	333,570
Vehicles	281,396	193,293
Construction in progress	168,988	173,380
Leasehold improvements	15,330	15,330
Office equipment	1,103	1,103
Total property and equipment	3,961,391	3,726,746
Less: accumulated depreciation	(748,356)	(560,915)
Total	\$ 3,213,035	\$ 3,165,831

Depreciation expense for the years ended December 31, 2018 and 2017 was \$205,136 and \$194,935, respectively.

During the year ended December 31, 2018, vehicles totaling approximately \$118,103 were donated to the Foundation. Additionally, buildings and improvements totaling \$34,897 and furniture and fixtures totaling \$9,330 were donated to the Foundation during the year ended December 31, 2018. Approximately \$25,405 of donated vehicles and furniture and fixtures were granted to veterans and/or residents of Camp Hope during the year ended December 31, 2018.

6. In-kind Contributions

For the years ended December 31, 2018 and 2017, the Foundation recognized in-kind contributions of goods and services, including supplies and materials, advertising, labor, rent, and repairs and maintenance. In-kind contributions that can be used by the Foundation for program or other activities are recognized as contributions revenue with a corresponding expense in the applicable program or supporting activity in the accompanying Statements of Activities and Changes in Net Assets.

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6. In-kind Contributions, continued

In-kind contributions that create or enhance a non-financial asset (e.g., property and equipment) are recognized as contributions revenue with a corresponding increase in the non-financial asset. The following is a summary of in-kind contributions for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Property and equipment	\$ 127,433	\$ 92,091
Contract labor	-	84,278
Services	129,767	312,702
Materials	<u>794,584</u>	<u>648,775</u>
Total	<u>\$ 1,051,784</u>	<u>\$ 1,137,846</u>

7. Related Party Transactions

The Foundation was allowed to use the facilities and equipment of a company owned by the Foundation's Founder and President at no charge during 2017. The value of the use of the facilities and equipment is impractical to determine, and the fair market value of this in-kind contribution has not been recorded. This company also paid salaries to certain individuals who spend a significant amount of time working for the Foundation. Accordingly, the Foundation recorded in-kind contributions and contract labor expense of \$84,278 for the year ended December 31, 2017 in the accompanying Statements of Activities and Changes in Net Assets.

Board members of the Foundation made cash contributions of \$1,000 and \$30,650 during the years ended December 31, 2018 and 2017, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 consist of cash contributions received during 2018 designated to fund the construction of additional facilities on the Foundation's property, in-kind contributions of rent received during 2016 (see Note 9), and contributions received during 2018 designated to fund an event to be held by the Foundation during 2019.

Net assets with donor restrictions as of December 31, 2017 consist of cash contributions received during 2017 designated to fund the construction of additional facilities on the Foundation's property, as well as in-kind contributions of rent received during 2016 (see Note 9).

9. Leases

The Foundation leases a building in San Antonio, Texas under a non-cancelable lease agreement. In April 2019, the lease agreement was amended to extend the lease term for one year ending April 2020, subject to certain conditions. Under the terms of the lease agreement, the Foundation shall pay \$1 per month until expiration. The fair rental value of similar property in the area was determined by management to approximate \$11,000 per month.

The excess of the fair rental value over the cost to the Foundation attributable to future periods was recorded as an in-kind contribution with donor-imposed restriction, with a corresponding contribution receivable. The net assets with donor-imposed restrictions will be released over the life of the lease as the expense is incurred. During the years ended December 31, 2018 and 2017, a total of \$131,988 of net assets with donor-imposed restrictions relating to the in-kind rent contribution was released and are included in net assets without donor-imposed restrictions in the accompanying Statements of Activities and Changes in Net Assets.

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10. Liquidity

The following reflects the Foundation's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date. Amounts available include amounts restricted for a donor specified purpose.

	2018	2017
Financial assets, at year-end	\$ 3,023,504	\$ 2,889,539
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(224,176)	(329,320)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,799,328	\$ 2,560,219

The Foundation is not substantially supported by contributions with donor-imposed restrictions. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

11. Subsequent Events

The Foundation's management has evaluated subsequent events through November 1, 2019, which is the date the financial statements were available to be issued, and has concluded that there were no significant events to be reported.