



LIVING ON THE EDGE WITH CHIP INGRAM,
INC.

Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Living on the Edge with Chip Ingram, Inc.
Suwanee, Georgia

We have audited the accompanying financial statements of Living on the Edge with Chip Ingram, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Auditors' 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 auditors' 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.

Board of Directors
Living on the Edge with Chip Ingram, Inc.
Suwanee, Georgia

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Living on the Edge with Chip Ingram, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Living on the Edge with Chip Ingram, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Lawrenceville, Georgia
August 16, 2019

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Statements of Financial Position

	December 31,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 2,521,826	\$ 2,898,199
Investments	1,568,792	1,714,353
Inventories–net	179,036	178,502
Other assets	76,898	297,458
Property and equipment–net	403,347	422,019
Total Assets	\$ 4,749,899	\$ 5,510,531
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 401,372	\$ 451,715
Net assets:		
Without donor restrictions:		
Undesignated	3,945,180	4,382,268
Equity in property and equipment	403,347	422,019
	4,348,527	4,804,287
With donor restrictions	-	254,529
	4,348,527	5,058,816
Total Liabilities and Net Assets	\$ 4,749,899	\$ 5,510,531

See notes to financial statements

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Statements of Activities

	Year Ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Support:						
Contributions	\$ 7,161,140	\$ 127,050	\$ 7,288,190	\$ 6,385,154	\$ 280,380	\$ 6,665,534
Gifts-in-kind	12,558	-	12,558	321,823	-	321,823
	<u>7,173,698</u>	<u>127,050</u>	<u>7,300,748</u>	<u>6,706,977</u>	<u>280,380</u>	<u>6,987,357</u>
Revenue:						
Product sales and fees	899,631	-	899,631	1,024,339	-	1,024,339
Investment income (loss)	(65,939)	-	(65,939)	38,833	-	38,833
Other income	11,634	-	11,634	19,260	-	19,260
Total Support and Revenue	<u>8,019,024</u>	<u>127,050</u>	<u>8,146,074</u>	<u>7,789,409</u>	<u>280,380</u>	<u>8,069,789</u>
RECLASSIFICATIONS:						
Expiration of time restrictions	200,000	(200,000)	-	-	-	-
Satisfaction of purpose restrictions	181,579	(181,579)	-	164,087	(164,087)	-
	<u>381,579</u>	<u>(381,579)</u>	<u>-</u>	<u>164,087</u>	<u>(164,087)</u>	<u>-</u>
EXPENSES:						
Program services	7,106,105	-	7,106,105	5,858,707	-	5,858,707
Supporting activities:						
General and administrative	775,716	-	775,716	627,391	-	627,391
Fundraising	974,542	-	974,542	878,006	-	878,006
	<u>1,750,258</u>	<u>-</u>	<u>1,750,258</u>	<u>1,505,397</u>	<u>-</u>	<u>1,505,397</u>
Total Expenses	<u>8,856,363</u>	<u>-</u>	<u>8,856,363</u>	<u>7,364,104</u>	<u>-</u>	<u>7,364,104</u>
Change in Net Assets	(455,760)	(254,529)	(710,289)	589,392	116,293	705,685
Net Assets, Beginning of Year	4,804,287	254,529	5,058,816	4,214,895	138,236	4,353,131
Net Assets, End of Year	<u>\$ 4,348,527</u>	<u>\$ -</u>	<u>\$ 4,348,527</u>	<u>\$ 4,804,287</u>	<u>\$ 254,529</u>	<u>\$ 5,058,816</u>

See notes to financial statements

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Statement of Functional Expenses

Year Ended December 31, 2018

	Supporting Activities			Total Supporting Activities	Total Expenses
	Program Services	General and Administrative	Fundraising		
Payroll and benefits	\$ 2,164,691	\$ 364,023	\$ 327,885	\$ 691,908	\$ 2,856,599
Professional fees	138,964	54,967	64,000	118,967	257,931
Advertising and promotion	87,510	-	-	-	87,510
Office expenses	138,034	215,730	96,099	311,829	449,863
Information technology	387,699	47,851	7,784	55,635	443,334
Royalties	17,514	-	-	-	17,514
Occupancy	66,603	13,822	10,800	24,622	91,225
Travel and entertainment	167,547	35,255	116,803	152,058	319,605
Conferences and meetings	263,009	8,401	338,406	346,807	609,816
Depreciation	63,827	8,510	12,765	21,276	85,103
Insurance	-	27,157	-	27,157	27,157
Broadcasting	1,180,489	-	-	-	1,180,489
Training and education	1,425,138	-	-	-	1,425,138
Product development	509,973	-	-	-	509,973
Cost of goods sold	495,106	-	-	-	495,106
	\$ 7,106,105	\$ 775,716	\$ 974,542	\$ 1,750,258	\$ 8,856,363

See notes to financial statements

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Statement of Functional Expenses

Year Ended December 31, 2017

	Supporting Activities			Total Supporting Activities	Total Expenses
	Program Services	General and Administrative	Fundraising		
Payroll and benefits	\$ 1,688,460	\$ 302,093	\$ 252,501	\$ 554,594	\$ 2,243,054
Professional fees	268,718	35,878	41,200	77,078	345,796
Advertising and promotion	132,128	-	1,198	1,198	133,326
Office expenses	108,549	179,977	123,503	303,480	412,029
Information technology	362,299	37,598	8,317	45,914	408,213
Royalties	8,989	-	-	-	8,989
Occupancy	69,769	13,680	11,314	24,994	94,763
Travel and entertainment	122,430	16,112	91,577	107,689	230,119
Conferences and meetings	10,669	6,624	335,673	342,297	352,966
Depreciation	63,617	8,482	12,723	21,206	84,822
Insurance	-	26,948	-	26,948	26,948
Broadcasting	1,081,206	-	-	-	1,081,206
Training and education	630,322	-	-	-	630,322
Product development	659,966	-	-	-	659,966
Cost of goods sold	651,585	-	-	-	651,585
	\$ 5,858,707	\$ 627,391	\$ 878,006	\$ 1,505,397	\$ 7,364,104

See notes to financial statements

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (710,289)	\$ 705,685
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	85,103	84,822
Realized and unrealized losses	116,551	302
Changes in operating assets and liabilities:		
Inventories	(534)	(36,165)
Other assets	220,560	35,097
Accounts payable and accrued expenses	(50,343)	(33,600)
Net Cash Provided (Used) by Operating Activities	(338,952)	756,141
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(66,431)	(194,915)
Purchases of investments	(19,796)	(21,702)
Proceeds from sales of investments	48,806	114,697
Net Cash Used by Investing Activities	(37,421)	(101,920)
Net Change in Cash and Cash Equivalents	(376,373)	654,221
Cash and Cash Equivalents, Beginning of Year	2,898,199	2,243,978
Cash and Cash Equivalents, End of Year	\$ 2,521,826	\$ 2,898,199

See notes to financial statements

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION:

Living on the Edge with Chip Ingram, Inc. (LOTE) was incorporated under the Nonprofit Corporation Act of the state of California on June 2, 2002. LOTE is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. LOTE has been classified as a public charity, which is not a private foundation under Section 170(b)(1)(A)(vi) of the Code. LOTE exists to help Christians live like Christians. Founded by pastor and author Chip Ingram, LOTE provides Biblical teaching and practical tools that help believers live out their faith on a daily basis by fulfilling God's calling on their life. LOTE fulfills its mission by:

Practical teaching—over 1 million people a week watch, listen, or stream the Biblical teaching of LOTE. Chip is heard on 900 radio outlets throughout the U.S. and LOTE TV is broadcast on NRB-TV and numerous overseas outlets. LOTE's largest growth by far is in digital listeners, with an average of 24,000 daily users listening online via the Web and podcasts.

Life-changing tools—the Biblical, life-changing resources created by LOTE equip everyday believers to live out their faith in truly transformational ways. To date, over 1.4 million people have experienced a LOTE group study. All resources are aimed at helping people move from being spiritual spectators to actively engaging their faith every day.

Spiritual training—with an online community of just over 2 million people, LivingontheEdge.org and r12 Online deliver Biblical truth and discipleship resources that help people grow in their relationship with God and each other. LOTE's free online resources are easy to find and share, and help people apply God's truth to their lives in practical, transformational ways.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

LOTE considers cash and cash equivalents to be cash held in checking and money market accounts with original maturities of less than 90 days. While deposits may be in excess of federally insured limits, LOTE has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2018 and 2017, cash balances in excess of federally insured limits totaled \$1,041,163 and \$1,446,896, respectively.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all debt securities are recorded at fair market value based on the last reported sales price on the valuation date. Investments in limited partnerships consist of interests in limited partnerships whose purpose is to invest in a diversified group of investment entities, primarily in limited partnerships and limited liability company interests, that engage in a variety of investment strategies, managed by money managers. Donated investments are recorded at market value at the date of donation and thereafter carried in conformity with the stated policy. Realized and unrealized gains and losses on marketable securities and other investments are included in investment income (loss) in the accompanying statements of activities.

Alternative investments have been stated at fair values based on LOTE's share of net asset values derived from the values of the underlying investments as reported by the fund managers or general partners of the private limited partnerships. Management obtains and considers the most recent audited financial statements of such investment when evaluating the overall reasonableness of carrying value. Management believes this method provides a reasonable estimate of fair value. Due to the inherent uncertainty of valuation of investments in limited partnerships/limited liability company interests, the estimated values may differ significantly from the values that would have been used had a ready market for the limited partnerships/limited liability company interests existed.

INVENTORIES—NET

Inventories are stated at the lower of cost (based on the first-in, first-out (FIFO) basis) or net realizable value and consists of ministry resource materials such as books, compact discs, and digital video discs. Management has determined the allowance for obsolescence by reviewing product sales history and current market performance. Special consideration is given to products that are new or deemed by management to be long-lived. Actual losses are recorded as a charge to the allowance as incurred, and additions to the allowance are charged to cost of goods sold.

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OTHER ASSETS

Other assets consists of various assets; accounts receivable, as well as prepaid expenses and other miscellaneous deposits.

Accounts receivable consists primarily of amounts due LOTE for product sales. Accounts receivable become past due when they exceed their contractual due dates, usually 30 to 90 days from the date of sale. The allowance for doubtful accounts receivable is maintained at a level that, in management's judgment, is adequate to absorb probable losses. The amount is based upon an analysis of overall trade receivables by management. Management's evaluation of the allowance for doubtful accounts includes, but is not limited to, the historical experience of payment patterns from the customer, financial condition of the customer, other known facts and circumstances, and general economic conditions. This process is based on estimates and ultimate loss may vary from current estimates. LOTE does not assess finance charges against accounts receivable that are past due. As of December 31, 2018 and 2017, no allowance for doubtful accounts receivable has been recorded, as management is of the opinion that all accounts receivable are fully collectible.

PROPERTY AND EQUIPMENT—NET

Items capitalized as property and equipment are stated at cost or, if donated, at market value on the date of donation. LOTE generally capitalizes and reports property and equipment acquisitions in excess of \$2,000. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

Nets assets without donor restrictions are currently available for ministry purposes under the direction of the board, designated by the board for specific use, or resources invested in property and equipment.

Net assets with donor restrictions are currently contributed with donor stipulations for specific operating purposes or programs, time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES

Product sales are recognized when goods are shipped to customers. All other non-contribution revenues are recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to LOTE. All contributions are considered available for use without donor restrictions, unless specifically restricted by the donor or subject to legal restrictions.

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, RECLASSIFICATIONS, AND EXPENSES, continued

LOTE reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications.

Gifts-in-kind include contributions of noncash items. Gifts-in-kind that can be used or sold are measured at fair value.

LOTE reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, LOTE reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses, including promotion and marketing expenses of \$87,510 and \$133,326 incurred for the years ended December 31, 2018 and 2017, respectively, are reported when costs are incurred. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of LOTE. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses include salaries and benefits, depreciation, facilities operations, and other expenses. Depreciation is allocated based on square footage and the programmatic purpose of the asset being depreciated. Costs of other categories were allocated based on programmatic purpose of the employees directly affected by the expense.

INTENTIONS TO GIVE

LOTE receives indications of intent to support the ministry that are commitments to provide monthly, quarterly, or annual gifts of a specified amount. These commitments are subject to unilateral change by the donor. The commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

RECENTLY ISSUED ACCOUNTING STANDARD

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. LOTE adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 3), and disclosures related to functional allocation of expenses were expanded (see Note 2).

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects LOTE's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. LOTE considers general expenditures to be all expenditures related to its ongoing activities of helping Christians live like Christians providing Biblical teaching and practical tools that help believers live out their faith as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets:		
Cash and cash equivalents		\$ 2,521,826
Accounts receivables		2,331
Investments		<u>1,568,792</u>
Financial assets available to meet cash needs for general expenditures within one year		<u><u>\$ 4,092,949</u></u>

As part of the LOTE'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.

4. INVESTMENTS:

Investments reported at fair value consists of:

		December 31,	
		<u>2018</u>	<u>2017</u>
Exchange-traded funds		\$ 692,557	\$ 905,255
Mutual funds		791,808	620,975
		<u>1,484,365</u>	<u>1,526,230</u>
Alternative investments:	<u># of funds</u>		
Hedge funds (fund of funds in various strategies)	2	62,272	159,918
Private equity (distressed, buyout, venture capital)	1	22,155	28,205
		<u>\$ 1,568,792</u>	<u>\$ 1,714,353</u>

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

5. INVENTORIES–NET:

Inventories–net, consists of the following:

	December 31,	
	2018	2017
Resource materials	\$ 196,759	\$ 196,225
Reserve for excess and obsolete items	(17,723)	(17,723)
	\$ 179,036	\$ 178,502

6. OTHER ASSETS:

Other assets consists of:

	December 31,	
	2018	2017
Promises to give	\$ -	\$ 200,000
Prepaid expenses and other miscellaneous deposits	74,567	72,226
Accounts receivable	2,331	25,232
	\$ 76,898	\$ 297,458

7. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consists of:

	December 31,	
	2018	2017
Office equipment and furniture	\$ 551,790	\$ 468,937
Production and recording equipment	156,060	185,323
Website and television application	256,790	256,790
	964,640	911,050
Less accumulated depreciation	(561,293)	(514,552)
	403,347	396,498
Work in process	-	25,521
	\$ 403,347	\$ 422,019

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	December 31,	
	2018	2017
Pledges receivable	\$ -	\$ 200,000
Middle East project	-	54,273
Other	-	256
	<u>\$ -</u>	<u>\$ 254,529</u>

9. EMPLOYEE BENEFIT PLAN:

LOTE offers its employees the opportunity to participate in a Section 403(b) retirement plan (the Plan). The Plan allows voluntary employee contributions and includes employer matching contributions equal to the participants contribution but not to exceed 3% of compensation based on staff position. For the years ended December 31, 2018 and 2017, LOTE made contributions of \$84,459 and \$65,590, respectively, to the Plan.

10. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASE

LOTE leases office space pursuant to non-cancelable operating lease agreements. Rental and lease expenses totaled \$90,004 and \$94,283 for the years ended December 31, 2018 and 2017, respectively. LOTE recognizes rent expense for operating leases with rent escalation clauses on a straight-line basis over the applicable lease term.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2018, are as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2019	\$ 144,912
2020	137,736
2021	52,424
	<u>\$ 335,071</u>

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

10. COMMITMENTS AND CONTINGENCIES, continued:

ALTERNATIVE INVESTMENT UNFUNDED COMMITMENTS

LOTE is obligated under certain investment fund agreements to periodically advance funding up to certain levels specified in each agreement upon the request of the general partner. At both December 31, 2018 and 2017, LOTE had unfunded commitments of \$123,750 and \$20,485, respectively.

OTHER COMMITMENTS

As of December 31, 2018 and 2017, LOTE has entered into commitments for inventory purchasing agreements, which have a cost of approximately \$46,000 and \$55,000, respectively.

11. FAIR VALUE MEASUREMENTS:

FASB ASC topic 820, *Fair Value Measurements and Disclosure*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 consists of unobservable inputs in which there is little or no market data, which requires LOTE to develop its own assumptions. LOTE uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, LOTE measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. There were no changes in methods or assumptions from prior year.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

11. FAIR VALUE MEASUREMENTS, continued:

Fair Value Measurements at				
December 31, 2018				
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds:				
Bond funds	\$ 791,808	\$ 791,808	\$ -	\$ -
Exchange-traded fund	692,557	692,557	-	-
	1,484,365	\$ 1,484,365	\$ -	\$ -
Alternative investments, measured at net asset value:				
Hedge funds	62,272			
Private equity	22,155			
	\$ 1,568,792			
Fair Value Measurements at				
December 31, 2017				
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds:				
Bond funds	\$ 620,975	620,975	-	-
Exchange-traded fund	905,255	905,255	-	-
	1,526,230	\$ 1,526,230	\$ -	\$ -
Alternative investments, measured at net asset value:				
Hedge funds	159,918			
Private equity	28,205			
	\$ 1,714,353			

LIVING ON THE EDGE WITH CHIP INGRAM, INC.

Notes to Financial Statements

December 31, 2018 and 2017

11. FAIR VALUE MEASUREMENTS, continued:

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Mutual funds and exchange-traded funds: the fair value of these financial instruments is based upon quoted market prices or dealer quotes in an open market.

Alternative investments: based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. Alternative investments include private equity funds and hedge funds. Management uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. LOTE's investments in limited partnerships are valued using NAV per share and consists of futures interest trading accounts which uses a trend following strategy.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the period. For the years ended December 31, 2018 and 2017, there were no transfers in or out of Levels 1, 2, or 3.

12. RELATED PARTIES:

At December 31, 2018 and 2017, cash and cash equivalents and investments totaling \$1,504,939 and \$1,557,398, respectively, were held at an investment company where a board member is employed. The board member manages the funds with oversight by LOTE's president and the board's finance committee.

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 16, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.