

LUKE'S WINGS, INC.

**Financial Statements and
Independent Auditors' Report**

Year Ended December 31, 2011

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Independent Auditors' Report

To the Board of Directors
Luke's Wings, Inc.
Rockville, Maryland

We have audited the accompanying statement of financial position of Luke's Wings, Inc. (a nonprofit organization) as of December 31, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Luke's Wings, Inc. as of December 31, 2011, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lively, Ostrye & Worch, P.C.

Lively, Ostrye & Worch, P.C.
Kensington, Maryland

July 31, 2012

LUKE'S WINGS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2011

ASSETS

	<u>2011</u>
Assets	
Cash and Cash Equivalents	\$ 672,153
Pledges Receivable	<u>58,117</u>
Total Assets	<u>\$ 730,270</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts Payable	<u>\$ 37,022</u>
Net Assets	
Unrestricted	<u>693,248</u>
Total Liabilities and Net Assets	<u>\$ 730,270</u>

See accompanying notes and independent auditors' report.

LUKE'S WINGS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	Unrestricted
REVENUES	
Contributions	\$ 854,922
Proceeds from Fundraising Events	98,416
Net Proceeds from Grants	7,639
TOTAL REVENUES	960,976
EXPENSES	
Program Services	
Transportation	123,409
Supporting Services	
Management and General	25,573
Fundraising	109,231
TOTAL EXPENSES	258,212
CHANGE IN NET ASSETS	702,764
NET ASSETS BEGINNING OF YEAR	(9,516)
NET ASSETS AT END OF YEAR	\$ 693,248

See accompanying notes and independent auditors' report.

LUKE'S WINGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Program		Supporting Services		Total Expenses
	Services		Management and General	Fundraising	
	Providing Transportation				
Travel and Transportation	\$ 75,656	\$ 1,045	\$ 1,045		\$ 77,745
Salaries and payroll taxes	38,346	2,397	7,190		47,933
Fringe benefits	3,549	222	665		4,436
Fund Raising Events	-	-	43,717		43,717
In-Kind Contributions	-	-	-		-
Advertising	-	-	22,319		22,319
Internet cash processing fees	-	2,005	18,042		20,047
Commissions	-	-	5,942		5,942
Professional Fees	-	8,131	-		8,131
Local Travel	-	2,116	705		2,822
Telephone	-	2,536	845		3,381
Shipping and Postage	2,287	286	286		2,859
Office and Supplies	932	1,864	1,864		4,659
Meeting and Meals	-	692	2,076		2,768
Website	2,638	1,525	2,638		6,801
Printing	-	632	1,895		2,527
Insurance	-	1,075	-		1,075
Bank Fees	-	1,029	-		1,029
Miscellaneous	-	20	-		20
Total Expenses	\$ 123,409	\$ 25,573	\$ 109,231		\$ 258,212

See accompanying notes and independent auditors' report.

LUKE'S WINGS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 702,764
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
(Increase) Decrease in Operating Assets	
Pledges Receivable	(58,107)
Increase (Decrease) in Operating Liabilities	
Accounts Payable	<u>24,099</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>668,756</u>
NET INCREASE IN CASH	668,756
CASH - BEGINNING OF YEAR	<u>3,397</u>
CASH - END OF YEAR	<u>\$ 672,153</u>
Supplemental Disclosures of Cash Flow Information:	
Interest paid	<u>\$ -</u>

See accompanying notes and independent auditors' report.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

1 - Nature of Activities and Summary of Significant Accounting Policies

(a) Nature of Activities

Luke's Wings is an incorporated Maryland based nonprofit organization that is dedicated to the support of U.S. service members who have been wounded in battle. The organization provides families travel planning services and airplane tickets to visit those service members currently hospitalized at medical and rehabilitation centers all over the country.

As a nonprofit described in Section 501 (c)(3) of the Internal Revenue Code, Luke's Wings is exempt from federal and state income taxes.

(b) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts specifically restricted or designated for future periods are reported as temporarily or permanently restricted support that increases these net asset classes. Luke's Wings has no restricted net assets at December 31, 2011.

(c) Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the supporting services benefited.

(d) Contributions and Contributed Services

Contributions are recognized in the period received or when the donor makes an unconditional promise to give. Luke's Wings receives a significant amount of donated services from a number of unpaid volunteers who assist in fundraising and management. The value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

(e) Cash and Cash Equivalents

The Organization considers all cash accounts and money market accounts to be cash and cash equivalents. \$251,000 is in non-federally insured accounts.

(f) In-Kind Contributions

The value of contributed goods is recorded based on fair values established from published price lists or other sources to determine an objective value. The value of contributed services, other than that provided by unpaid volunteers, is based on fair values established from information provided by the donor. Such items have been reflected as both in kind contributions support and as fund raising expense. Luke's Wings had no material contributed goods or services in 2012.

(g) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles sometimes requires management to make certain estimates and assumptions that may affect the reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

2 - Related Party Transactions

During 2011 the Board approved reimbursement to Fletcher Gill as Chief Executive Officer an allowance of \$2,500 for automobile mileage and \$1,800 for cell phone usage.

3 - Subsequent Events

The Company's Management has evaluated events subsequent to July 31, 2012, the date which the financial statements were available to be issued.

On May 19, 2011, the organization was awarded by the Texas Veterans Commission a grant in the amount of \$300,000 to allow Luke's Wings to fly Texas Veterans anywhere for major life events. The program required more extensive administrative support than was available to provide so in January, 2012 the Organization voluntarily terminated its involvement and refunded approximately \$33,000 to the Commission. The refunded amount is reflected in the liabilities as of December 31, 2011 and net revenue of \$7,639 is reflected in the Statement of Activities.