

LUKE'S WINGS, INC.

**Financial Statements and
Independent Auditors' Report**

Year Ended December 31, 2012

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Luke's Wings, Inc. which comprise the statement of financial position as of December 31, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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

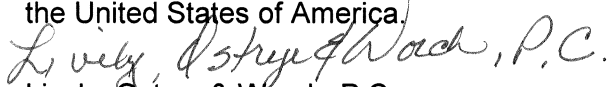
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 circumstance, 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 consolidated financial position of Luke's Wings, Inc. as of December 31, 2012, and the results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


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

August 27, 2013

LUKE'S WINGS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

	<u>2012</u>
Assets	
Cash and Cash Equivalents	\$ 153,214
Securities held for Investment	511,004
Pledges Receivable	28,342
Rent Deposit	<u>5,000</u>
Total Assets	<u>\$ 697,560</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts Payable	54,301
Accrued Payroll	<u>4,200</u>
	<u>58,501</u>
Net Assets	
Unrestricted	<u>639,059</u>
Total Liabilities and Net Assets	<u>\$ 697,560</u>

See accompanying notes and independent auditors' report.

LUKE'S WINGS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Unrestricted
REVENUES	
Contributions	\$ 552,619
Proceeds from Fundraising Events	239,805
In-kind Donations	22,797
Net Income from Investments	40,933
TOTAL REVENUES	856,154
EXPENSES	
Program Services	
Transportation	384,938
Supporting Services	
Management and General	131,548
Fundraising	393,858
TOTAL EXPENSES	910,344
CHANGE IN NET ASSETS	(54,190)
NET ASSETS BEGINNING OF YEAR	693,249
NET ASSETS AT END OF YEAR	\$ 639,059

See accompanying notes and independent auditors' report.

LUKE'S WINGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Providing Transportation</u>	<u>Management and General</u>	<u>Fundraising</u>	
Travel and Transportation	\$ 301,735	\$ 2,951	\$ 4,426	\$ 309,112
Salaries and Payroll Taxes	45,201	56,231	177,644	279,076
Fringe Benefits	5,558	6,914	8,718	21,190
Fund Raising Events	-	-	102,552	102,552
Contributed Items	4,250	-	18,547	22,797
Rent	9,060	13,590	22,650	45,300
Advertising	-	857	13,322	14,179
Internet Cash Processing Fees	-	855	7,696	8,551
Professional Fees	-	14,975	-	14,975
Local Travel	-	5,403	-	5,403
Telephone	1,750	4,084	5,834	11,668
Shipping and Postage	2,158	270	270	2,698
Office and Supplies	8,710	17,419	17,419	43,548
Meeting and Meals	-	877	2,632	3,510
Website	416	-	416	831
Printing	-	96	11,732	11,828
Insurance	-	1,420	-	1,420
Investment and Bank Fees	-	5,301	-	5,301
Miscellaneous	6,100	305	-	6,405
Total Expenses	\$ 384,938	\$ 131,548	\$ 393,858	\$ 910,344

See accompanying notes and independent auditors' report.

LUKE'S WINGS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ (54,190)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Unrealized Gain on Investments	(15,840)
(Increase) Decrease in Operating Assets	
Pledges Receivable	29,775
Rent Deposits	(5,000)
Increase (Decrease) in Operating Liabilities	
Accounts Payable	17,279
Accrued Payroll	4,200
	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(23,776)</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES	
Purchase of Securities	(637,799)
Sale of Securities	142,636
	<u> </u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(495,163)</u>
NET DECREASE IN CASH	(518,939)
CASH - BEGINNING OF YEAR	<u>672,153</u>
CASH - END OF YEAR	<u>\$ 153,214</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, 2012

1 - Nature of Activities and Summary of Significant Accounting Policies

(a) Nature of Activities

Luke's Wings Inc. (the Organization) 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 contributions in the period received or when the donor makes an unconditional promise to give. Expenses are recorded 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, 2012.

(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) Cash and Cash Equivalents

The Organization considers all cash accounts and money market accounts to be cash and cash equivalents.

(e) Investments

Investments are carried in the aggregate at fair value. All unrealized and realized gains and losses, interest, and dividends are recorded as unrestricted revenues.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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

(f) In-Kind Contributions

Luke's Wings receives merchandise and/or services from retailers and individuals to be auctioned at the Organization's various fund raising events. The value of contributed goods or services are recorded at the lower of their fair value established by the donors' retail price or the amount generated by the item's sale at auction. If an item is sold for an amount in excess of its fair value, the excess is recorded as a contribution. Such items have been reflected as both in-kind contributions support and as in-kind program or fund raising expense. The value of contributed services, other than that provided by unpaid volunteers, is not material and as such no amounts have been reported in the financial statements.

(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 - Concentration of Credit Risk

Luke's Wings maintains its cash and cash equivalent balances in two financial institutions. The balances are generally insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012, the Organization's cash balances totaled \$153,214, of which \$145,183 was covered by FDIC insurance and \$8,031 was in non-federally insured accounts.

3 - Operating Lease

Luke's Wings leases office space for its operations under an operating lease expiring April 30, 2015. The lease provides for minimum monthly lease payments of \$5,000 with a minimum annual escalation of 3%. Additional rent may be incurred based on increases in real estate taxes and operating expenses of the premises. It collects monthly sublease income of \$1,000.

Future minimum lease payments at December 31, 2012, are as follows:

For the Years Ending December 31,

2013	\$ 60,300
2014	32,109
2015	21,218
Total	<u>\$ 113,627</u>

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3 - Operating Lease (continued)

Rent expense for the year ended December 31, 2012, was \$45,300 net of sublease income of \$5,200.

4 - Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2012, are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	Quoted Prices in Active Markets for Identical Assets <u>Fair Value</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	
Mutual Funds invested primarily in Fixed Income Securities	\$ 511,004	\$ 511,004	\$ -	\$ -

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are valued using unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs are developed based on the best information available in the circumstances, which might include the Organization's own data and assumptions.

5 - Subsequent Events

The Company's Management has evaluated events subsequent to August 27, 2013, the date which the financial statements were available to be issued.