

**LUKE'S WINGS, INC.**

**Financial Statements and  
Independent Auditors' Report**

**Year Ended December 31, 2015**

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**Independent Auditors' Report**

To the Board of Directors  
**Luke's Wings, Inc.**  
Washington, D.C.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Luke's Wings, Inc. which comprise the statement of financial position as of December 31, 2015 and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 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 financial position of Luke's Wings, Inc. as of December 31, 2015, 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.*

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

November 20, 2016

**LUKE'S WINGS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**

**ASSETS**

**Assets**

Cash and Cash Equivalents	\$ 394,858
Securities Held for Investment	435,289
Pledges Receivable	12,152
Event and Rent Deposits	-

**Total Assets** \$ 842,299

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts Payable	<u>24,834</u>
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**Net Assets**

Unrestricted	<u>817,465</u>
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**Total Liabilities and Net Assets** \$ 842,299

*See accompanying notes and independent auditors' report.*

**LUKE'S WINGS, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>
<b>REVENUES</b>	
Contributions	\$ 851,204
Proceeds from Fundraising Events	275,306
Donated Services and Materials	221,657
Net Income from Investments	4,100
	1,352,267
<b>EXPENSES</b>	
Program Services	
Transportation	397,389
Supporting Services	
Fundraising	510,270
Management and General	178,734
	1,086,393
<b>CHANGE IN NET ASSETS</b>	265,874
<b>NET ASSETS BEGINNING OF YEAR</b>	551,591
<b>NET ASSETS AT END OF YEAR</b>	\$ 817,465

*See accompanying notes and independent auditors' report.*

**LUKE'S WINGS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	<u>Program</u> <u>Services</u>	<u>Supporting Services</u>		<u>Total</u> <u>Expenses</u>
	<u>Providing</u> <u>Transportation</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fundraising</u>	
Travel and Transportation	\$ 79,614	\$ 1,376	\$ 9,715	\$ 90,704
Contributed Items	187,771	-	55,217	242,988
Salaries and Payroll Taxes	91,775	74,223	175,151	341,149
Fringe Benefits	8,797	8,236	11,293	28,326
Fund Raising Events	-	-	137,693	137,693
Rent	13,498	26,997	26,997	67,492
Office and Supplies	7,177	5,498	6,679	19,354
Donor Management Software	-	-	19,910	19,910
Office Build-out	3,725	7,451	7,451	18,627
Advertising	-	1,535	13,817	15,352
Internet Cash Processing Fees	-	1,676	15,087	16,763
Professional Fees	-	26,157	-	26,157
Local Travel	-	3,065	-	3,065
Telephone and Internet	3,988	6,376	6,321	16,685
Shipping and Postage	799	1,043	5,983	7,825
Meeting and Meals	245	1,574	2,340	4,159
Printing and Mailing	-	-	9,746	9,746
Insurance	-	1,675	-	1,675
Investment and Bank Fees	-	5,268	45	5,313
Miscellaneous	-	6,584	6,823	13,407
<b>Total Expenses</b>	<b>\$ 397,389</b>	<b>\$ 178,734</b>	<b>\$ 510,270</b>	<b>\$ 1,086,393</b>

*See accompanying notes and independent auditors' report.*

**LUKE'S WINGS, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2015

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in Net Assets	\$ 265,874
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Unrealized Loss on Investments	6,165
(Increase) Decrease in Operating Assets	
Pledges Receivable	13,814
Rent Deposits and Other	21,159
Increase (Decrease) in Operating Liabilities	
Accounts Payable	21,345
Accrued Payroll and Other Liabilities	-
	<hr/>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>328,357</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	
Purchase of Securities	(184,859)
Sale of Securities	165,041
	<hr/>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(19,818)</u>
<b>NET DECREASE IN CASH</b>	308,539
<b>CASH - BEGINNING OF YEAR</b>	<u>86,319</u>
<b>CASH - END OF YEAR</b>	<u>\$ 394,858</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>	
Interest paid	<u>\$ -</u>

*See accompanying notes and independent auditors' report.*

**LUKE'S WINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**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. The Organization had no unrelated business income in 2015.

**(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, 2015.

**(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 based on the estimated benefit received.

**(d) Cash and Cash Equivalents**

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

**(e) Pledges Receivable**

All pledges receivable are expected to be collected within one year.



**LUKE'S WINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

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

**(f) 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.

**(g) Contributed Services and Materials**

Luke's Wings receives donations of frequent flier miles from individuals to provide airplane tickets to U.S. service members and their families. They also receive merchandise and/or services from various retailers and individuals some of which is auctioned off at the Organization's 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. Items which are not sold at auction 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.

**(h) 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, 2015, the Organization's cash balances totaled \$394,858, of which \$324,777 was covered by FDIC insurance and \$70,081 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 sublease income from a related party based on the actual utilization of workstations at the rate of \$250 per month. Sublease income for the year ending December 31, 2015 was \$2,000.

**LUKE'S WINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**3 - Operating Lease (continued)**

For the Years Ending December 31,

2016	70,587
2017	87,322
2018	90,378
2019	93,537
2020	39,530
Total	\$ 381,354

Rent expense for the year ended December 31, 2015, was \$67,492 net of sublease income of \$2,000.

In April, 2015, the Organization entered into a lease for new office space. The new lease, with a five year term, begins June 1, 2015 and terminates May 31, 2020. The lease calls for monthly payments beginning September 1, 2015 following a two month rent abatement period and requires prorated payment for any increase in real estate taxes over the base period. The annual lease payments by year and the total obligation are presented above.

**4 - Fair Value Measurements**

Fair values of assets measured on a recurring basis at December 31, 2015, are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fixed Income Securities and Mutual Funds invested primarily in Fixed Income Securities	\$ 435,289	\$ 435,289	\$ -	\$ -

**LUKE'S WINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

**4 - Fair Value Measurements (continued)**

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.

At December 31, 2015, the investments had a cost basis of \$445,750 and unrealized losses of \$10,461.

**5 - Advertising Costs**

The Organization expenses advertising costs as incurred. Advertising expense for the year ending December 31, 2015 were \$15,325.

**6 - Subsequent Events**

The Organization's Management has evaluated events subsequent to November 20, 2016 the date which the financial statements were available to be issued.