

LUKE'S WINGS, INC.

FINANCIAL REPORT

December 31, 2019

LUKE'S WINGS, INC.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Report	
Statements of financial position	2
Statements of activities	3 - 4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 16

Independent Auditors' Report

To the Board of Directors of
Luke's Wings, Inc.
Washington, DC

We have audited the accompanying financial statements of Luke's Wings, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 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 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 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 Luke's Wings as of December 31, 2019 and 2018, 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.



North Bethesda, Maryland
October 2, 2020

LUKE'S WINGS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 322,017	\$ 459,447
Investments, at fair value	1,222,401	954,638
Event deposits	57,146	14,043
Donated goods	<u>2,000</u>	<u>54,992</u>
Total current assets	1,603,564	1,483,120
Property and Equipment , net of accumulated depreciation of \$ 67,771 and \$ 48,957 for 2019 and 2018, respectively.	27,169	45,983
Other Assets		
Security deposit	<u>6,890</u>	<u>6,890</u>
	<u>\$ 1,637,623</u>	<u>\$ 1,535,993</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 70,808	\$ 70,694
Deferred revenue	-	5,000
Deferred rent	<u>3,834</u>	<u>11,701</u>
Total current liabilities	74,642	87,395
Net Assets		
Without donor restrictions	1,507,981	1,448,598
With donor restrictions	<u>55,000</u>	<u>-</u>
Total net assets	<u>1,562,981</u>	<u>1,448,598</u>
	<u>\$ 1,637,623</u>	<u>\$ 1,535,993</u>

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

LUKE'S WINGS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Grants and contributions	\$ 627,319	\$ 55,000	\$ 682,319
Special event revenue - net costs of direct benefits to donors of \$ 212,966 for year ended December 31, 2019	310,935	-	310,935
Investment return - net	167,763	-	167,763
In-kind contributions	<u>96,123</u>	<u>-</u>	<u>96,123</u>
Total revenue	<u>1,202,140</u>	<u>55,000</u>	<u>1,257,140</u>
Expenses			
Program services	679,525	-	679,525
General and administrative	330,760	-	330,760
Fundraising	<u>132,472</u>	<u>-</u>	<u>132,472</u>
Total expenses	<u>1,142,757</u>	<u>-</u>	<u>1,142,757</u>
Change in net assets	59,383	55,000	114,383
Net assets, beginning of year	<u>1,448,598</u>	<u>-</u>	<u>1,448,598</u>
Net assets, end of year	<u>\$ 1,507,981</u>	<u>\$ 55,000</u>	<u>\$ 1,562,981</u>

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

LUKE'S WINGS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>Total</u>
Revenues		
Grant and contributions	\$ 725,800	\$ 725,800
Special event revenue - net costs of direct benefits to donors of \$ 209,373 for year ended December 31, 2018	420,819	420,819
In-kind contributions	304,989	304,989
Investment return - net	<u>(57,591)</u>	<u>(57,591)</u>
Total revenue	<u>1,394,017</u>	<u>1,394,017</u>
Expenses		
Program services	654,828	654,828
General and administrative	345,880	345,880
Fundraising	<u>118,377</u>	<u>118,377</u>
Total expenses	<u>1,119,085</u>	<u>1,119,085</u>
Change in net assets	274,932	274,932
Net assets, beginning of year	<u>1,173,666</u>	<u>1,173,666</u>
Net assets, end of year	<u>\$ 1,448,598</u>	<u>\$ 1,448,598</u>

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

LUKE'S WINGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	<u>Program Services</u>		<u>General and Fundraising</u>	<u>Total</u>
	<u>Flight</u>	<u>Administrative</u>		
Salaries, taxes, and benefits	\$ 194,484	\$ 206,540	\$ 74,503	\$ 475,527
Travel and transportation	210,538	-	3,784	214,322
In-kind contributions	151,115	-	-	151,115
Office supplies, services, and other	88,016	17,364	43,691	149,071
Rent - net	35,372	29,057	-	64,429
Professional fees	-	44,403	-	44,403
Depreciation and amortization	-	18,814	-	18,814
Dues and subscriptions	-	9,234	-	9,234
Advertising and marketing	-	-	5,859	5,859
Meetings and meals	-	-	4,635	4,635
Insurance	-	2,820	-	2,820
Other expenses	-	2,528	-	2,528
	<u>\$ 679,525</u>	<u>\$ 330,760</u>	<u>\$ 132,472</u>	<u>\$ 1,142,757</u>

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

LUKE'S WINGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	<u>Program Services</u>			
	<u>Flight</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 188,496	\$ 189,966	\$ 87,847	\$ 466,309
In-kind contributions	196,997	-	-	196,997
Travel and transportation	172,638	10,264	-	182,902
Office supplies, services, and other	59,774	19,874	30,446	110,094
Rent - net	36,923	31,871	-	68,794
Professional fees	-	45,800	-	45,800
Advertising and marketing	-	15,797	84	15,881
Depreciation and amortization	-	9,980	-	9,980
Other expenses	-	9,188	-	9,188
Dues and subscriptions	-	8,605	-	8,605
Meetings and meals	-	3,299	-	3,299
Insurance	-	1,236	-	1,236
	<u>\$ 654,828</u>	<u>\$ 345,880</u>	<u>\$ 118,377</u>	<u>\$ 1,119,085</u>

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

LUKE'S WINGS, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 114,383	\$ 274,932
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,814	9,980
Unrealized loss (gain) on investments	(140,756)	54,074
Donated property and equipment	-	(53,001)
Donated goods	52,992	(54,992)
(Increase) decrease in assets:		
Event deposits	(43,103)	29,339
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	114	(38,088)
Deferred revenue	(5,000)	5,000
Deferred rent	<u>(7,867)</u>	<u>(4,521)</u>
Net cash provided by (used in) operating activities	<u>(10,423)</u>	<u>222,723</u>
Cash flows from investing activities:		
Purchase of investments	(263,446)	(413,647)
Proceeds from sale of investments	<u>136,439</u>	<u>320,164</u>
Net cash used in investing activities	<u>(127,007)</u>	<u>(93,483)</u>
Net increase (decrease) in cash and cash equivalents	(137,430)	129,240
Cash and cash equivalents, beginning of year	<u>459,447</u>	<u>330,207</u>
Cash and cash equivalents, end of year	<u>\$ 322,017</u>	<u>\$ 459,447</u>

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

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 1. Nature of Operations

Description of Organization

Luke's Wings Inc. (the Organization) is a nonprofit organization, incorporated in Maryland, 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.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represent the expendable net assets that are available to support the Organization. Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time and those that are subject to donor-imposed stipulations that the Organization maintain them permanently.

Recent Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Luke's Wings adopted the new standard effective January 1, 2019, the first day of the Organization's fiscal year, using the full retrospective method.

As part of the adoption of the ASU, the Organization elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Organization used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Organization expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) the Organization has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Adopted (continued)

The adoption of this ASU did not have a significant impact on the Organization's financial statements. The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as non-exchange (contributions) or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available with an original maturity of ninety days or less to be cash equivalents.

Investments

Investments are reported at fair value in the statement of financial position. Money market funds are carried at cost, which approximates fair value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

Property and equipment consists of equipment which is stated at cost and totals \$ 94,940 as of December 31, 2019 and 2018. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$ 2,500. Depreciation is provided on a straight-line basis over their estimated useful lives of between three and seven years.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 2. Summary of Significant Accounting Policies (continued)

Deferred Rent

Luke's Wings recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent and included on the accompanying statements of financial position.

Revenue and Revenue Recognition

Revenue is comprised of donations, sponsorships, foundation grants, special events income, and investment income. The Organization recognizes donations and sponsorships as revenue upon receipt since they are contributions. Foundation grants are recognized at the time the grant was executed since they have been evaluated as contributions under ASC 958 and not as customer contracts. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

In-Kind Contributions

The Organization receives donations of frequent flier miles from individuals to provide airline tickets to U.S. service members and their families. The value of the miles is based on the specific flight and recorded at the time the ticket is acquired. The Organization also receives 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. The Organization recognizes in-kind revenue upon receipt.

Items which are not sold at auction have been reflected as both contributions revenue and as donated goods assets. The value of contributed services, other than that provided by unpaid volunteers, are reported at fair value in the financial statements when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would typically be purchased if not provided by donation. In-kind contributions of \$ 158,626 and \$ 385,434 have been recorded for the years ended December 31, 2019 and 2018, respectively, of which \$ 62,503 and \$ 80,445 of these contributions have been included in special event revenue on the statement of activities for the years ended December 31, 2019 and 2018, respectively.

LUKE’S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Salaries, taxes, and benefits are allocated among program and supporting services by percentage based on each employee’s time spent on each project. General and administrative expenses such as rent and office supplies, services, and other, are allocated by percentage based on an estimate of total time spent among program and supporting services throughout the year. Remaining expense line items are changed based on actual expense incurred among program and supporting services.

Subsequent Events

On March 11, 2020, the World Health Organization pronounced the coronavirus (COVID-19) outbreak a pandemic. Citizens and the economies of the United States and other countries have been significantly impacted by the pandemic and the duration and impact are unknown. No pandemic implications are accounted for in these financial statements.

In April 2020, the Organization received a SBA Loan under the CARES Act, Payment Protection Program. The loan is for the amount of \$ 86,684 with an interest rate of 1% and matures in April 2022. Certain principal borrowed on the loan might qualify to be forgiven by the SBA if the qualified costs are incurred in the 24-week period following the first loan disbursement in accordance with the requirements of the Payment Protection Program, including the provisions of Section 1106 of the CARES Act.

In preparing its financial statements, the Organization has evaluated subsequent events through October 2, 2020, which is the date the financial statements were available to be issued.

Note 3. Liquidity and Availability

As of December 31, 2019 and 2018, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	2019	2018
Cash and cash equivalents	\$ 322,017	\$ 459,447
Investments	1,222,401	954,638
Less: net assets with donor restrictions	(55,000)	-
	\$ 1,489,418	\$ 1,414,085

As part of the Organization’s liquidity management, it invests cash in various short-term investments, including mutual funds, fixed income - debt securities and money market funds. The Board manages its liquid resources by focusing on investing excess cash in investments that maximize earnings potential balanced with the amount of risk the Board has decided can be tolerated.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 4. Concentration of Credit Risk

The Organization maintains its cash accounts at institutions with balances that may exceed \$ 250,000, which is the amount insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash balances.

Note 5. Fair Value Measurements

The framework for measuring fair value 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 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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 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.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 5. 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, 2019 and 2018.

Mutual Funds:

Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds and are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Fixed Income – Debt Securities:

Valued at the internal funding rate that is linked to the S&P 500.

Money Market Funds:

Valued at the daily closing price as reported by the fund. Money market funds held by the Organization are open-ended money market funds and are registered with the SEC. These funds are required to publish their daily net asset value (NAV). These funds generally transact at a \$ 1.00 stable NAV. However, on a daily basis the fund's NAV is calculated using the amortized cost (not market value) of the securities held in the fund.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	<u>Investments at Fair Value as of December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Bond funds	\$ 332,152	\$ -	\$ -	\$ 332,152
Growth funds	135,439	-	-	135,439
Income funds	287,805	-	-	287,805
Fixed income - debt securities	-	428,334	-	428,334
Money market fund	-	38,671	-	38,671
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets at fair value	<u>\$ 755,396</u>	<u>\$ 467,005</u>	<u>\$ -</u>	<u>\$ 1,222,401</u>

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 5. Fair Value Measurements (continued)

Investments at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Bond funds	\$ 234,948	\$ -	\$ -	\$ 234,948
Growth funds	89,548	-	-	89,548
Income funds	218,544	-	-	218,544
Fixed income - debt securities	-	317,793	-	317,793
Money market fund	-	93,805	-	93,805
	<u>\$ 543,040</u>	<u>\$ 411,598</u>	<u>\$ -</u>	<u>\$ 954,638</u>
Total assets at fair value	<u>\$ 543,040</u>	<u>\$ 411,598</u>	<u>\$ -</u>	<u>\$ 954,638</u>

The Organization's policy is to recognize transfers in and transfers out as of actual date of the event or change in circumstance that caused the transfer. There were no transfers between level classifications during the years ended December 31, 2019 and 2018. All assets have been valued using a market approach. There were no changes in the valuation techniques during the current year.

Investment return consisted of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 36,318	\$ 33,418
Unrealized gain (loss)	140,756	(54,074)
Investment fees	(9,311)	(36,935)
Total	<u>\$ 167,763</u>	<u>\$ (57,591)</u>

Note 6. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, entities that are classified under this section of the Code are taxed on "unrelated business income," as defined by IRS regulations. No unrelated business income tax was due for the years ended December 31, 2019 and 2018.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken and recognize a tax liability if it is more likely than not that uncertain tax positions taken would not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken and has concluded that, as of December 31, 2019 and 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization had no interest and penalties related to income taxes for the years ended December 31, 2019 and 2018. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 7. Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2019 and 2018, was \$ 5,859 and \$ 15,881, respectively.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, were subject to purpose restrictions as follows:

	2019	2018
Special Event Sponsor	\$ 25,000	\$ -
Website Update	30,000	-
	\$ 55,000	\$ -

There were no net assets released from restrictions during the years ended December 31, 2019 and 2018.

Note 9. Commitments and Contingencies

In April 2015 the Organization entered into a lease for new office space. The lease, with a five-year term, began 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. Effective January 2018, this office signed a sublease agreement expiring on May 31, 2020. The annual lease payments by year and the total obligation are:

	Gross Rent Commitments	Sublease Rentals	Net Rent Commitments
2020	<u>\$ 41,650</u>	<u>\$ 10,000</u>	<u>\$ 31,650</u>

Rent expense for the years ended December 31, 2019 and 2018, was \$ 64,429 and \$ 68,794, net of sublease income of \$ 24,000 for both 2019 and 2018.

Subsequent to year end, the lease was extended through August 31, 2023.

Note 10. Retirement Plan

The Organization has established a deferred compensation plan on behalf of its employees under Internal Revenue Code Section 403(b). Eligible employees may contribute up to IRS limits annually to this plan through elective deferrals. The Organization does not make employer contributions.

LUKE'S WINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 11. Related Party Transactions

The Organization leases office space to a company owned by the Chief Executive Officer and Executive Director. The rental income provided to the Organization from the related party totaled \$ 24,000 for the years ended December 31, 2019 and 2018.

Note 12. Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of activities.

Note 13. Supplemental Disclosures of Cash Flow Information

For the year ended December 31, 2018, Luke's Wings received a donated vehicle in the amount of \$53,001 and goods in the amount of \$ 54,992. For the year ended December 31, 2019, no donated goods were received.