

**LUKE'S WINGS, INC**  
**INDEPENDENT AUDITORS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**



# LUKE'S WINGS, INC

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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the accompanying financial statements of Luke's Wings, Inc (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of revenues, expenses, and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Luke's Wings, Inc and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Luke's Wings, Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Luke's Wings, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Luke's Wings, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Gaffey Deane & Selley, P.C.*

Reston, Virginia  
December 18, 2025

**LUKE'S WINGS, INC**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2024

	2024	2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	\$ 234,831	\$ 264,191
Investments, at fair value (Note 4 and Note 5)	1,110,907	786,098
Receivables	140,814	-
Prepaid expenses	13,778	34,350
Event deposit	85,000	25,000
Unconditional promises to give	94,797	76,760
Total current assets	1,680,127	1,186,399
<b>Property and equipment</b>		
Vehicles & equipment	41,940	41,940
Less: Accumulated depreciation	(41,940)	(41,940)
Net Property and equipment	-	-
Long-term investments (Note 4 and Note 5)	28,725	140,466
Right-of-use asset- operating leases (Note 6)	244,603	62,133
Other assets	6,890	6,890
Total assets	\$ 1,960,345	\$ 1,395,888
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable, payroll & accrued expenses	\$ 49,793	\$ 85,362
Short term lease liabilities	82,391	67,325
Total current liabilities	132,184	152,687
Long term lease liabilities	173,846	-
Total liabilities	\$ 306,030	152,687
<b>Net assets without donor restrictions</b>	1,654,315	1,243,201
<b>Net assets with donor restrictions</b>	-	-
Total liabilities and net assets	\$ 1,960,345	\$ 1,395,888

See accompanying notes to the financial statements.

**LUKE'S WINGS, INC**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**WITHOUT DONOR RESTRICTIONS**  
For the year ended December 31, 2024  
(With Comparative Totals for 2023)

	2024	2023
	Without Donor Restrictions	Without Donor Restrictions
<b>Revenues</b>		
Contributions		
Grants and contributions	\$ 1,422,937	\$ 1,107,944
In-kind contributions	267,803	900,410
Special event revenue	97,613	-
Other Income		
Other Income	23,924	7,171
Investment return – net (Note 5)	121,398	135,199
Total revenue before release of restrictions	1,933,675	2,150,724
Net assets released from restrictions	-	-
Total Revenue	1,933,675	2,150,724
<b>Expenses</b>		
Program services	780,912	1,732,648
Fundraising	587,938	244,413
General and administrative	153,711	319,025
Total expenses	1,522,561	2,296,086
<b>Change in net assets</b>	411,114	(145,362)
<b>Net assets, beginning of year</b>	1,243,201	1,388,563
<b>Net assets, end of year</b>	\$ 1,654,315	\$ 1,243,201

*Notes to the Financial Statements (continued)*

**LUKE'S WINGS, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2024

	<u>Program Services</u>	<u>General And Administrative</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Flight</u>			
In-kind expenses	\$ 267,803	\$ -	\$ -	\$ 267,803
Advocacy	-	-	391,247	391,247
Advertising and Promotion	13,424	3,804	5,146	22,374
Salaries, taxes, and benefits	272,075	77,088	104,295	453,458
Event costs	270,811	76,730	103,811	451,352
Professional fees	44,733	12,674	17,148	74,555
Office supplies, services, printing and publications, and other	90,503	25,642	34,693	150,838
Travel and transportation	41,093	11,643	15,752	68,488
Lease expense	36,484	10,337	13,986	60,807
Dues and subscriptions	9,709	2,751	3,722	16,182
Meetings and meals	3,623	1,026	1,389	6,038
Other expenses	1,432	405	549	2,387
Insurance	33	9	12	54
Investment fees	<u>-</u>	<u>8,330</u>	<u>-</u>	<u>8,330</u>
Total expenses by function	1,051,723	230,440	691,750	1,973,913
Less: Items included within revenue and support:				
Cost of direct benefits to donors	<u>(270,811)</u>	<u>(76,730)</u>	<u>(103,811)</u>	<u>(451,352)</u>
Total expenses included in the functional categories on the statement of activities	<u>\$ 780,912</u>	<u>\$ 153,710</u>	<u>\$ 587,939</u>	<u>\$ 1,522,561</u>

*Notes to the Financial Statements (continued)*

**LUKE'S WINGS, INC**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2024

	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 411,114	\$ (145,362)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loss (gain) on investments - net	(170,750)	(99,098)
Operating lease right-of-use asset amortization	(97,663)	79,246
Payments to settle operating lease liability	(84,807)	(84,297)
Changes in operating assets and liabilities:		
Unconditional promises to give	(18,037)	15,034
Prepaid Expenses	(39,428)	(34,350)
Other Assets/ Deposits	-	10,000
Accounts payable and accrued expenses	(34,431)	(73,816)
Accounts Receivables	(140,814)	-
Deferred Revenue	(121)	(684)
Payroll Liabilities	(1,017)	1,262
Short Term lease liability	15,066	3,052
Long Term lease liability	173,846	
Net cash used in operating activities	12,598	(141,587)
<b>Cash flows from investing activity</b>		
Purchase of investments	(400,000)	209,426
Net proceeds from sale of investments	357,682	(236,914)
Net cash provided by investing activity	(42,318)	27,488
<b>Cash flows from financing activity</b>		
Advance from officer	-	-
Net cash (used in) provided by financing activities	-	-
Net decrease in cash and cash equivalents	(29,360)	(169,345)
<b>Cash and cash equivalents, beginning of year</b>	264,191	81,060
<b>Cash and cash equivalents, end of year</b>	\$ 234,831	\$ 433,536

**LUKE'S WINGS, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024

**1. ORGANIZATION AND NATURE OF ACTIVITIES**

Luke's Wings, Inc (the Organization) is a nonprofit organization, incorporated in Washington, DC, that is dedicated to the support of U.S. first responders who have been wounded in the line of duty. The organization provides families travel planning services and airplane tickets to visit those service members currently hospitalized at medical and rehabilitation centers across the United States.

The organization was founded in 2008 after learning that the government only provides a very limited number of flights for loved ones to be bedside after a service member is injured. Luke's Wings steps in to fill the gap for the months and years ahead for injured service members.

Luke's Wings provides complimentary airfare to wounded, ill, and injured service members, Veterans, fallen officers, and their loved ones keeping these families connected during recovery and rehabilitation, without restriction on the frequency or relationship of the passenger traveling. These flights intend to bring mental, physical, emotional, and financial support, empowering wounded service members to overcome challenges they face every step of the way.

Luke's Wings has formalized the following program lines to meet the needs of active-duty officers, military veteran and fallen officers:

- Wounded Warrior Transportation Assistance Program;
- Major Illnesses Transportation Assistance Program;
- Veterans in Hospice Transportation Assistance Program;
- Special Operations Transportation Assistance Program; and
- Fallen Officer's Transportation Assistance Program

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. *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.

**b. *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

**Note 2. Summary of Significant Accounting Policies (continued)**

the expendable net assets that are available for support of the Organization. These net assets may be used at discretion of the Organization's management and the Board of Directors. 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. Luke's Wings net assets were all without donor restrictions as of December 31, 2024.

**c. *Comparative Totals***

The financial statements include certain prior-year summarized comparative information. Other financial information may not include comparative information. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

**d. *Cash and Cash Equivalents***

For the purpose of reporting the statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments available with an original maturity of three months or less to be cash equivalents.

**e. *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.

**f. *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, 2024, and 2023. 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, 2024, and 2023, there are no uncertain tax

**Note 2. Summary of Significant Accounting Policies (continued)**

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, 2024, and 2023. 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.

**g. *Unconditional Promises to Give***

Unconditional promises to give are donations post marked in the current year but not received by the organization until the next year. Promises to give are stated at the check amount. Management believes all promises are fully collectible in less than one year and no provision for allowance for doubtful accounts is deemed necessary.

**h. *Event Deposits***

Event deposits are payments made in advance for future events to be held. The payments will be expensed when the event is held.

**i. *Property and Equipment***

Property and equipment are carried at cost. 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.

**j. *Revenue Recognition***

Revenue is generated from the following services:

**Grant and Contribution Revenue** - The Organization recognizes contributions as revenue in the period received or when a promise to give is made. Unconditional contributions and promises to give received are recorded as "without donor restrictions" or "with donor restrictions" depending on the existence or nature of any donor restrictions. Donor restricted revenue is reported as an increase in net assets with donor restrictions and reclassified to net assets without donor restrictions when the purpose and time restrictions are met. Conditional contributions and promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until they become unconditional, which is when the conditions are substantially met. The Organization did not receive any conditional contributions for the years ended December 31, 2024, and 2023.

*Notes to the Financial Statements (continued)*

**Note 2. Summary of Significant Accounting Policies (continued)**

**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 determined by the airlines and are not recognized until they are redeemed by the Organization.

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. Revenue is recognized the date donations are received, and with certainty they will be used, and when services are performed. The value of contributed goods or services are recorded at the lower of their fair value established by the donors' retail price, to the extent that such amounts can be reasonably estimated, 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 contribution 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.

All in-kind contributions received by the Organization for the years ended December 31, 2024, and 2023 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

In-kind contributions consisted of the following for the years ended December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Donated merchandise and service	\$ -	\$ -
Donated airline miles used	<u>267,803</u>	<u>900,410</u>
Total in-kind contributions	<u>\$ 267,803</u>	<u>\$ 900,410</u>
Special event donated auction items	<u>\$ -</u>	<u>\$ -</u>

Special Event Revenue – Special event revenue is an exchange transaction and is recognized at a point in time when the event takes place, or the services are provided to the Organization's customers, and performance obligations are fulfilled. The Organization records special event revenue equal to the fair value of direct benefits to donors, net of the costs of direct benefits, and contribution income for the excess received when the event takes place.

*Notes to the Financial Statements (continued)*

**Note 2. Summary of Significant Accounting Policies (continued)**

Each party does not directly receive commensurate value for sponsorship revenue received for a special event. In addition, sponsorship revenue is generally not refundable if the event is not held. Therefore, sponsorship revenue received for special events should be recognized as contribution revenue when received and recorded as donor-restricted until the event is held.

In 2024 and 2023, revenue received for the purchase of the tickets, auction, and other items for the special events were considered an exchange transaction due to direct benefits received from attending the event in person and the value of the items received. The revenue received from sponsorships and general donations during the special event were considered contribution income.

The beginning and ending exchange transactions included on the balance sheet for the years ended December 31 were:

	<u>2024</u>	<u>2023</u>
Event deposits	\$ 85,000	\$ 25,000
Deferred revenue	\$ -	\$ 121

**Investment Return** - Investment income is recognized upon receipt since there is no performance obligation.

**Disaggregation of Revenue**

The Organization's products and services revenue are recognized at a point in time, based on the performance obligations of each event. Various economic factors affect revenues and cash flows. Substantially all customers are in the United States.

**k. Functional Allocation of Expenses**

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

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.

*Notes to the Financial Statements (continued)*

**Note 2. Summary of Significant Accounting Policies (continued)**

**l. Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**m. Subsequent Events**

Management has evaluated subsequent events for recognition or disclosures in the financial statements through the date of the independent auditors' report, December 18, 2025, which is the date these financial statements were available to be issued.

**3. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. From time to time throughout the year, the Organization's cash balances may exceed the amount of the FDIC insurance coverage. The Organization, however, does not anticipate nonperformance by these institutions. At December 31, 2024 the organization did not hold cash in excess of the FDIC insured limit.

**4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As of December 31, 2024, and 2023, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 234,831	\$ 264,191
Investments	<u>1,139,632</u>	<u>786,098</u>
	\$ 1,345,738	\$ 1,050,289

Currently, none of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in money market accounts and marketable securities.

## **5. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Luke's Wings holds investments for the following purposes:

- Short-term investments are investments of excess operating cash.
- Long-term investments are investments of excess funds for long-term purposes.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2024, and 2023.

*Notes to the Financial Statements (continued)*

**Note 5. Investments and Fair Value Measurement (continued)**

*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.

*Exchange traded funds:* Valued at net asset value (NAV) of units at year end.

*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 fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis as of December 31, 2024, are as follows:

Description	Fair Value Measurements as of December 31, 2024			
	Total Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Bond funds	35,556	35,556		
Growth funds	128,519	128,519		
Income funds	385,117	385,117		
Exchange traded funds	123,508	123,508	-	-
Money market fund	411,278	-	411,278	-
Fixed income-debt securities	55,654		55,654	-
	<u>\$ 1,139,632</u>	<u>\$ 672,700</u>	<u>\$ 466,932</u>	<u>\$ -</u>

*Notes to the Financial Statements (continued)*

**Note 5. Investments and Fair Value Measurement (continued)**

<u>Description</u>	<u>Fair Value Measurements as of December 31, 2023</u>			
	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Bond funds	49,026	49,026		
Growth funds	142,237	142,237		
Income funds	370,106	370,106		
Exchange traded funds	133,073	133,073	-	-
Money market fund	64,644	-	64,644	-
Fixed income-debt securities	167,477		167,477	-
	<u>\$ 926,564</u>	<u>\$ 694,442</u>	<u>\$ 232,121</u>	<u>\$ -</u>

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, 2024 and 2023:

<u>Description</u>	<u>2024</u>	<u>2023</u>
Interest and dividend	\$ 43,199	\$ 36,914
Realized and unrealized net gain (loss)	68,356	99,098
Investment fees	(8,330)	(9,426)
Total	<u>\$ 103,225</u>	<u>\$ 126,586</u>

**6. COMMITMENTS AND CONTINGENCIES**

In April 2015 the Organization entered into a lease for office space. Effective June 1, 2020, the lease was extended to terminate on August 31, 2023. There is a two-month 100% rent abatement and a two-month 50% rent abatement. Base payments begin October 1, 2020.

Effective September 1, 2024, the Organization signed a sublease agreement. Effective October 1, 2024, the sublease was extended to expire on September 30, 2027.

The lease asset and liability were calculated utilizing an average incremental borrowing rate (1.04%), according to the Organization's elected policy. The leases contain options to renew the office lease, which were considered when assessing the value of the ROU asset because the Organization is reasonably certain that it will exercise its option to renew these leases.

*Notes to the Financial Statements (continued)*

**Note 6. Commitment and Contingencies (continued)**

Additional information about the Organization's leases are as follows:

<u>Lease Costs (included in operating expenses)</u>	
Operating lease cost	<u>\$ 266,596</u>
<u>Other Information</u>	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 84,807
ROU assets obtained in exchange for new operating lease liabilities	\$ 244,603
Weighted-average remaining lease term (years)	2
Weighted average discount rate	.78%

The Following table shows future lease liabilities required under the operating lease as of December 31, 2024:

	Gross Lease Commitments	Sublease	Net Lease Commitments
2025 lease payments	\$ 84,057	\$ 16,000	\$ 68,057
2026 lease payments	90,750	16,000	74,750
2027 lease payments	84,317	16,000	68,317
Less: present value discount	2,886	-	109
Present value of lease liabilities	<u>\$ 256,237</u>	<u>\$ 64,000</u>	<u>\$ 192,237</u>

Lease expense for the years ended December 31, 2024, and 2023, was \$ 60, 807 and \$ 57, 970, net of sublease income of \$ 24,000 for both 2024 and 2023.

**7. NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2024, there are no assets with donor restrictions.

**8. RELATED PARTY TRANSACTIONS**

The Organization leases office space to a company owned by the Chief Executive Officer, The Genau Group LLC. The rental income provided to the Organization from the related party totaled \$ 24,000 for the years ended December 31, 2024, and 2023.

**9. 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.

**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.