

HONOR FLIGHT, INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Honor Flight, Inc.

We have audited the accompanying Statements of Financial Position of Honor Flight, Inc. (a not for profit organization) as of October 31, 2010 and 2009, and the related Statements of Activities and Changes in Net Assets and Statements of Cash Flows for the years 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 audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These 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 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 Honor Flight, Inc. as of October 31, 2010 and 2009 and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Stuckey & Associates, Inc.

Stuckey & Associates, Inc.
Springfield, Ohio
January 15, 2011

HONOR FLIGHT, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF OCTOBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash	\$ 137,390	\$ 172,962
Pledges Receivable	-	-
Accounts Receivable	-	14,280
Advances Receivable-Hubs	-	-
Prepaid Airfare	52,400	90,000
Other Prepaid Expenses	6,565	-
Inventory-Fundraising	33,435	43,941
Total Current Assets	229,790	321,183
PROPERTY AND EQUIPMENT		
Furniture and Equipment	51,356	47,727
Vehicles	33,225	33,225
Less Accumulated Depreciation	(27,892)	(12,197)
Total Property and Equipment	56,689	68,755
OTHER ASSETS		
Marketable Securities	-	34
Security Deposit	350	350
Total Other Assets	350	384
TOTAL ASSETS	\$ 286,829	\$ 390,322

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 56,064	\$ 67,147
Accrued Wages & Taxes	6,561	6,580
401K Withheld	2,440	-
Bus Deposit - Liability	-	585
Contributions Payable	-	24,650
Loan Payable	-	4,000
Total Current Liabilities	65,065	102,962
NET ASSETS		
Unrestricted		
Board Designated	-	-
Operating	221,764	287,360
Total Net Assets	221,764	287,360
TOTAL LIABILITIES & NET ASSETS	\$ 286,829	\$ 390,322

The accompanying notes are an integral part of the financial statement

HONOR FLIGHT, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
PUBLIC SUPPORT		
Contributions	\$ 812,041	\$ 1,502,631
Special Event Income	3,370	28,810
Program Income	406,801	156,285
Income from Affiliates	-	95,199
Gifts In Kind	<u>541,739</u>	<u>461,025</u>
Total Public Support	1,763,951	2,243,950
 EARNED REVENUE		
Miscellaneous Revenue	-	1,730
Interest Income	230	354
Unrealized Loss On Securities	<u>-</u>	<u>(91)</u>
Total Earned Revenue	<u>230</u>	<u>1,993</u>
 TOTAL EARNED REVENUE AND PUBLIC SUPPORT	 1,764,181	 2,245,943
 EXPENSES		
Program Expenses	992,742	1,265,237
Management & General Expenses	125,819	141,608
Fundraising Expenses	125,445	145,606
Payments to Affiliates	<u>585,771</u>	<u>665,599</u>
Total Expenses	<u>1,829,777</u>	<u>2,218,050</u>
 INCREASE(DECREASE) IN NET ASSETS	 (65,597)	 27,893
 NET ASSETS - Beginning of Year	 <u>287,360</u>	 <u>259,467</u>
 NET ASSETS - End of Year	 <u>\$ 221,764</u>	 <u>\$ 287,360</u>

The accompanying notes are an integral part of the financial statement

HONOR FLIGHT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (65,597)	\$ 27,893
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	15,695	9,750
Non-Cash Donations	-	-
Effects of Changes in Operating Assets and Liabilities		
Pledges Receivable	-	110
Accounts Receivable	14,280	12,138
Inventory	10,506	(19,202)
Advances Receivable-Hubs	-	6,000
Prepaid Airfare	37,600	(90,000)
Other Prepaid Expenses	(6,565)	-
Marketable Securities	34	(34)
Accounts Payable	(11,083)	50,665
Contributions Payable-Hubs	(24,650)	24,650
Accrued Wages & Taxes	(18)	6,580
401 K Withheld	2,440	-
Bus Deposit Liability-Hubs	(585)	585
Net Cash Provided by (Used in) Operating Activities	<u>(27,943)</u>	<u>29,135</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property & Equipment	<u>(3,629)</u>	<u>(39,967)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(3,629)</u>	<u>(39,967)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (Payments) on Short-Term Borrowings	<u>(4,000)</u>	<u>4,000</u>
Net Cash Provided by (Used in) Financing Activities	<u>(4,000)</u>	<u>4,000</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,572)	(6,832)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>172,962</u>	<u>179,794</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 137,390</u>	<u>\$ 172,962</u>

The accompanying notes are an integral part of the financial statement

HONOR FLIGHT, INC.
NOTES TO FINANCIAL STATEMENT
OCTOBER 31, 2010 AND 2009

NOTE NO. 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of the Organization

Honor Flight, Inc., established in 2005, is a non-profit organization whose purpose is to honor America's Veterans for all their sacrifices and provide transportation for the Veterans to Washington, DC to visit their memorials. Honor Flight, Inc. is principally funded by private contributions and fundraising activities.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified on the existence or absence of donor-imposed restrictions. The Organization currently has only unrestricted net assets.

Contributions

Contributions, including unconditional promises to give (pledges), are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Restricted contributions received in the same year in which the restriction is satisfied, are reported as unrestricted contributions in that year.

Inventory

Inventory, stated at cost, consists of merchandise given for a specified level of contributions received. The inventory at October 31, 2010 and 2009 was \$33,435 and \$43,941.

In Kind Contributions

Contributions of tangible assets are recognized at fair market value when received. Contributed services are recognized if the services received (a) create or enhance non-financial assets; or (b) require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In fiscal 2010, the Organization received in kind contributions of \$541,739 and \$461,025 in fiscal 2009.

HONOR FLIGHT, INC.
NOTES TO FINANCIAL STATEMENT - CONTINUED
OCTOBER 31, 2010 AND 2009

**NOTE NO. 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measures

The Organization adopted FASB ASC 820 during the current year, Fair Value Measures, which establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. Major categories of assets and liabilities that are measured at fair value for which the entity has applied the provisions of ASC 820 consist of long-lived assets (property). The Organization estimates that the fair value of long-lived assets does not differ materially from the aggregate carrying values recorded in the financial statements and there is no impairment of assets.

Furniture and Equipment

Furniture and equipment are stated at cost or fair value at date of the gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. The Organization follows the practice of capitalizing all expenditures for equipment for equipment in excess of \$500. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Cash

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in the prior year consisted of equity securities held with Huntington National Bank and were carried at fair value. The securities were disposed of in the current year.

HONOR FLIGHT, INC.
NOTES TO FINANCIAL STATEMENT - CONTINUED
OCTOBER 31, 2010 AND 2009

**NOTE NO. 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Income Taxes

Honor Flight, Inc. is incorporated as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state and local taxes. Therefore, no provision has been made for income taxes.

The Organization's federal Return of Organization Exempt From Income Tax (Form 990) for 2007, 2008 and 2009 are subject to examination by the IRS generally for three years after they were filed. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE NO. 2 – CONCENTRATION OF CREDIT RISK

The Organization is a National Organization based in Springfield, Ohio, however contributions are received from donor's nation wide. During 2009 the Organization maintained Honor Flight network hubs in Columbus, Cincinnati, Dayton and Cleveland, Ohio as well as Huntsville, Alabama. During 2010 the Organization maintained an Honor flight network hub in Dayton, Ohio and Huntsville, Alabama for part of the year. The total revenues earned by the Honor Flight hubs were \$209,792 in 2010 and \$717,620 in 2009. Total expenses were \$266,683 in 2010 and \$677,728 in 2009.

The Organization maintains its operating cash balance in one financial institution in Springfield, Ohio. Cash balances were also maintained for Honor Flight network hubs with financial institutions in Cleveland, Cincinnati, Dayton and Columbus, Ohio and Huntsville, Alabama for all of 2009 and for part of 2010. The balances are insured by the Federal Deposit Insurance Corporation, for up to \$250,000 in each financial institution. The Company had no uninsured cash balances during the 2010 and 2009 fiscal years.

NOTE NO. 3 – RELATED PARTIES

Honor Flight, Inc. is the National Organization and acts as support for several Honor Flight network hubs through out the United States. As such, they collect donations and transfer funds on behalf of the hub. Honor Flight, Inc. also maintains bank accounts for the hubs until they obtain their own 501(c) (3) status.

HONOR FLIGHT, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
OCTOBER 31, 2010 AND 2009

NOTE NO. 4 – OPERATING LEASE

The Organization leases its facility on a month-to-month basis. Rent expense in fiscal years 2010 and 2009 was \$19,798 and \$19,655.

NOTE NO. 5 – FUND-RAISING EXPENSE

Total fund-raising expenses for the years ended October 31, 2010 and 2009 amounted to \$125,445 and \$145,606 respectively. The Organization offers clothing, hats, books, mugs and videos for different levels of donations.

NOTE NO. 6 – MARKETABLE SECURITIES

Marketable Securities at October 31, 2009 were stated at fair value as follows:

	<u>Fair Value</u>
Dynegy, Inc. held at Huntington National Bank	\$ 34

The securities were disposed of in 2010.

NOTE NO. 7 – CONTRIBUTIONS PAYABLE

Contributions collected through Honor Flight, Inc. can be designated as contributions to one or more of the 92 hubs that are affiliated. These contributions are recorded as Contributions Payable until the time the funds are paid to the designated Honor Flight hub. The contributions payable at October 31, 2010 and 2009 were \$0 and \$24,650.

NOTE NO. 8 – PREPAID AIRFARE

For the years ended October 31, 2010 and 2009 Honor Flight, Inc. received contributions of 1,350 and 1,150 tickets respectively for airfare from Southwest Airlines. The tickets were valued at \$400 each. At October 31, 2010 and 2009, 131 and 225 tickets valued at \$52,400 and \$90,000 respectively remained and are recorded as prepaid airfare.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Honor Flight, Inc.

Our report on our audit of the basic financial statements of Honor Flight, Inc. for October 31, 2010 and 2009 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements. The accompanying schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

Stuckey & Associates, Inc.

Stuckey & Associates, Inc.
Springfield, Ohio
January 15, 2011

HONOR FLIGHT, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2010

	Program <u>Services</u>	Management <u>& General</u>	<u>Fundraising</u>	<u>Total</u>
PROGRAM EXPENSES				
Airfare Costs	\$ 299,691	\$ -	\$ -	\$ 299,691
Bus Transportation Costs	358,534	-	-	358,534
Tent/Chair Rental	-	-	-	-
Meals	10,572	-	-	10,572
Supplies & Equipment	8,394	-	-	8,394
Veteran Gifts	-	-	-	-
RV Program Costs	11,186	-	-	11,186
Lodging Costs	57,695	-	-	57,695
Miscellaneous	3,806	-	-	3,806
	<u>749,878</u>	<u>-</u>	<u>-</u>	<u>749,878</u>
OTHER EXPENSES				
Employee Outsourcing	-	-	-	-
Salaries & Wages	96,568	40,237	24,142	160,946
Payroll Tax Expense	9,754	4,064	2,438	16,256
Professional Services	-	7,445	-	7,445
Bookkeeping Fees	-	8,000	-	8,000
Office Supplies & Expenses	6,035	1,065	-	7,100
Telephone	7,825	2,608	-	10,433
Postage & Shipping	4,650	4,650	4,650	13,950
Occupancy	-	20,298	-	20,298
Depreciation	13,655	2,040	-	15,695
Liability Insurance	4,486	4,485	-	8,971
Printing & Publications	10,851	1,206	-	12,057
Travel	39,393	13,131	-	52,524
Conferences & Conventions	500	-	-	500
Fundraising Expenses	-	-	84,800	84,800
Business Fees & Expenses	-	1,910	-	1,910
Contract Services	2,378	-	1,500	3,878
Merchant Fees	-	13,434	-	13,434
Website	5,276	-	7,915	13,191
Donations	32,865	-	-	32,865
Miscellaneous	8,629	1,246	-	9,875
	<u>242,864</u>	<u>125,819</u>	<u>125,445</u>	<u>494,128</u>
TOTAL EXPENSES	<u>\$ 992,742</u>	<u>\$ 125,819</u>	<u>\$ 125,445</u>	<u>\$ 1,244,006</u>

The accompanying notes are an integral part of the financial statement

HONOR FLIGHT, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2009

	Program <u>Services</u>	Management <u>& General</u>	<u>Fundraising</u>	<u>Total</u>
PROGRAM EXPENSES				
Airfare Costs	\$ 783,172	\$ -	\$ -	\$ 783,172
Bus Transportation Costs	38,741	-	-	38,741
Tent/Chair Rental	61,081	-	-	61,081
Meals	42,329	-	-	42,329
Supplies & Equipment	25,357	-	-	25,357
Veteran Gifts	14,331	-	-	14,331
RV Program Costs	14,461	-	-	14,461
Lodging Costs	44,087	-	-	44,087
Miscellaneous	1,392	-	-	1,392
	<u>1,024,951</u>	<u>-</u>	<u>-</u>	<u>1,024,951</u>
OTHER EXPENSES				
Employee Outsourcing	46,518	15,641	10,941	73,100
Salaries & Wages	88,539	36,897	22,293	147,729
Payroll Tax Expense	7,605	3,100	1,882	12,587
Professional Services	-	7,600	-	7,600
Office Supplies & Expenses	13,774	2,428	-	16,202
Telephone	14,888	4,963	-	19,851
Postage & Shipping	2,999	2,998	2,999	8,996
Occupancy	-	21,000	-	21,000
Depreciation	8,473	1,277	-	9,750
Liability Insurance	12,274	12,274	-	24,548
Printing & Publications	9,174	1,019	-	10,193
Travel	26,776	8,925	-	35,701
Conferences & Conventions	1,046	-	-	1,046
Fundraising Expenses	-	-	77,327	77,327
Business Fees & Expenses	-	2,484	-	2,484
Contract Services	2,976	11,668	23,049	37,693
Merchant Fees	-	9,334	-	9,334
Website	4,744	-	7,115	11,859
Miscellaneous	500	-	-	500
	<u>240,286</u>	<u>141,608</u>	<u>145,606</u>	<u>527,500</u>
TOTAL EXPENSES	<u>\$ 1,265,237</u>	<u>\$ 141,608</u>	<u>\$ 145,606</u>	<u>\$ 1,552,451</u>

The accompanying notes are an integral part of the financial statement