

**WINGS OVER AMERICA SCHOLARSHIP FOUNDATION**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015 AND 2014**

**WINGS OVER AMERICA SCHOLARSHIP FOUNDATION**

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Wings Over America Scholarship Foundation  
Virginia Beach, Virginia

We have audited the accompanying financial statements of Wings Over America Scholarship Foundation (a nonprofit organization) (the "Foundation") which comprise the statements of financial position as of September 30, 2015 and 2014, 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.

*Auditor's 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 risk 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 Wings Over America Scholarship Foundation as of September 30, 2015 and 2014, 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.

*Barnes, Brock, Cornwell & Painter, PLC*

Chesapeake, Virginia  
December 23, 2015

WINGS OVER AMERICA SCHOLARSHIP FOUNDATION

STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2015 AND 2014

ASSETS		2015	2014
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 18,684	\$ 23,472
Investment, at fair value		145,212	141,131
Investment, at fair value - restricted		204,501	224,351
Prepaid expenses		<u>1,276</u>	<u>1,222</u>
Total current assets		<u>\$ 369,673</u>	<u>\$ 390,176</u>
<b>EQUIPMENT:</b>			
Equipment		\$ 700	\$ 700
Less accumulated depreciation		<u>(477)</u>	<u>(337)</u>
Net equipment		<u>\$ 223</u>	<u>\$ 363</u>
Total assets		<u><u>\$ 369,896</u></u>	<u><u>\$ 390,539</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable		\$ 594	\$ 963
Payroll taxes withheld and accrued expenses		165	2,176
Deferred revenue		<u>12,000</u>	<u>10,000</u>
Total current liabilities		<u>\$ 12,759</u>	<u>\$ 13,139</u>
<b>NET ASSETS:</b>			
Unrestricted		\$ 152,636	\$ 153,049
Temporary restricted		<u>204,501</u>	<u>224,351</u>
Total net assets		<u>\$ 357,137</u>	<u>\$ 377,400</u>
Total liabilities and net assets		<u><u>\$ 369,896</u></u>	<u><u>\$ 390,539</u></u>

See independent auditor's report and accompanying notes to the financial statements.

**WINGS OVER AMERICA SCHOLARSHIP FOUNDATION**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	Unrestricted	Temporary Restricted	2015 Total	Comparative 2014 Total
<b>REVENUE AND SUPPORT:</b>				
Contributions	\$ 41,940	\$ 90,449	\$ 132,389	\$ 92,597
Special events, net of expenses \$55,060 and \$40,413, respectively	87,928	-	87,928	96,883
Interest and dividend income	5	19,919	19,924	22,381
Realized gain on investments	-	5,671	5,671	19,026
Unrealized loss on investments	-	(45,061)	(45,061)	(12,079)
Miscellaneous	163	-	163	2,238
Net assets released from restriction	90,828	(90,828)	-	-
<b>Total revenue and support</b>	<b>\$ 220,864</b>	<b>\$ (19,850)</b>	<b>\$ 201,014</b>	<b>\$ 221,046</b>
<b>EXPENSES:</b>				
Program services	\$ 188,498	\$ -	\$ 188,498	\$ 170,751
Management and general	8,659	-	8,659	17,971
Fundraising	24,120	-	24,120	7,250
<b>Total expenses</b>	<b>\$ 221,277</b>	<b>\$ -</b>	<b>\$ 221,277</b>	<b>\$ 195,972</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (413)</b>	<b>\$ (19,850)</b>	<b>\$ (20,263)</b>	<b>\$ 25,074</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>153,049</b>	<b>224,351</b>	<b>377,400</b>	<b>352,326</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 152,636</b>	<b>\$ 204,501</b>	<b>\$ 357,137</b>	<b>\$ 377,400</b>

See independent auditor's report and accompanying notes to the financial statements.

**WINGS OVER AMERICA SCHOLARSHIP FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	Program Services	Management and General	Fund Raising	2015 Total	Comparative 2014 Total
Board development	\$ 245	\$ 27	\$ -	\$ 272	\$ 2,252
Consulting	8,748	972	-	9,720	7,715
Depreciation	126	14	-	140	140
Insurance	1,245	138	-	1,383	1,263
Investments fees	3,541	394	-	3,935	3,885
Miscellaneous expense	-	-	-	-	25
Office expense	420	47	-	467	893
Postage expense	217	107	288	612	560
Professional fees	2,700	300	-	3,000	3,225
Rent expense	4,260	473	-	4,733	5,098
Salaries and related taxes	29,631	5,926	23,704	59,261	44,927
Scholarship awards	133,841	-	-	133,841	122,024
Supplies	1,488	105	128	1,721	1,634
Taxes and licenses	404	46	-	450	225
Travel	640	-	-	640	1,108
Telephone and website	992	110	-	1,102	998
<b>Total expenses</b>	<b>\$ 188,498</b>	<b>\$ 8,659</b>	<b>\$ 24,120</b>	<b>\$ 221,277</b>	<b>\$ 195,972</b>

See independent auditor's report and accompanying notes to the financial statements.

**WINGS OVER AMERICA SCHOLARSHIP FOUNDATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (20,263)	\$ 25,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	140	140
Net realized and unrealized (gain) loss on investments	39,769	(6,947)
(Increase) decrease in assets:		
Accounts receivable	-	2,891
Prepaid expenses	(54)	(114)
Increase (decrease) in liabilities:		
Accounts payable	(369)	543
Payroll taxes withheld and accrued expenses	(2,011)	322
Scholarship payable	-	(10,000)
Deferred revenue	2,000	10,000
	<u>19,212</u>	<u>21,909</u>
<b>NET CASH PROVIDED OPERATING ACTIVITIES</b>	<b>\$ 19,212</b>	<b>\$ 21,909</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net additions to investment	\$ (24,000)	\$ (10,467)
	<u>(24,000)</u>	<u>(10,467)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>\$ (24,000)</b>	<b>\$ (10,467)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (4,788)</b>	<b>\$ 11,442</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>23,472</b>	<b>12,030</b>
	<u>23,472</u>	<u>12,030</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 18,684</b>	<b>\$ 23,472</b>
	<u>18,684</u>	<u>23,472</u>

See independent auditor's report and accompanying notes to the financial statements.

# WINGS OVER AMERICA SCHOLARSHIP FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

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### NOTE 1 - ORGANIZATION:

The Wings Over America Scholarship Foundation ("the Foundation") was formed in 1987 and was incorporated under the laws of the Commonwealth of Virginia on April 19, 2007. The Foundation provides academic scholarships to dependent children and spouses of U.S. Navy aviation personnel. The Foundation is supported primarily through donor contributions and from the proceeds generated by annual golf tournaments.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the recommendations of the Financial Accounting Standards Board. The Foundation reports information regarding its financial position and activities according to three classes of net assets, as follows:

- Unrestricted amounts are those currently available, at the discretion of the Board of Directors, for use in the operations and those resources invested in equipment.
- Temporarily restricted amounts are those that are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. The Foundation maintained no such balances as of September 30, 2015 and 2014.

#### Recognition of Restrictions on Assets

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

#### Donated Assets and Services

The Foundation recognizes in-kind contributions as revenue and expense in the period in which they are received. Donated materials are valued by donor at fair market value on the date of the gift. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

#### Accounts Receivable

Management considers the need for an allowance for uncollectible accounts receivable based on its review of accounts receivable and historical collection experience. The Foundation writes off receivables as a charge to the allowance when in their estimation it is probable the receivables is worthless. Accounts receivable are considered past due if payments are not received by the due date on the billing statement. Past due accounts are not charged a monthly finance charge. At September 30, 2015 and 2014, there was no accounts receivable balance.



WINGS OVER AMERICA SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments

The Foundation records investments at fair market value based on quoted prices in active markets (all Level 1 measurements) and are classified by management as available-for-sale. Accordingly, realized gains and losses, if any, are determined on the basis of the actual cost of the securities sold. Unrealized gains and losses are presented as a single amount in the statement of activities. Gifts of investments are recorded at their fair market value (based upon quotations or appraisals) at the date of the gift. Purchases and sales of investments are recorded on the trade date.

Equipment

Purchased items are stated at cost and donated items are stated at fair market value at the date of the gift. Donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of 5 years. Gains and losses arising from retirements or dispositions are recognized in the period incurred.

Depreciation expense for the years ended September 30, 2015 and 2014 amounted to \$140 and \$140, respectively.

Scholarship Payable

The Foundation awards scholarships which are conditional based on certain requirements. At September 30, 2015 and 2014, there was no scholarship payable balance.

Deferred Revenue

Income from donors are recognized at fair value and deferred over the periods to which the income relates.

Income Taxes

Wings Over America Scholarship Foundation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an unexempt Foundation as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Foundation has no obligation for any unrelated business income tax. The Foundation believes 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; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration. The Foundation's federal return of Foundation Exempt from Income Tax (Form 990) for 2015, 2014, 2013 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs are allocated among the programs and supporting services benefited.

WINGS OVER AMERICA SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising Costs

The Foundation expenses the cost of advertising when incurred. As of September 30, 2015 and 2014, the Foundation did not incur any advertising costs for the years then ended.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

Reclassification

Certain amounts from the prior year have been reclassified to conform with current year presentation.

NOTE 3 - CONCENTRATION OF RISK:

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and temporary cash investments. The Foundation places its cash and temporary cash investments with high credit quality depositories.

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. Beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). All of a depositor's accounts at an insured depository institution, including all non-interest bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000, for each deposit insurance ownership category. The Foundation did not have demand deposits on hand in financial institutions that exceeded depositor's insurance provided by the applicable guaranty agency for the years ended September 30, 2015 and 2014.

Approximately 58% and 44% of the Foundation's revenue came from the special event revenues earned for the years ended September 30, 2015 and 2014, respectively. The current level of the Foundation's operations and programs may be significantly impacted if there is a reduction of contributions from these special events.

NOTE 4 - OPERATING LEASES:

The Foundation leases its office on a year to year basis from an unrelated third party. The current lease expired on September 14, 2016. The lease shall extend indefinitely until either party give written notice of termination at least 60 day prior to termination. Total lease expenses amounted to \$4,733 and \$5,098 for the years ended September 30, 2015 and 2014, respectively.

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the temporarily restricted purposes or by occurrence of other events specified by donor.

	2015	2014
Expenses from temporarily restricted funds:		
Scholarship awards	\$ 90,828	\$ 14,282

WINGS OVER AMERICA SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014

NOTE 6 - RESTRICTIONS ON NET ASSETS:

All of the restrictions on net assets at September 30, 2015 and 2014 relate to funds that will be used for scholarship awards.

Temporarily restricted net assets are available for the following purpose:

	<u>2015</u>	<u>2014</u>
Scholarship awards	<u>\$ 204,501</u>	<u>\$ 224,351</u>

NOTE 7 - FAIR VALUE MEASUREMENTS:

In accordance with FASB (ASC) 820, Fair Value Measurements and Disclosures, the Foundation accounts for its financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability.

FASB (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). 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 that the Foundation has the ability to access.

**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. The foundation currently has no level 2 assets.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Foundation currently has no level 3 assets.

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 at September 30, 2015.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Foundation at year end.

*Common stocks, corporate bonds and U.S. government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Guaranteed investment contract:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

WINGS OVER AMERICA SCHOLARSHIP FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 7 - FAIR VALUE MEASUREMENTS (Continued):

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of September 30, 2015 and 2014.

Assets at Fair Value as of September 30, 2015:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 276,701	\$ -	\$ -	\$ 276,701
Fixed income funds	18,232	-	-	18,232
Equity funds	54,780	-	-	54,780
	<u>\$ 349,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,713</u>

Assets at Fair Value as of September 30, 2014:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 365,482	\$ -	\$ -	\$ 365,482

Unrealized loss on investments for the years ended September 30, 2015 and 2014 amounted to \$45,061 and \$12,079, respectively.

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 23, 2015, the date these financial statements were available to be issued.