

**STARS AND STRIPES HONOR FLIGHT, INC.**

Financial Statements

December 31, 2010

Together With Independent Auditors' Report

STARS AND STRIPES HONOR FLIGHT, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Stars and Stripes Honor Flight, Inc.  
Port Washington, Wisconsin

We have audited the accompanying statement of financial position of Stars and Stripes Honor Flight, Inc. (a not-for-profit organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Stars and Stripes Honor Flight, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Organization corrected the classification of unrestricted net assets as of December 31, 2009. The correction had no effect on total net assets as of December 31, 2009.

*Schenck SC*

Certified Public Accountants

Sheboygan, Wisconsin  
July 25, 2011



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STARS AND STRIPES HONOR FLIGHT, INC.

Statement of Financial Position  
December 31, 2010

ASSETS

Cash and cash equivalents	<u>\$ 293,727</u>
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LIABILITIES AND NET ASSETS

Accounts payable	\$ 11,059
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Net assets - unrestricted	<u>282,668</u>
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	<u>\$ 293,727</u>
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See notes to financial statements.

STARS AND STRIPES HONOR FLIGHT, INC.

Statement of Activities  
Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and revenue</u>			
Contributions	\$ 811,694	\$ -	\$ 811,694
Interest income	<u>1,759</u>	<u>-</u>	<u>1,759</u>
Total support and revenue	<u>813,453</u>	<u>-</u>	<u>813,453</u>
<u>Expenses</u>			
Program	704,949	-	704,949
Fundraising	3,256	-	3,256
Management and general	<u>10,306</u>	<u>-</u>	<u>10,306</u>
Total expenses	<u>718,511</u>	<u>-</u>	<u>718,511</u>
Change in net assets	<u>94,942</u>	<u>-</u>	<u>94,942</u>
<u>Net assets</u>			
Beginning of year, as previously reported	-	187,726	187,726
Prior period adjustment	<u>187,726</u>	<u>(187,726)</u>	<u>-</u>
Beginning of year, as restated	<u>187,726</u>	<u>-</u>	<u>187,726</u>
End of year	<u>\$ 282,668</u>	<u>\$ -</u>	<u>\$ 282,668</u>

See notes to financial statements.

STARS AND STRIPES HONOR FLIGHT, INC.

Statement of Functional Expenses  
Year ended December 31, 2010

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 1,820	\$ 1,820
Bank charges	859	1,969	394	3,222
Books	23,111	-	-	23,111
Flight day supplies	48,104	-	-	48,104
Insurance	-	-	1,262	1,262
Medical	14,765	-	-	14,765
Miscellaneous	449	-	218	667
Office supplies	3,861	1,287	1,287	6,435
Postage	7,960	-	-	7,960
Printing	7,614	-	-	7,614
Professional fees	-	-	4,600	4,600
Travel:				
Airline charters	525,959	-	-	525,959
Ground transportation	45,744	-	147	45,891
Veterans meals	<u>26,523</u>	<u>-</u>	<u>578</u>	<u>27,101</u>
	<u>\$ 704,949</u>	<u>\$ 3,256</u>	<u>\$ 10,306</u>	<u>\$ 718,511</u>

See notes to financial statements.

STARS AND STRIPES HONOR FLIGHT, INC.

Statement of Cash Flows  
Year ended December 31, 2010

Operating activities

Change in net assets - unrestricted	\$	94,942	
Adjustments to reconcile the change in net assets to net cash provided by operating activities:			
Increase in accounts payable		<u>5,833</u>	
Net cash provided by operating activities			<u>\$ 100,775</u>

Cash and cash equivalents

Net increase		100,775	
Beginning of year		<u>192,952</u>	
End of year			<u>\$ 293,727</u>

See notes to financial statements.

STARS AND STRIPES HONOR FLIGHT, INC.

Notes to Financial Statements  
December 31, 2010

Note 1 - Nature of activities and significant accounting policies

A. Nature of activities

Stars and Stripes Honor Flight, Inc. (Organization) is a not-for-profit organization whose purpose is to fly veterans of World War II and terminally ill veterans of other wars to Washington, D.C. to view war memorials and to work with local schools to share the veterans' histories. The Organization's primary source of support is from contributions.

B. Subsequent events

The financial statements were approved and available for issue by management on July 25, 2011, and subsequent events were evaluated through this date.

C. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Basis of presentation

The Organization is required to report information regarding its net assets and its activities in the following three classes of net assets:

Unrestricted net assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets - net assets that result from contributions whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets - net assets resulting from contributions whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Organization.

The Organization had no temporarily or permanently restricted net assets as of December 31, 2010.

E. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments to be cash equivalents.

STARS AND STRIPES HONOR FLIGHT, INC.

Notes to Financial Statements, Continued  
December 31, 2010

Note 1 - Nature of activities and significant accounting policies, continued

F. Contribution recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Additionally, the Organization receives a significant amount of contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. These donated services include administrative services, trip support, and fundraising assistance.

G. Advertising

Advertising costs are expensed as incurred. During 2010, advertising costs totaled \$1,820.

H. Functional allocation of expenses

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

STARS AND STRIPES HONOR FLIGHT, INC.

Notes to Financial Statements, Continued  
December 31, 2010

Note 1 - Nature of activities and significant accounting policies, continued

I. Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from Wisconsin income taxes.

The Organization has adopted the guidance for accounting for uncertainties in income taxes which is part of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. This guidance increases the relevancy and comparability of financial reporting by clarifying the way companies account for uncertainties in income taxes for tax positions taken or expected to be taken. It makes recognition and measurement more consistent as well as offering clear criteria for subsequently recognizing, derecognizing and measuring such tax positions for financial statement purposes.

Penalties and interest assessed by income taxing authorities are included in management and general expenses, if applicable. The Organization had no interest and penalties related to income taxes for the year ended December 31, 2010. The Organization's federal returns are subject to examination generally for three years after they are filed and its state returns generally for four years after they are filed.

Note 2 - Concentration of credit risk

The Organization maintains cash in various bank checking accounts at one bank. Aggregate deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's cash deposits may, at times, exceed this limit. In addition, the Organization's checking account balance is fully guaranteed by the FDIC under the Transaction Account Guarantee Program through December 31, 2012.

Note 3 - Prior period adjustment

Unrestricted net assets previously reported as temporarily restricted were corrected during 2010. Contributions received since inception of the Organization were given for the purpose of the Organization's mission, with no further restriction. The Organization reclassified \$187,726 of unrestricted net assets as of December 31, 2009. The correction had no effect on total net assets as of December 31, 2009.