

**National Intercollegiate Flying Association
Financial Statements
As of and for the Years Ended
June 30, 2017 and 2016**

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Independent Auditors' Report

To the Board of Directors/Council Members of
National Intercollegiate Flying Association
Columbus, Ohio

We have audited the accompanying financial statements of the National Intercollegiate Flying Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 the National Intercollegiate Flying Association as of June 30, 2017 and 2016, 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.

Shullbrook & Manton

Certified Public Accountants

Columbus, Ohio
November 8, 2017

NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
Assets		
<i>Current assets</i>		
Cash	\$ 64,508	\$ 61,210
Accounts receivable	2,000	15,000
Investments at fair value	110,569	60,057
Total current assets	177,077	136,267
<i>Non-current assets</i>		
Property and equipment		
Computer equipment	2,851	2,851
Equipment	40,618	40,618
Less: accumulated depreciation	(40,024)	(38,346)
Property and equipment, net	3,445	5,123
Investments at fair value		
Funds committed for future program services	-	50,000
Total assets	\$ 180,522	\$ 191,390
Liabilities and net assets		
<i>Current liabilities</i>		
Accounts payable	\$ 10,794	\$ 9,347
Accrued payroll taxes	1,299	1,303
Unearned revenue	5,075	3,652
Total current liabilities	17,168	14,302
Net assets		
Unrestricted	163,354	127,088
Temporarily restricted	-	50,000
Total net assets	163,354	177,088
Total liabilities and net assets	\$ 180,522	\$ 191,390

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

NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Cash contributions	\$ 11,139	\$ -	\$ 11,139
Contributed use of property	18,900	-	18,900
Fundraising	16,924	-	16,924
Program service fees	130,039	-	130,039
Grants	48,500	-	48,500
Government grant	10,000	-	10,000
Membership dues	32,052	-	32,052
Unrealized gain on investments	512	-	512
Net assets released from restrictions	50,000	(50,000)	-
Total support and revenue	<u>318,066</u>	<u>(50,000)</u>	<u>268,066</u>
Expenses			
Program services			
SAFECON	165,512	-	165,512
Supporting services			
Management and general	111,202	-	111,202
Fundraising	5,086	-	5,086
Total expenses	<u>281,800</u>	<u>-</u>	<u>281,800</u>
Change in net assets	36,266	(50,000)	(13,734)
Net assets - beginning of year	<u>127,088</u>	<u>50,000</u>	<u>177,088</u>
Net assets - end of year	<u>\$ 163,354</u>	<u>\$ -</u>	<u>\$ 163,354</u>

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

NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Cash contributions	\$ 8,039	\$ -	\$ 8,039
Contributed use of property	18,900	-	18,900
Fundraising	19,857	-	19,857
Program service fees	139,035	-	139,035
Grants	50,000	-	50,000
Government grant	10,000	-	10,000
Membership dues	32,821	-	32,821
Miscellaneous	548	-	548
Interest and dividends	9,394	-	9,394
Unrealized loss on investments	(20,170)	-	(20,170)
Total support and revenue	268,424	-	268,424
 Expenses			
Program services			
SAFECON	176,076	-	176,076
Supporting services			
Management and general	101,811	-	101,811
Fundraising	4,607	-	4,607
Total expenses	282,494	-	282,494
Change in net assets	(14,070)	-	(14,070)
 Net assets - beginning of year	141,158	50,000	191,158
 Net assets - end of year	\$ 127,088	\$ 50,000	\$ 177,088

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

NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>SAFECON</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 25,000	\$ 25,000	\$ -	\$ 50,000
Health insurance	-	14,373	-	14,373
Payroll taxes	1,913	1,913	-	3,826
Professional fees	-	24,934	-	24,934
Occupancy	-	18,900	-	18,900
Depreciation	-	1,678	-	1,678
Fundraising	-	-	5,086	5,086
Printing	10,213	-	-	10,213
Insurance	8,238	8,238	-	16,476
Travel and entertainment	46,132	11,124	-	57,256
Scholarships and awards	34,326	-	-	34,326
Administrative expenses	20,882	-	-	20,882
Equipment rental	10,203	-	-	10,203
Conferences and meetings	3,509	-	-	3,509
Subscriptions	-	1,165	-	1,165
Supplies	5,096	-	-	5,096
Filing fees	-	25	-	25
Postage	-	373	-	373
Bank fees	-	3,239	-	3,239
Other	-	240	-	240
	<u>\$ 165,512</u>	<u>\$ 111,202</u>	<u>\$ 5,086</u>	<u>\$ 281,800</u>

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

NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>SAFECON</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 25,000	\$ 25,000	\$ -	\$ 50,000
Health insurance	-	19,134	-	19,134
Payroll taxes	1,912	1,913	-	3,825
Professional fees	-	15,622	-	15,622
Occupancy	-	18,900	-	18,900
Depreciation	-	2,142	-	2,142
Fundraising	-	-	4,607	4,607
Printing	8,771	-	-	8,771
Insurance	6,107	6,108	-	12,215
Travel and entertainment	46,446	3,393	-	49,839
Scholarships and awards	47,556	-	-	47,556
Administrative expenses	11,124	-	-	11,124
Equipment rental	9,602	-	-	9,602
Conferences and meetings	14,680	2,049	-	16,729
Subscriptions	-	2,849	-	2,849
Supplies	4,659	-	-	4,659
Filing fees	-	10	-	10
Postage	219	-	-	219
Other	-	4,691	-	4,691
	<u>\$ 176,076</u>	<u>\$ 101,811</u>	<u>\$ 4,607</u>	<u>\$ 282,494</u>

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

NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating activities		
Change in net assets	\$ (13,734)	\$ (14,070)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,678	2,142
Interest and dividends	-	(9,394)
Unrealized (gain) loss on investments	(512)	20,170
Changes in assets and liabilities:		
Accounts receivable	13,000	(5,000)
Prepaid expenses	-	500
Accounts payable	1,447	1,428
Accrued expenses	(4)	(6)
Unearned revenue	1,423	3,652
Net cash provided (used) by operating activities	<u>3,298</u>	<u>(578)</u>
Investing activities		
Sale of investments	-	15,001
Net cash provided by investing activities	<u>-</u>	<u>15,001</u>
Net change in cash	3,298	14,423
Cash at beginning of year	<u>61,210</u>	<u>46,787</u>
Cash at end of year	<u>\$ 64,508</u>	<u>\$ 61,210</u>

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

National Intercollegiate Flying Association
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

1. Summary of Significant Accounting Policies

Nature of Activities

The National Intercollegiate Flying Association (the Association) is a non-profit corporation organized in 1919 for the purpose of developing and advancing aviation education; to promote, encourage and foster safety in aviation; to promote and foster communications and cooperation between aviation students, educators, educational institutions and the aviation industry; and to provide an arena for collegiate aviation competition.

To accomplish its mission, the Association provides a variety of services to its member institutions including the scheduling and coordination of regional and national Safety and Flight Evaluation Conferences (SAFECON). During these SAFECON events, member institutions compete and are judged in the following areas related to aviation: takeoffs and landings, safety, navigation, and mathematical flight planning computations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets that are subject to donor-imposed stipulations that will be met by either the actions of the Association and/or the passage of time.

Cash

The Association maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. There were no uninsured cash balances as of June 30, 2017 and 2016, respectively.

Accounts Receivable

Accounts receivable represents amounts due from sponsors of the national SAFECON event, which is held in May of each year, and grants received subsequent to year end that relate to the prior year. Management regularly assesses the accounts receivable accounts by looking at the financial condition of specific sponsors, the economic environment in which the sponsors operate, and the past history of the various sponsors. Management also does a detailed review of the aging for the various receivables and compares them to prior years. There was no allowance for doubtful accounts as of June 30, 2017 and 2016, respectively.

National Intercollegiate Flying Association
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Investments

All investments are recorded at fair value in the financial statements. See note 3 for further discussion.

Property and Equipment

The Association capitalizes property and equipment having a unit cost in excess of \$1,000 and a useful life of one or more years. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated over the estimated useful lives (5-10 years) using the straight-line method of computing depreciation.

Support and Revenue

The Association's support and revenue consists mainly of donations, grants, SAFECON sponsorships, membership dues, and a variety of fundraising projects. A college or university has to be a member of the Association in order to compete in the SAFECON events. These colleges or universities are assessed annual membership fees. The Association does not have significant membership fees that are paid in advance. During the years ended June 30, 2017 and 2016, the Association received \$5,075 and \$3,652, respectively, in fundraising support which related to fiscal year 2017 and 2018 and was deferred into those years.

Contributions and grants received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues. No reclassification is reported as the contribution was never included in temporarily restricted net assets.

Contributed Services

No amounts have been reflected in the statements for donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time in the Association's programs and services.

Investment Returns

Investment transactions are recorded on the trade date. Investment income and unrealized gains (losses) are reported as changes to the appropriate net asset category.

National Intercollegiate Flying Association
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

Federal Income Tax

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Related Parties

During the years ended June 30, 2017 and 2016, there were contributions and donations from certain members of the Association's Board of Directors and the Executive Director. These contributions and donations were not a significant part of the Association's revenues for the year ended June 30, 2017 and 2016, respectively.

The Executive Director of the Association is a trustee of the Hillsdale Fund, Inc. which is an organization that has given significant grants to the Association (See note 4). The Hillsdale Fund, Inc. gave \$27,000 and \$30,000, respectively, to the Association for the years ended June 30, 2017 and 2016,

Functional Allocation

Expenses have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain estimates have been made to allocate between program and management and general expenses.

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.

2. Contributed Use of Property

The Association receives the use of 1,400 square feet of office space provided by a local airport through a lease agreement for \$1.00 a month. The Association uses this office space to conduct its daily administrative activities. The term of the lease agreement is for the Association's fiscal year. In order for the agreement to continue, a new agreement must be executed every year. The local airport normally rents similar space for \$13.50 annually per square foot, the going market rate for office space in the area. The Association recognizes the fair value of the contributed use of the office space of \$18,900 for the years ended June 30, 2017 and 2016, respectively. This amount is recognized as both revenue and expense in the statement of activities as it is both received and used during the fiscal year. This transaction had no effect on the change in net assets.

National Intercollegiate Flying Association
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

3. Fair Value Measurement

FASB ASC 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016, respectively.

Mutual Funds - Mutual funds are valued based on quoted market prices and as such, they are classified as level 1 on the valuation hierarchy.

These methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association 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 the Association’s investment assets at fair value as of June 30, 2017 and 2016, by level, within the fair value hierarchy:

Assets at fair value as of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Mutual Fund				
Federal Money Market	\$ 110,569	\$ -	\$ -	\$ 110,569
Assets at fair value as of June 30, 2016				
	Level 1	Level 2	Level 3	Total
Mutual Fund				
Federal Money Market	\$ 110,057	\$ -	\$ -	\$ 110,057

National Intercollegiate Flying Association
Notes to Financial Statements
For the Years Ended June 30, 2017 and 2016

As mentioned in note 4, the Association's investment in the federal money market mutual fund contained \$50,000 as of June 30, 2016 which was restricted to offset travel costs for the Association's volunteers attending the regional and national SAFECON events.

In October 2016, the Hillsdale Fund, Inc. approved the removal of the restriction on the fund and allowed the fund to be used at the discretion of the Association's council.

4. Assets Committed for Future Services

During fiscal year 2012, the Association applied for a grant from the Hillsdale Fund, Inc. for \$50,000. The money was received during fiscal year 2012 with donor-imposed restrictions that the grant should be used to offset travel costs for the Association volunteers, including judges, safety officers, and Association council members when they attend the regional and national SAFECON conferences and events. Accordingly, these assets have been classified as temporarily restricted net assets as of June 30, 2016.

In September 2016, the Association spent \$700 of these restricted funds and requested the donor-imposed restriction to be removed. In October 2016, the Hillsdale Fund, Inc. approved the removal of the restriction on the remaining \$49,300 to allow them to be used at the discretion of the Association's council. Therefore, as of June 30, 2017, all net assets are considered to be unrestricted.

5. Income Taxes

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Association has analyzed the tax positions taken, and has concluded that as of June 30, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association has recognized no interest or penalties related to uncertain tax positions. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

6. Subsequent Events

Subsequent events were reviewed through November 8, 2017, the date the financial statements were available to be issued.