2014 NBAA ANNUAL REPORT

YEAR IN REVIEW 4
No Plane No Gain Marks Five Years of Industry Advocacy 4
Prioritizing Advocacy and Improving Safety for Business Aviation 5
Broadening Global and Local Reach 8
Expanding Professional Development 10
Providing Tools and Resources 11

2014 AWARDS 12

INDEPENDENT AUDITORS’ REPORT 14
Combined Statements of Financial Position 15
Combined Statements of Activities 16
Combined Statements of Cash Flows 17
Notes to Combined Financial Statements 18

NBAA BOARD OF DIRECTORS 24

NBAA ASSOCIATE MEMBER ADVISORY COUNCIL 25

NBAA STAFF 26
No Plane No Gain Marks Five Years of Industry Advocacy

This year marked the fifth anniversary of NBAA and the General Aviation Manufacturers Association’s (GAMA’s) partnership launching the No Plane No Gain advocacy campaign, providing an important opportunity to look back at the program’s successful efforts to reinforce the value of business aviation to policymakers and opinion leaders in Washington and across the country.

Since its unveiling in 2009, during the depths of the global economic downturn, the No Plane No Gain program has taken full advantage of new communication technologies while building on proven advocacy techniques. A dedicated website, thorough research, paid advertising, news media interviews, online education offerings, YouTube placements, podcasts and more are part of the initiative.

CAMPAIGN RESOURCES
Over the past five years, No Plane No Gain has offered a variety of educational and promotional materials reflecting business aviation’s many important contributions, all across the country.

For example, the annual NBAA Business Aviation Fact Book contains real-world information and data about the value of business aviation to citizens, companies and communities throughout the United States, and No Plane No Gain’s series of five research studies published by NEXA Advisors are among the most comprehensive analyses conducted about meaningful and measurable contributions from the industry.

In 2014, NBAA and GAMA built on their tradition of producing valued advocacy resources for the industry when NBAA President and CEO Ed Bolen announced a new “Business Leaders on Business Aviation” initiative at this year’s Business Aviation Convention & Exhibition (NBAA2014) in Orlando, FL.

This newest No Plane No Gain initiative features executives such as Kohler Co. Chairman and CEO Herb Kohler, Bass Pro Shops CEO Johnny Morris, Salamander Hotels & Resorts CEO Sheila Johnson, Enterprise Holdings Executive Chairman Andrew Taylor and more than two dozen other business leaders who provide firsthand testimonials about the value business aviation has brought to companies of all sizes, all across the country.

Twenty-five of these CEO testimonials were also compiled into an advocacy publication of the same name that was distributed to attendees at NBAA2014 and which has since proven highly popular with the industry.

CAMPAIGN RESULTS
NBAA Members and other aviation stakeholders have recognized that these tools help them encourage discussions about the industry with their congressional representatives, local elected leaders and other officials in their communities.

For example, airport managers nationwide ordered copies of NBAA publications like the Airport Advocate Guide, Airports Handbook and Business Aviation Fact Book to help them engage with local leaders about the value of business aviation and GA airports.

Aircraft services providers ordered copies of the new Business Leaders on Business Aviation (and its predecessor publication, Top Ten) in support of education and aircraft sales, with copies distributed to potential and existing clients who may not have been aware of the advantages of business aviation over other modes of transportation.

And state and regional government entities employed NBAA resources to highlight the benefits of business aviation to government officials and agencies at the local level.

www.noplanenogain.org
Prioritizing Advocacy and Improving Safety for Business Aviation

In conjunction with the association’s work to underscore the industry’s importance broadly as part of the No Plane No Gain campaign, NBAA continued to be active on specific industry priorities and concerns. The following is a summary of NBAA’s top legislative and regulatory advocacy efforts in 2014, as well as important actions in support of industry safety and aircraft operations.

SUPPORTING NEXTGEN BENEFITS FOR ALL
In June, NBAA President and CEO Ed Bolen outlined several technical issues that pose challenges to the industry in written testimony submitted before a congressional hearing on the state of progress toward implementation of a Next Generation (NextGen) aviation system.

For example, Bolen noted the financial and technological difficulties in the FAA’s requirement that all general aviation (GA) aircraft operating in the national airspace system be equipped with ADS-B technology – a core component for the NextGen aviation system – by Jan. 1, 2020.

“We need a better understanding of what type of commitment operators must make for technology upgrades and new investments,” he stated to the U.S. Senate Committee on Commerce, Science and Transportation’s Subcommittee on Aviation. “As with all new programs, we also have concerns about what the equipage costs for operators will be, and what services can be expected from installation of ADS-B and other NextGen equipment.”

CONTINUING FOCUS ON SAFETY
NBAA welcomed changes enacted in January by the FAA to streamline the process for operators seeking to receive a letter of authorization (LOA) for operations in RVSM airspace above 28,000 feet MSL. NBAA representatives, who first brought the challenges related to RVSM authorization to FAA officials’ attention several years ago, have been among the participants on a joint industry/agency task force focused on ways to streamline the authorization process.

The FAA’s final policy is in line with recommendations made by the task force to improve the LOA inspection process while maintaining continued operational safety in the National Airspace System.

NBAA’s Safety Committee started the year by identifying the business aviation community’s Top 10 Safety Focus Areas, and throughout the year the Association communicated ways to address each focus area. The Top Safety Focus Areas for 2014 were professionalism, positive safety culture, single-pilot safety, fitness for duty, airport safety, airmanship skills, distraction management, public policy, talent pipeline and technology management.

CALLING FOR CERTIFICATION IMPROVEMENTS
In a statement submitted before a July hearing by the House Aviation Subcommittee on U.S. aviation manufacturing challenges, Bolen emphasized that certifications and approvals are fundamental to all aviation segments, and that further
REMAINING ENGAGED ON CONTROVERSIAL PILOT ISSUES

The Association represents the needs of all Members, but two controversial issues of relevance to pilots in particular that NBAA addressed in 2014 were:

OSA PROPOSAL

There was much concern at the beginning of 2014 regarding the FAA’s controversial proposal to require certain pilots to undergo testing for obstructive sleep apnea (OSA) before receiving a medical certificate.

Throughout 2014, NBAA remained actively engaged in discussions with agency officials and congressional lawmakers about the proposal. “We’ve met with the federal air surgeon, the deputy federal air surgeon and the FAA administrator about this, and it appears that the FAA has heard industry concerns loud and clear,” said Doug Carr, NBAA’s vice president of regulatory and international affairs, in June. “They are taking a step back at the moment to review the requirements they are proposing to add to a pilot medical certification.”

Ultimately, the FAA elected to open a dialogue with industry stakeholders about the proposal, allowing at-risk pilots to be issued their medical certificate (assuming they were otherwise qualified) on the condition that they undergo OSA screening within 90 days by any qualifying doctor, including their primary care physician, following common evaluation protocols. The revisions to the original proposal were still being considered by government and industry at year’s end.

PILOTS’ RIGHTS

In July, NBAA commended U.S. Sen. Jim Inhofe (R-OK) for his continuing efforts to introduce reforms focused on the concerns of pilots and others in the GA community, following the introduction of his Pilot’s Bill of Rights 2 (PBOR2).

“Sen. Inhofe is a long-time champion of general aviation, and a key member of the Senate General Aviation Caucus,” said Dick Doubrava, NBAA vice president, government affairs. “Just as NBAA welcomed passage of Sen. Inhofe’s Pilot’s Bill of Rights two years ago, we support the senator’s intentions in the PBOR2, which contains provisions that would be beneficial to our members in the business aviation community.”

NBAA also noted the senator’s support of restricting Customs and Border Patrol (CBP) stops and searches of general aviation, and requiring CBP to follow general law enforcement standards when exercising its powers.

improvements are needed to support business aviation’s environmental, economic and safety concerns.

NBAA noted that continuing improvements are necessary across a number of aspects of the certification process, including operator authorizations, operator certifications, and aircraft and parts certifications. “Certification is critical to business aviation in terms of time, cost, efficiency and safety,” Bolen said, noting that “long [certification] timelines have a direct impact on safety, the environment and overall cost of operations.”

OPPOSING USER FEES

As the Obama administration continued its threat to impose aviation user fees against business aircraft operators in 2014 – and as Congress prepares to consider FAA funding reauthorization in 2015 – Bolen reiterated the Association’s continuing opposition to per-flight user fees during appearances this year on Capitol Hill.

“General aviation provides over 1.2 million jobs – good manufacturing and service jobs – and also supports tens of thousands of American businesses,” Bolen explained during a June briefing provided by leaders with several GA organizations, conducted for Capitol Hill staff with House lawmakers serving in, or interested in joining, the House GA Caucus.

“From the business aviation perspective, we have always maintained that anything a user fee can do, a fuel tax can do better, and more efficiently – and that benefits both the government and users of the system, from large companies to small businesses and individuals,” he said.

NBAA also thanked lawmakers in the GA Caucus and their staff for fighting off repeated proposals to impose user fees on general aviation, most recently in President Obama’s fiscal year 2015 federal spending proposal released in March. That proposal was opposed by the chairperson and ranking member of the House GA Caucus, a move welcomed by NBAA and other GA groups.

ADDRESSING WEATHER CHALLENGES

In May, NBAA joined with other aviation groups and the FAA in kicking off an eight-month national safety initiative, “Got Weather?” aimed at helping GA pilots better prepare for potential weather challenges.

The joint agency/industry initiative addressed the need for pilots to recognize harmful weather phenomena and develop proper responses to ensure safety – a key item on the National Transportation Safety Board’s (NTSB’s) Top 10 Most Wanted List for improving transportation safety.
NBAA followed its participation in “Got Weather?” with the formation in June of a new NBAA group focused on improvements in aviation weather information and flight safety. One key goal for the new subcommittee is to provide a mechanism for everyone in the aviation weather user community to discuss and find consensus with the FAA and National Weather Service on identifying and meeting the most critical weather information needs of general aviation operators.

The subcommittee also addresses topics including how dispatchers, schedulers, crews, etc. work with probabilistic forecasts and deal with uncertainty; general aviation weather safety; flight-deck weather integration; quantification of benefits, or how accurate and/or timely forecasts benefit business aviation; and adverse winds and their impact on general aviation safety.

**PROVIDING GRASSROOTS ADVOCACY**

Recognizing the growth and effectiveness of local and regional business aviation groups, in August NBAA established a new Local and Regional Group Strategic Focus Team, as well as a new Local and Regional Group Committee.

Don Hitch, who will chair the new Local and Regional Group Committee, said the group’s goal is “to help strengthen the networks between local business aviation groups across the country and continue to support the groups by helping to connect them with each other and providing them with materials, forums and other ways to enable them to communicate the importance and value of business aviation.”

Steve Hadley, NBAA’s regional program director and staff liaison to the Local and Regional Group Committee, added that regional groups have not only partnered with NBAA to grow and enhance their effectiveness, but have also partnered and shared resources and information with each other.

**COMBATING EUROPEAN EMISSIONS SCHEME**

In 2014, NBAA also welcomed an April decision by the European Council to continue to “stop the clock” on further implementation of the controversial European Union Emissions Trading Scheme (EU-ETS) while representatives to the International Civil Aviation Organization continue their work on a plan for addressing aircraft emissions.

“NBAA and its Members have continually opposed onerous and unnecessary fees, taxes and regulations that severely harm the industry, which is why we have fiercely opposed the EU-ETS,” said Bolen. “We are gratified that decision makers in Europe have opted to leave in place the ‘stop-the-clock’ provision on EU-ETS.”

**FIGHTING FOR AIRPORTS AND ACCESS**

Sustained investment in the nation’s airport infrastructure and a continuing view of all airports as part of a national aviation-transportation network are paramount to maintaining America’s world-leading aviation system, said NBAA President and CEO Ed Bolen in written testimony submitted at a June hearing on airport financing and development held by the U.S. House of Representatives Subcommittee on Aviation.

“Airports are a key component in our transportation system, and they are a very important element in business aviation operations,” Bolen added. “There are about 5,000 public-use airports in the U.S., and business aircraft are able to fly into most of them. Business aviation relies heavily on secondary and tertiary airports.”

Among the priorities for maintaining and enhancing the nation’s airport system, Bolen told lawmakers, is a strong federal commitment to the Airport Improvement Program – a funding mechanism that recognizes changing needs at airports, including demand, the types and sizes of aircraft using an airport, and necessary safety and efficiency improvements.

Airports must also be equipped to meet national economic and other objectives, Bolen said, emphasizing also that federal support for these airports must include continuing opposition to local attempts to curb access to or close facilities.

**IN FOCUS: SANTA MONICA**

As part of the Association’s efforts to maintain access to the nation’s network of GA airports, NBAA joined with the Aircraft Owners and Pilots Association in supporting efforts by local and national advocates to preserve California’s historic Santa Monica Municipal Airport (SMO). Earlier this year, the Santa Monica City Council indicated it might begin extending leases to airport tenants on a short-term basis only, particularly in regards to aeronautical tenants such as flight schools and fuel providers.

Responding to reports that the Santa Monica City Council intended to extend only short-term leases to aeronautical tenants such as flight schools and fuel providers, NBAA on July 2 filed a Part 16 complaint with the FAA requesting the agency clarify that the airport must continue to abide by its FAA grant assurances – including the assured availability of vital aviation services and facilities – through 2023.

SMO, an essential reliever airport for the Los Angeles basin area, provides an economic input of more than $250 million to the local economy each year and supports 175 businesses and 1,500 jobs. While NBAA’s Part 16 complaint continues to be under review by the FAA, the Association will continue to engage city officials in vital dialogue.
NBAA’s events across the U.S. and across the globe brought the business aviation community together to network, exchange information about the latest industry issues and get business done. From expanding the industry’s reach abroad to strengthening business aviation’s grassroots, these regional, national and international events helped highlight the value that business aviation brings to communities, companies and citizens in the U.S. and abroad.

**NBAA2014: THE INDUSTRY’S PREEMINENT GATHERING**

NBAA’s 2014 Business Aviation Convention & Exhibition (NBAA2014) in Orlando, FL continued the event’s role as the preeminent gathering for the global business aviation community, filled with announcements and product introductions showcasing the industry’s size, diversity and significance.

From Oct. 21 to 23, more than 26,000 people attended the show, which included representatives from 49 U.S. states and 95 countries. A packed exhibit floor featured approximately 1,100 exhibitors in the Orange County Convention Center, and more than 100 aircraft were displayed in several locations – at a sold-out static display at Orlando Executive Airport, at an indoor display inside the convention center and at various exhibitor booths on the show floor.

A crowded opening general session led off the show, featuring leaders from government and business, including Rep. Bill Shuster (R-PA-9), chairman of the House Transportation and Infrastructure Committee; Chris Hart, acting chairman of the National Transportation Safety Board; and Andrew Taylor, executive chairman of Enterprise Holdings and a long-time business aviation champion who has participated in NBAA’s industry advocacy initiatives.

A standing-room-only, second-day opening session included a welcome from Sen. Bill Nelson (D-FL), a general aviation supporter and senior member of the Senate Committee on Commerce, Science and Transportation. Nelson was joined by Delaware Gov. Jack Markell (D) and U.S. Air Force Major Gen. (ret.) Edward Bolton, assistant administrator for Next-Gen at the FAA.

In recognition of the importance of bringing the next generation of leaders into the industry, NBAA2014 featured the first young professionals networking event, called Soar, and the annual Careers in Business Aviation Day to introduce young people to the industry and to motivate them to make business aviation a professional career choice. A successful charitable benefit event, co-hosted by NBAA and the Corporate Angel Network (CAN), raised nearly $400,000 in support of CAN’s mission to provide life-saving flights for cancer patients to treatment centers aboard business aircraft.

**ABACE: EXPANDING BUSINESS AVIATION IN ASIA**

Just as NBAA2014 highlighted the global significance of business aviation, NBAA’s signature international shows played vital roles in the promotion of business aviation throughout the world. From April 15 to 17 in Shanghai, the Asian Business Aviation Conference & Exhibition (ABACE2014) was one for the record books, continuing to demonstrate that business aviation is growing in China and across Asia.

In just 25 short months since its first iteration, the show has grown significantly with ABACE now firmly established as a must-attend event for the international business aviation community and for China’s aerospace community. Since 2012, the show has seen the number of overall exhibitors increase significantly, to 187, with 73 of those exhibitors based in Asia, an increase of 92 percent.

In addition, 38 aircraft were on the static display, representing the full spectrum of business aircraft, from pistons and helicopters to intercontinental jets.

The 2014 NBAA Business Aviation Convention & Exhibition (NBAA2014) drew a record number of attendees to Orlando, FL.
ABACE also continued to draw high-ranking government officials from the U.S. and Asia, with featured speakers including Michael Huerta, FAA administrator; Wang Zhiqing, Civil Aviation Administration of China deputy administrator; and Masaaki Kai, Japan Civil Aviation Bureau senior deputy director general. This year’s show also included a full lineup of well-attended education sessions focusing on issues including safety best practices, regional trends driving the industry’s growth, tips and tools for those utilizing helicopters for business aviation in the region and more.

More than 650 international reporters registered to attend and cover ABACE2014, providing an opportunity for exhibitors to highlight new products and services and to advance an understanding of business aviation’s potential benefits for the Asian region. More than 70 students from two prestigious Chinese universities participated in a series of presentations about opportunities in the industry, followed by a tour of the exhibits and static display.

EBACE: HIGHLIGHTING EUROPE’S EMBRACE OF BUSINESS AVIATION

In Geneva, the European Business Aviation Convention & Exhibition (EBACE2014) further enhanced the event’s reputation as Europe’s largest and most important business aviation trade show, highlighting the vital role that business aviation plays every day in European companies, and calling attention to the industry’s many benefits throughout the European community.

Jointly hosted by NBAA and the European Business Aviation Association (EBAA) from May 20 to 22, this year’s event posted an 8 percent increase in the number of companies exhibiting at the show over 2013, and a more than 7 percent increase in attendance.

EBACE2014 proved again to be an effective news-making venue for providers of business aviation products and services, and further demonstrated its value as a premier venue for companies in the industry.

BRINGING NBAA TO LOCAL COMMUNITIES

For those unable to attend the NBAA2014 show in Orlando, this year’s NBAA Regional Forums provided several important opportunities for U.S.-based Members to engage with local businesses and government officials at the grassroots level.

Forums were held on Jan. 30 at Signature Flight Support on Boca Raton Airport (BCT) in Florida; June 26 at Maguire Aviation/TWC Aviation on Van Nuys Airport (VNY) in California; and Sept. 18 at Business Jet Center on Dallas Love Field (DAL) in Texas. Each of these events incorporated exhibits, static displays of aircraft and education sessions of relevance to the surrounding community.

Education sessions at each regional forum provided insight and discussion on some of the most pressing issues of the day, including changes in aircraft appraisals and evaluations, the FileSmart initiative, significant milestones in business aviation safety, tax issues, best practices for buying fuel, ADS-B mandates, the new RVSM LOA process, aircraft ownership structuring and more.
Expanding Professional Development

Growing interest and participation in the CAM program, On-Demand Education sessions, student outreach efforts and conferences in 2014 demonstrate continued commitment to ongoing professional development within the industry. By increasing opportunities in these areas, as well as adding scholarships that allow more individuals to take advantage of them, NBAA continues to be a valued and valuable resource for our Members.

CAM PROGRAM MARKS ONE YEAR OF ACCREDITATION

NBAA’s acclaimed Certified Aviation Manager (CAM) program continued to build momentum in 2014, as it marked one year since its accreditation by the National Commission for Certifying Agencies. At the end of 2013, 216 CAMs were participating in the program, with a 90-percent reaccreditation rate. In Dec. 2014, the program reached the milestone of listing 250 CAMs on the roster.

CHARITIES ESTABLISH THREE NEW SCHOLARSHIPS

Generously supported by NBAA Member donors, the NBAA Charities scholarship program offers nearly $100,000 annually for enrolled students and nearly the same amount in monetary and training awards for working professionals in business aviation.

In 2014, NBAA announced the creation of two new memorial scholarships: the Dale “Potsy” McBurney Aviation Scholarship and the Eddie Queen Business Aviation Management Scholarship. A third new scholarship created this year, the Certified Aviation Manager Scholarship, provides funds to support CAMs who are renewing their credential.

PDP CONTINUES SUPPORT OF INDUSTRY EXCELLENCE

NBAA’s Professional Development Program (PDP) continued to help business aviation professionals ascend in their careers by preparing them for management roles within their companies. Since the PDP series was launched in 1998, there have been over 5,000 course completions. These programs are made available through a variety of venues, including in print and online resources, through educational institutions, and in presentations given at NBAA’s industry events.

ON-DEMAND EDUCATION PROGRAM GROWS IN 2014

Led by subject-matter experts, in 2014, On-Demand Education (ODE) offerings covered such diverse topics as international flight with digital charts; new requirements for European Union third-party operator authorization; and safety issues such as runway incursions. Some sessions also offered the opportunity to earn CAM credit.

STUDENT OUTREACH EFFORTS EXPAND

Business aviation needs talented young professionals to continue moving the industry forward into the future. In 2014, NBAA updated the variety of student resources on the Association’s web site, featuring links to the diverse range of scholarships, educational opportunities and other tools available to attract these professionals to the industry and allow them to go farther, faster.

In what has become an annual tradition, NBAA again hosted Careers in Business Aviation Day at NBAA2014, a dedicated career event featuring education sessions and tours that is open to middle school, high school and college students across the U.S. NBAA2014 also featured the first-ever Soar Networking Event for young professionals. The event allowed attendees the chance to network with other rising business aviation professionals and current industry leaders.

TWO CONFERENCES HIT NEW ATTENDANCE RECORDS

The 2014 NBAA Schedulers & Dispatchers Conference (SDC2014) celebrated its 25th year with a record 2,600 attendees at the four-day event starting Jan. 14 in New Orleans, LA. This year’s theme was “Take the Lead,” and keynote speaker Betty Shotton, CEO of LiftOff Leadership, took participants on a journey into the possibilities and obstacles faced in business aviation careers.

A record number of exhibitors and attendees also participated in NBAA’s Maintenance Management Conference (MMC2014), held from April 30 to May 2 in Fort Worth, TX. A sold-out exhibit hall at the Fort Worth Convention Center featured 140 exhibits and more than 675 maintenance professionals.
Providing Tools and Resources

NBAA continued in 2014 to provide a wealth of resources for its Members covering the topics of greatest concern and impact to the industry.

**MAGAZINE ACHIEVES RECORD SUBSCRIBER BASE**
*Business Aviation Insider*, the official Member magazine of NBAA, serves companies that rely on general aviation aircraft to help make their businesses more efficient, productive and successful. In 2014, the magazine’s subscriber base grew to an all-time high, with print copies delivered to 25,000 subscribers and digital versions distributed to thousands more NBAA Members online and through mobile app editions for iOS and Android.

**AIRCRAFT TRANSACTIONS GUIDE INFORMS SELLERS AND BUYERS**
The NBAA Aircraft Transactions Guide introduces the regulatory, tax, financial and transactional issues that come together during an aircraft acquisition. In its updated guide for 2014, NBAA provided best practices for assembling the acquisition team; consideration of regulatory/tax issues when developing an aircraft ownership and operating structure; details on contract and title issues; and the closing and post-closing processes, helping to ensure all documentation and regulatory requirements have been met.

Published by the NBAA Tax Committee and its Aircraft Transactions Working Group, the NBAA Aircraft Transactions Guide also includes a helpful online resource featuring articles published by industry experts on topics ranging from insuring aircraft moving off the FAA registry, to foreign trade regulatory issues affecting sale of U.S.-registered aircraft to overseas buyers.

**FET GUIDE A CONCISE REFERENCE TOOL FOR FLIGHT DEPARTMENT MANAGERS**
Published late last year, the 2014 NBAA Federal Excise Taxes Guide compiles the latest information from the Internal Revenue Service and other resources on how federal excise taxes (FET) apply to Part 91 and Part 135 commercial air transportation of passengers, including the percentage tax on domestic travel and related exceptions and exclusions, domestic segment fees, and the head tax on international transportation.

It is a comprehensive yet concise reference available exclusively to NBAA Members and is an important tool for flight department managers, accounting staff responsible for invoicing and tax remittance, and aircraft owners.

**LIGHT BUSINESS AIRPLANE BUYER’S GUIDE HIGHLIGHTS VARIETY**
NBAA is committed to serving those who rely on light business airplanes (LBAs), as well as those who are considering how to fit these planes into their business models. NBAA offers the Light Business Airplane Buyer’s Guide to provide a synopsis of the offerings currently available in the LBA category to assist companies in their purchase planning.

The publication offers an overview of the LBA fleet to aid in the LBA selection process, limited to data for new aircraft that are currently in production or nearing production. The information, obtained by NBAA from manufacturers, includes basic specifications and performance data on aircraft including single-engine and multi-engine piston aircraft; single- and multi-engine turboprop aircraft; and very light- and light-jet aircraft.

**NBAA’S MANAGEMENT GUIDE A ‘HOW TO’ MANUAL FOR FLIGHT DEPARTMENTS**
Recognized as one of NBAA’s most popular Member benefits, the NBAA Management Guide is an industry how-to manual for business aviation management to assist flight departments with operational, maintenance, administrative and other considerations. A new edition was released in the fall of 2014.

Changes in the 2014-01 edition include updates to sections regarding the purpose of the aviation department, the scheduler/dispatcher role, flying safety programs, pilot retirement considerations and various references; the addition of new Securities and Exchange Commission information regarding the non-business use of employer-provided aircraft; and changes throughout the International Operations section.
Recognizing Exemplary Leadership in the Industry

**AL UELTSCHI AWARD FOR HUMANITARIAN LEADERSHIP**
Lynn Krough, founder, International Jet Aviation Services, accepted this award given in honor of the company’s humanitarian work with the Make-A-Wish Foundation.

**MERITORIOUS SERVICE TO AVIATION AWARD**
NBAA President and CEO (left) and famed aerobatic pilot Sean Tucker (in background) presented this award to Robert A. “Bob” Hoover in recognition of his long, illustrious career, during which he inspired multiple generations of pilots, including business aviators.
Celebrating Decades of Safe Flight

NBAA recognized five companies for exemplary safe flying achievement during its 2014 convention. PepsiCo, Inc. and Weyerhaeuser Co. each received 60 Year Safe Flying Achievement Awards, and Brunswick Corp., Cummins, Inc. and Sprint Flight Operations received 50 Year Safe Flying Achievement Awards.

NBAA also recognized hundreds more companies and individuals in the following categories:

- 276 companies received Corporate Flying Safety Awards
- 51 companies received Commercial Business Flying Safety Awards
- 569 pilots received ATP or Commercial Pilot Safety Awards
- One pilot received the Private Pilot Award
- 124 companies received Aviation Maintenance Department Awards
- 340 technicians received Maintenance/Avionics Technician Safety Awards
- 339 support services personnel received Aviation Support Services Safety Awards

During NBAA2014 in Orlando, Fl., Association Chairman Ronald Duncan presented 60 Year Safe Flying Achievement Awards to representatives of PepsiCo, Inc. and Weyerhaeuser Co. (left two photos) and 50 Year Safe Flying Achievement Awards to representatives of Cummins, Inc. and Sprint Flight Operations (right two photos). Not pictured: Brunswick Corp.
To the Audit Committee
National Business Aviation Association, Inc.
Washington, DC

We have audited the accompanying combined financial statements of National Business Aviation Association, Inc. and Affiliates (the Association), which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management’s Responsibility for the Combined Financial Statements
Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of National Business Aviation Association, Inc. and Affiliates as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

September 18, 2014
## Combined Statements of Financial Position

**June 30, 2014 and 2013**

### ASSETS

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<tr>
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<th>2014</th>
<th>2013</th>
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<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
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<tr>
<td>Cash and cash equivalents</td>
<td>$18,189,420</td>
<td>$16,639,980</td>
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<td>Accounts receivable – net of allowance for uncollectible accounts of $85,825 in 2014 and $35,618 in 2013</td>
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<td>1,053,356</td>
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<tr>
<td>Prepaid expenses and other assets</td>
<td>1,077,257</td>
<td>1,065,075</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>19,971,834</td>
<td>18,758,411</td>
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<tr>
<td><strong>Noncurrent assets</strong></td>
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<tr>
<td>Deferred compensation investments</td>
<td>1,074,694</td>
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<td>Investments in marketable securities</td>
<td>21,296,471</td>
<td>18,950,339</td>
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<td>Furniture and equipment, net of accumulated depreciation and amortization of $1,582,272 in 2014 and $1,325,129 in 2013</td>
<td>1,826,849</td>
<td>465,674</td>
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<td><strong>Total assets</strong></td>
<td>$44,169,848</td>
<td>$39,074,849</td>
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### LIABILITIES AND NET ASSETS

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<th></th>
<th>2014</th>
<th>2013</th>
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<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
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<tr>
<td>Accounts payable and accrued expenses</td>
<td>$8,691,643</td>
<td>$8,428,894</td>
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<tr>
<td>Margin loan</td>
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<td>Deferred revenue</td>
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<tr>
<td>Membership dues</td>
<td>3,371,081</td>
<td>2,898,501</td>
</tr>
<tr>
<td>Conventions, conferences, forums and other</td>
<td>10,968,727</td>
<td>11,223,090</td>
</tr>
<tr>
<td>Accrued postretirement benefit obligation, current portion</td>
<td>85,000</td>
<td>118,000</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>23,116,451</td>
<td>23,418,485</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred rent</td>
<td>2,067,114</td>
<td>316,736</td>
</tr>
<tr>
<td>Deferred compensation liability</td>
<td>1,074,694</td>
<td>900,425</td>
</tr>
<tr>
<td>Accrued postretirement benefit obligation, noncurrent portion</td>
<td>1,705,271</td>
<td>1,821,230</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>27,963,530</td>
<td>26,456,876</td>
</tr>
<tr>
<td>Minority interest</td>
<td>2,932,163</td>
<td>3,039,047</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>13,274,155</td>
<td>9,578,926</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$44,169,848</td>
<td>$39,074,849</td>
</tr>
</tbody>
</table>

See accompanying notes to combined financial statements.
Combined Statements of Activities

*For the years ended June 30, 2014 and 2013*

### OPERATING REVENUE AND SUPPORT

<table>
<thead>
<tr>
<th>Service</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual meeting and conventions</td>
<td>$32,722,049</td>
<td>$30,421,516</td>
</tr>
<tr>
<td>Conferences, forums and seminars</td>
<td>6,205,875</td>
<td>5,262,866</td>
</tr>
<tr>
<td>Membership dues</td>
<td>5,909,077</td>
<td>5,379,549</td>
</tr>
<tr>
<td>Professional development, publications and other service products</td>
<td>735,137</td>
<td>630,785</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>719,032</td>
<td>626,692</td>
</tr>
<tr>
<td>Membership affinity services</td>
<td>625,815</td>
<td>520,022</td>
</tr>
<tr>
<td>Air traffic service fees</td>
<td>469,285</td>
<td>572,023</td>
</tr>
<tr>
<td>Contributions and other income</td>
<td>121,632</td>
<td>113,130</td>
</tr>
<tr>
<td><strong>Total operating revenue and support</strong></td>
<td><strong>47,507,902</strong></td>
<td><strong>43,526,583</strong></td>
</tr>
</tbody>
</table>

### OPERATING EXPENSES

#### Program services

- Conventions, conferences, forums and seminars | 20,065,575 | 18,601,963 |
- Operations                                    | 8,297,339   | 7,372,586   |
- Communications                                | 4,844,995   | 4,493,730   |
- Membership marketing                          | 3,708,577   | 3,453,484   |
- Government affairs                            | 3,308,525   | 3,170,539   |

**Total program services**                     | **40,225,011**| **37,092,302**|

#### Supporting services

- General administration and governance         | 2,344,703   | 2,903,681   |

**Total supporting services**                  | **2,344,703**| **2,903,681**|

**Total operating expenses**                   | **42,569,714**| **39,995,983**|

**Change in unrestricted net assets from operations** | 4,938,188 | 3,530,600 |

### OTHER ACTIVITIES

- Postretirement benefit-related changes other than net periodic postretirement benefit cost | (102,176) | (173,518) |
- Net realized and unrealized gains on investments | 1,791,380 | 1,094,436 |

**Change in unrestricted net assets, before minority interest** | 6,627,392 | 4,451,518 |

**Minority interest**                          | (2,932,163) | (3,039,047) |

**Change in unrestricted net assets**          | 3,695,229   | 1,412,471   |

**Unrestricted net assets, beginning of year** | 9,578,926   | 8,166,455   |

**Unrestricted net assets, end of year**        | **$13,274,155** | **$9,578,926** |

*See accompanying notes to combined financial statements.*
### Combined Statements of Cash Flows

*For the years ended June 30, 2014 and 2013*

#### CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in unrestricted net assets</td>
<td>$3,695,229</td>
<td>$1,412,471</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>257,143</td>
<td>103,704</td>
</tr>
<tr>
<td>Loss on disposition of fixed assets</td>
<td>-</td>
<td>53,467</td>
</tr>
<tr>
<td>Bad debt (recovery) loss</td>
<td>(37,479)</td>
<td>24,145</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments in marketable securities</td>
<td>(1,791,380)</td>
<td>(1,094,436)</td>
</tr>
<tr>
<td>Minority interest</td>
<td>2,932,163</td>
<td>3,039,047</td>
</tr>
<tr>
<td><strong>(Increase) decrease in assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>385,678</td>
<td>(522,395)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(12,182)</td>
<td>(414,564)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>262,749</td>
<td>1,780,533</td>
</tr>
<tr>
<td>Deferred revenue – membership dues</td>
<td>472,580</td>
<td>83,316</td>
</tr>
<tr>
<td>Deferred revenue – conventions, conferences, forums and other</td>
<td>(254,363)</td>
<td>1,409,447</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>1,750,378</td>
<td>316,736</td>
</tr>
<tr>
<td>Accrued postretirement benefit obligation</td>
<td>(148,959)</td>
<td>102,412</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>7,511,557</td>
<td>6,293,883</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of furniture and equipment</td>
<td>(1,618,318)</td>
<td>(419,352)</td>
</tr>
<tr>
<td>Purchases of investments in marketable securities</td>
<td>(10,950,929)</td>
<td>(7,595,322)</td>
</tr>
<tr>
<td>Proceeds from sales of investments in marketable securities</td>
<td>10,396,177</td>
<td>7,096,400</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(2,173,070)</td>
<td>(918,274)</td>
</tr>
</tbody>
</table>

**Cash flows from financing activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Repayment) borrowings on the margin loan</td>
<td>(750,000)</td>
<td>750,000</td>
</tr>
<tr>
<td>Capital distributions – LLC Member</td>
<td>(3,039,047)</td>
<td>(2,826,629)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(3,789,047)</td>
<td>(2,076,629)</td>
</tr>
</tbody>
</table>

**Increase in cash and cash equivalents**

| **Cash and cash equivalents, beginning of year**                            | 16,639,980    | 13,341,000    |

**Cash and cash equivalents, end of year**

| **Cash and cash equivalents, end of year**                                  | $18,189,420   | $16,639,980   |

*See accompanying notes to combined financial statements.*
Notes to Combined Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
National Business Aviation Association, Inc. (NBAA) is a business association of organizations that own or operate aircraft in the conduct of their business or provide services to the owners of business aircraft. NBAA was organized in 1947 for the purpose of furthering the cause of safety and economy of business aircraft operators. NBAA's activities are funded primarily by meeting exhibit rental fees, static display fees, registration fees and sponsorships. Additionally, NBAA funds its operations from membership dues, professional development, publications and service fees.

NBAA Charities raises funds to support a number of philanthropic organizations and initiatives that use general aviation airplanes for humanitarian purposes.

EBACE, LLC (EBACE) was formed in 2001 by NBAA and the European Business Aviation Association (EBAA) with each party having a 50% ownership interest. EBACE conducts the European Business Aviation Convention and Exhibition, which is the premier European business aviation event and the annual meeting place for the European business aviation community. The exhibition is also the largest European educational event in the aviation industry. The exhibition is a three-day event held in Geneva, Switzerland.

NBAA-ABACE China Limited (NBAA China) was established in April 2014 in China to host conferences and exhibitions; in particular the Asian Business Aviation Conference and Exhibition (ABACE) show. NBAA China is 100% owned by NBAA.

Basis of Combination
The combined financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and have been prepared on the accrual basis of accounting and include the accounts of NBAA, NBAA Charities, EBACE and NBAA China (collectively referred to as “the Association”). NBAA Charities and NBAA China have been combined as required under GAAP due to the presence of common control. As a result of the overall management function by NBAA for EBACE, combined statements are presented. All intercompany balances and transactions have been eliminated in the combination.

Cash and Cash Equivalents
The Association considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents. All other highly liquid instruments, which are to be used for the long-term purposes of the Association, are classified as investments in marketable securities.

Accounts Receivable
Accounts receivable consists primarily of amounts due from the sale of exhibit space, sponsorships, advertising, publications and convention registrations. The allowance method is used to determine the uncollectible amounts. The allowance is based upon prior years’ experience and management’s analysis of subsequent collections.

Investments in Marketable Securities
Equity securities and all debt securities are carried at readily determinable fair values. Interest, dividends, unrealized and realized gains and losses are included in the combined statements of activities.

Furniture and Equipment
Furniture and equipment are recorded at cost. The Association capitalizes all expenditures for furniture and equipment over $500. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life of the asset or the remaining term of the lease. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Deferred Revenue
Deferred revenue consists of membership dues and amounts received to reserve exhibit booth space and registration fees for annual meetings, conventions and seminars. The Association recognizes convention related revenues when the convention, meeting or seminar has occurred. Membership dues are recognized on a pro rata basis over the annual membership period.

Unrestricted Net Assets
Unrestricted net assets are available for use in general operations.

Revenue and Expense Recognition
Revenue and support are recognized in the year in which they are earned, and expenses are recognized when incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period. Unconditional promises to give (contributions) are recognized as revenues and assets in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
Use of Estimates
The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments and Credit Risk
Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and investments held at creditworthy financial institutions (see Note 3). Credit risk with respect to accounts receivable is limited because the Association deals with a large number of customers over a wide geographic area.

Fair Value Measurements
Financial instruments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. Management is currently evaluating the impact the standard will have on the combined financial statements.

2. INCOME TAXES/TAX STATUS
NBAA has been granted an exemption by the Internal Revenue Service (IRS) from Federal income taxes under the provisions of Section 501(c)(6) of the Internal Revenue Code (IRC), except for any relevant tax on lobbying activities and unrelated business income. NBAA is required to report unrelated business income to the IRS and the District of Columbia.

NBAA earns unrelated business income on advertising revenue. NBAA had no income tax expense for the years ended June 30, 2014 and 2013 as expenses were greater than revenue.

NBAA Charities has received a determination letter from the IRS that they are not subject to income tax on their exempt activities under Section 501(c)(3) of the IRC. NBAA Charities had no sources of unrelated business income during the years ended June 30, 2014 and 2013.

NBAA China is a Chinese entity that performs services outside the United States. As such, they are not required to file a US tax return.

EBACE is a two-member limited liability company and is treated as a partnership pursuant to Treasury Regulation Section 301.7701-3 for federal income tax purposes. Generally, partnerships are not subject to entity-level federal or state income taxation and, as such, EBACE is not required to provide for income taxes under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Accounting for Income Taxes.

The Association must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Association’s management believes it has no material uncertain tax positions and; accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended June 30, 2014 and 2013, the Association did not recognize any interest or penalties.

The tax years ended June 30, 2010 through 2013 remain open to examination by the taxing jurisdictions to which the Association is subject, and they have not been extended beyond the applicable statute of limitations. No examinations are currently in process.

3. CONCENTRATION OF CREDIT RISK
Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and investments in marketable securities held at creditworthy financial institutions. All of the Association’s non-interest bearing cash balances were fully insured through December 31, 2012 by a federal insurance program. Beginning January 1, 2013, insurance coverage reverted to $250,000 per depositor on non-interest bearing accounts at each financial institution. At June 30, 2014 and 2013, bank balances of approximately $18 million and $16.4 million, respectively, exceeded FDIC insurance limits. The Association has not incurred any losses due to the credit risk on these instruments.

4. FAIR VALUE MEASUREMENTS
The Association follows the provisions of FASB ASC 820, Fair Value Measurements, in accounting for fair value measurements. ASC 820 establishes a common definition for fair value to be applied under GAAP requiring use of fair value, establishes a framework for measuring fair value and expands disclosures about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants operating within the same marketplace as the Association would use in pricing the
Association’s asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Association are traded. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly.

The table below sets forth those assets measured at fair value as of June 30, 2014 on a recurring basis:

<table>
<thead>
<tr>
<th>Description</th>
<th>Quoted prices in active markets for identical assets (level 1)</th>
<th>Significant other observable inputs (level 2)</th>
<th>Significant other unobservable inputs (level 3)</th>
<th>Balance as of June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$159,582</td>
<td>-</td>
<td>-</td>
<td>$159,582</td>
</tr>
<tr>
<td>Investment grade fixed income</td>
<td>5,863,192</td>
<td>-</td>
<td>-</td>
<td>5,863,192</td>
</tr>
<tr>
<td>Other fixed income</td>
<td>2,407,763</td>
<td>-</td>
<td>-</td>
<td>2,407,763</td>
</tr>
<tr>
<td>U.S. equity securities</td>
<td>8,510,789</td>
<td>-</td>
<td>-</td>
<td>8,510,789</td>
</tr>
<tr>
<td>Non-U.S. equity securities</td>
<td>4,534,848</td>
<td>-</td>
<td>-</td>
<td>4,534,848</td>
</tr>
<tr>
<td>Large cap – equity securities</td>
<td>286,144</td>
<td>-</td>
<td>-</td>
<td>286,144</td>
</tr>
<tr>
<td>Mid cap – equity securities</td>
<td>59,579</td>
<td>-</td>
<td>-</td>
<td>59,579</td>
</tr>
<tr>
<td>Small cap – equity securities</td>
<td>111,427</td>
<td>-</td>
<td>-</td>
<td>111,427</td>
</tr>
<tr>
<td>Global equity securities</td>
<td>63,789</td>
<td>-</td>
<td>-</td>
<td>63,789</td>
</tr>
<tr>
<td>Asset allocation – equities</td>
<td>362,151</td>
<td>-</td>
<td>-</td>
<td>362,151</td>
</tr>
<tr>
<td>Life cycle funds</td>
<td>11,901</td>
<td>-</td>
<td>-</td>
<td>11,901</td>
</tr>
<tr>
<td>Total</td>
<td>$22,371,165</td>
<td>-</td>
<td>-</td>
<td>$22,371,165</td>
</tr>
</tbody>
</table>

The table below sets forth those assets measured at fair value as of June 30, 2013 on a recurring basis:

<table>
<thead>
<tr>
<th>Description</th>
<th>Quoted prices in active markets for identical assets (level 1)</th>
<th>Significant other observable inputs (level 2)</th>
<th>Significant other unobservable inputs (level 3)</th>
<th>Balance as of June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$286,066</td>
<td>-</td>
<td>-</td>
<td>$286,066</td>
</tr>
<tr>
<td>Investment grade fixed income</td>
<td>6,091,117</td>
<td>-</td>
<td>-</td>
<td>6,091,117</td>
</tr>
<tr>
<td>Other fixed income</td>
<td>1,736,440</td>
<td>-</td>
<td>-</td>
<td>1,736,440</td>
</tr>
<tr>
<td>U.S. equity securities</td>
<td>7,918,408</td>
<td>-</td>
<td>-</td>
<td>7,918,408</td>
</tr>
<tr>
<td>Non-U.S. equity securities</td>
<td>3,106,630</td>
<td>-</td>
<td>-</td>
<td>3,106,630</td>
</tr>
<tr>
<td>Large cap – equity securities</td>
<td>206,338</td>
<td>-</td>
<td>-</td>
<td>206,338</td>
</tr>
<tr>
<td>Mid cap – equity securities</td>
<td>51,105</td>
<td>-</td>
<td>-</td>
<td>51,105</td>
</tr>
<tr>
<td>Small cap – equity securities</td>
<td>89,033</td>
<td>-</td>
<td>-</td>
<td>89,033</td>
</tr>
<tr>
<td>Global equity securities</td>
<td>46,117</td>
<td>-</td>
<td>-</td>
<td>46,117</td>
</tr>
<tr>
<td>Asset allocation – equities</td>
<td>312,101</td>
<td>-</td>
<td>-</td>
<td>312,101</td>
</tr>
<tr>
<td>Life cycle funds</td>
<td>7,409</td>
<td>-</td>
<td>-</td>
<td>7,409</td>
</tr>
<tr>
<td>Total</td>
<td>$19,850,764</td>
<td>-</td>
<td>-</td>
<td>$19,850,764</td>
</tr>
</tbody>
</table>
The balance of the Association’s assets measured at fair value as of June 30, 2014 and 2013 are classified in the combined statements of financial position as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in marketable securities</td>
<td>$21,296,471</td>
<td>$18,950,339</td>
</tr>
<tr>
<td>Deferred compensation investments</td>
<td>1,074,694</td>
<td>900,425</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$22,371,165</strong></td>
<td><strong>$19,850,764</strong></td>
</tr>
</tbody>
</table>

5. INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities, at fair value, consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$9,402</td>
<td>$124,286</td>
</tr>
<tr>
<td>Investment grade fixed income</td>
<td>5,863,192</td>
<td>6,091,171</td>
</tr>
<tr>
<td>Other fixed income</td>
<td>2,378,240</td>
<td>1,799,898</td>
</tr>
<tr>
<td>U.S. equity securities</td>
<td>8,510,789</td>
<td>7,918,408</td>
</tr>
<tr>
<td>Non-U.S. equity securities</td>
<td>4,534,848</td>
<td>3,106,830</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$21,296,471</strong></td>
<td><strong>$18,950,339</strong></td>
</tr>
</tbody>
</table>

Investment income consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$719,032</td>
<td>$626,692</td>
</tr>
<tr>
<td>Unrealized gains</td>
<td>614,972</td>
<td>451,731</td>
</tr>
<tr>
<td>Realized gains</td>
<td>1,176,408</td>
<td>642,705</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,510,412</strong></td>
<td><strong>$1,721,128</strong></td>
</tr>
</tbody>
</table>

Investment fees included in expenses amounted to $144,621 and $113,557 for the years ended June 30, 2014 and 2013, respectively.

6. FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$490,873</td>
<td>$3,548</td>
</tr>
<tr>
<td>Hardware</td>
<td>455,265</td>
<td>338,966</td>
</tr>
<tr>
<td>Software</td>
<td>503,385</td>
<td>459,848</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>1,287,693</td>
<td>316,736</td>
</tr>
<tr>
<td>Exhibit booths</td>
<td>671,905</td>
<td>671,905</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,409,121</strong></td>
<td><strong>1,790,803</strong></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense was $257,143 and $103,704 for the years ended June 30, 2014 and 2013, respectively.

7. POSTRETIRED BENEFITS

The Association provides postretirement healthcare benefits (the Plan) to certain retired employees. Active employees become eligible for benefits after meeting certain age and service requirements. The Plan is contributory for employees under the age of 65 and for employees over age 65 who retire after December 31, 2006. The Plan is unfunded. Effective January 1, 2006, the Plan no longer accepts new participants.

The following table sets forth the Plan’s funded status:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postretirement benefit obligation, beginning of year</td>
<td>$1,939,230</td>
<td>$1,836,818</td>
</tr>
<tr>
<td>Interest cost</td>
<td>83,580</td>
<td>90,609</td>
</tr>
<tr>
<td>Service cost</td>
<td>34,838</td>
<td>43,144</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(197,404)</td>
<td>56,652</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(69,573)</td>
<td>(86,993)</td>
</tr>
<tr>
<td><strong>Postretirement benefit obligation, end of year</strong></td>
<td>$1,790,271</td>
<td>$1,939,230</td>
</tr>
</tbody>
</table>

Amounts recognized in the Association’s combined statements of financial position consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued postretirement benefit obligation - postretirement liability:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$85,000</td>
<td>$118,000</td>
</tr>
<tr>
<td>Non-current</td>
<td>1,790,271</td>
<td>1,939,230</td>
</tr>
<tr>
<td><strong>Accrued postretirement benefit obligation</strong></td>
<td>$1,790,271</td>
<td>$1,939,230</td>
</tr>
</tbody>
</table>

The accrued postretirement benefit obligation is included in the accompanying combined statements of financial position.

Items not yet recognized as a component of net periodic postretirement benefit cost:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition obligation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prior service credit</td>
<td>641,787</td>
<td>773,017</td>
</tr>
<tr>
<td>Net actuarial gain</td>
<td>293,492</td>
<td>264,438</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$935,279</td>
<td>$1,037,455</td>
</tr>
</tbody>
</table>

Components of net periodic postretirement cost in the accompanying combined statements of activities:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$34,838</td>
<td>$43,144</td>
</tr>
<tr>
<td>Interest cost</td>
<td>83,580</td>
<td>90,609</td>
</tr>
<tr>
<td>Amortization of unrecognized prior service credit</td>
<td>(131,231)</td>
<td>(131,231)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$(12,813)</td>
<td>$2,522</td>
</tr>
</tbody>
</table>

Estimated amounts to be amortized for prior service credit for the year ending:
The investments of the trust are held in separate accounts for investment purposes, but are designated by the Board for use to satisfy this deferred compensation liability. All contributions to the plan are from employees and no contributions have been made by the Association for the years ended June 30, 2014 and 2013. Investment gains and losses from the deferred compensation investments are recorded directly to the asset account and the corresponding liability account.

9. MARGIN LOAN
In December 2011, the Association executed a margin loan authorization agreement with a financial institution. The Association can borrow up to 50% of the balance of the securities held at the institution. The margin loan bears interest at the 30-day LIBOR rate plus 190 basis points. The loan is secured by securities held in accounts at the same financial institution. The loan and interest is payable on demand. There were no borrowings on the margin loan during the year ended June 30, 2014 and no outstanding balance as of June 30, 2014. The outstanding balance as of June 30, 2013 was $750,000.

10. COMMITMENTS AND CONTINGENCIES
Operating Lease
In January 2013, the Association terminated its lease at its administrative office space in Washington, DC. In March 2013, the Association signed a new lease through December 2024. The Association made a security deposit of $74,829, which is included in prepaid expenses and other assets on the accompanying statements of financial position. Under the new lease agreement, the Association received sixteen months of free rent, which will be amortized over the life of the lease on a straight-line basis. The amortization of rent abatement is shown as a reduction in future minimum lease payments. The first payment begins in January 2015. The lease also provides a tenant improvement allowance of $1,451,587, which was used for leasehold improvements and furniture. The tenant improvement allowance is amortized over the shorter of the lease or the asset life. A related liability was recorded and the amount is being amortized over the term of lease as a reduction to rent expense. The Association began to amortize the leasehold improvements and the related liability when the Association took physical possession of the office space in August 2013.

Future minimum rental payments, by year and in the aggregate, under the operating lease for the office space are as follows:

<table>
<thead>
<tr>
<th>Years ending June 30</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$85,000</td>
<td>87,000</td>
<td>88,000</td>
<td>95,000</td>
<td>96,000</td>
<td>485,000</td>
</tr>
<tr>
<td></td>
<td>$448,976</td>
<td>906,932</td>
<td>925,071</td>
<td>943,572</td>
<td>962,444</td>
<td>5,754,592</td>
</tr>
</tbody>
</table>

Rent expense for the year ended June 30, 2014 was $757,378. Rent expense for the year ended June 30, 2013 was $925,600, which included a $279,600 payment to terminate the lease for its administrative office space.
Sublease Agreements
The Association subleased part of its office space in Washington, DC. These agreements terminated with the office space lease in January 2013. Sublease rental income for the year ended June 30, 2013 was $111,398.

Commitments for Convention and Conference Facilities
The Association is committed under agreements for conventions, conferences and hotel space through the year 2019. The total commitment under the agreements is not determinable as it depends upon attendance and other unknown factors. In the event that the Association cancels the agreements, the Association may be subject to liquidating damages.

Contingency
NBAA holds ABACE in China. ABACE is 100% owned by NBAA. Both ABACE and EBACE are overseas conventions and these shows incur risks such as currency fluctuation, foreign taxes and foreign country political issues. The Association does not believe that either ABACE or EBACE have incurred any liability related to these risks that is probable and can be valued not already included in the combined financial statements.

11. EMPLOYEE RETIREMENT PLAN
During the year ended June 30, 1998, the Association established the National Business Aviation Association, Inc. 401(k) Profit Sharing Plan and Trust (the Plan) for all eligible employees. All Plan participants have the option of deferring a percentage of their annual salary, subject to IRS limitations. The Association may match a portion of the salary deferred by each employee. For the years ended June 30, 2014 and 2013, the Association contributed $889,425 and $829,813, respectively, to the Plan.

12. RELATED PARTIES
The Association is a member of the International Business Aviation Council (IBAC) along with fourteen other aviation member groups. Administrative, overhead and direct costs are borne by IBAC member groups through assessments. Costs incurred by the Association to support IBAC were $655,672 and $357,941 for the years ended June 30, 2014 and 2013, respectively.

The National Business Aviation Association, Inc. Political Action Committee (NBAA PAC) is a non-profit political association that was registered with the Federal Election Commission on June 17, 1996. Administrative, overhead and direct costs incurred by NBAA PAC during the years ended June 30, 2014 and 2013 are immaterial and, therefore, are not included in the combined financial statements.

The Association is a member of the Alliance for Aviation Across America (AAAA). AAAA is a diverse coalition of aviation enthusiasts and professionals, local airports and civic organizations representing rural and agriculture voices, city, county and state officials, economic development entities, non-profit organizations, small and mid-size businesses and others dedicated to protecting small and rural communities. AAAA is dedicated to properly modernizing America’s air traffic control system to enhance safety, promote efficiency and expand capacity in order to ensure all Americans have access to air transportation. During the years ended June 30, 2014 and 2013, NBAA contributed $590,000 and $516,000, respectively, to support AAAA.

13. SUPPLEMENTAL CASH FLOW INFORMATION
During the years ended June 30, 2014 and 2013, the Association’s landlord paid $1,134,851 and $316,736, respectively, in tenant improvements and the purchase of furniture as part of the lease agreement discussed in Note 10. This is a non-cash transaction which resulted in an increase in leasehold improvements, furniture and deferred lease obligations.

14. SUBSEQUENT EVENTS
The Association evaluated subsequent events through September 18, 2014, which is the date the combined financial statements were available to be issued. There were no additional events noted that required adjustment to or disclosure in these combined financial statements.
NBAA Board of Directors

As of Dec. 31, 2014
NBAA Associate Member Advisory Council

The Associate Member Advisory Council (AMAC) exists to help NBAA define the relationship among all segments of the Membership; to recommend programs that would improve communications between those segments; and to advise the NBAA Board of Directors on areas of interest to Associate Members.

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Coordinator, Advertising & Sponsorships

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Dean Snell
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Ernie Stellings
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Senior Manager, Human Resources

Marie Wilkins
Executive Assistant

James Williams
Mailroom Coordination & Inventory Control

Sarah Wolf
Senior Manager, Security & Facilitation

As of Dec. 31, 2014
About NBAA

Founded in 1947 and based in Washington, DC, the National Business Aviation Association (NBAA) is the leading organization for companies that rely on general aviation aircraft to help make their businesses more efficient, productive and successful. The Association represents more than 10,000 Member Companies of all sizes and located across the country. NBAA provides more than 100 products and services to the business aviation community, including the NBAA Business Aviation Convention & Exhibition, the world’s largest civil aviation trade show.