DEDICATED TO HELPING BUSINESS ACHIEVE ITS HIGHEST GOALS.

NBAA

2017 NBAA ANNUAL REPORT

2017 NBAA ANNUAL REPORT

YEAR IN REVIEW

Highlighting Business Aviation's Value to Companies and Communities

Jointly sponsored by NBAA and the General Aviation Manufacturers Association, the No Plane No Gain advocacy campaign educates policymakers and opinion leaders about the value of business aviation to citizens, companies and communities across the U.S.

While many aspects of No Plane No Gain emphasize the economic benefits of this vital American industry – including its support for more than a million jobs, and its contribution of more than $200 billion in annual economic activity – in 2017, the campaign also heavily underscored the value of business aviation in providing humanitarian support, given the industry's role in providing relief flights for victims of the devastating storms that hit the central Gulf Coast, Florida and Puerto Rico.

BUSINESS AVIATION BRINGS RELIEF TO HURRICANE RAVAGED AREAS

Hurricane Harvey was the first of these storms, and even before it made landfall in Texas in late August, people and organizations from across the business aviation community mobilized to coordinate pilots, aircraft, flight-planning services and other assets to move relief and supplies into the disaster area.

The planning was supported by NBAA's Humanitarian Emergency Response Operator (HERO) Database, a list of people and assets, including aircraft, that is made available to government agencies and grassroots organizations working to coordinate disaster-response efforts.

As one business aviation relief flight after another helped those in need, policymakers took note. As just one example, Texas state Rep. Dade Phelan observed: "The people of Orange and Jefferson counties are forever indebted" to business aviation's response after Hurricane Harvey, calling the entrepreneurs and companies involved in the lift effort "heroic."

Soon after Harvey dissipated, a new threat emerged from Hurricane Irma, targeting the state of Florida – and again, business aviation stood ready to assist. As just one example, the South Florida Business Aviation Association, Tampa Bay Aviation Association and the Florida Aviation Business Association joined together to create a hurricane relief fund to

EVERYDAY HEROES MAKE A DIFFERENCE WHEN DISASTER STRIKES

Volunteers from the Patient AirLift Services (PALS) Sky Hope Disaster Relief Program, one of many coordinated relief efforts, load aircraft with supplies to be delivered to hurricane-ravaged towns in Texas.

"In our desperate time of need, PALS Sky Hope Disaster Relief Program delivered much needed relief by providing airlift support and provisions to our community," said Texas state Rep. Dade Phelan. "Lives were saved because of this relief effort."

cover the costs of flying supplies to those areas hardest hit by Hurricane Irma.

Residents of that island in the Florida Keys received essentials from volunteer flights coordinated by AERObridge, a volunteer industry relief group. Relief efforts across Florida, the Virgin Islands and throughout Puerto Rico continued through the end of the year in the aftermath of Hurricanes Irma and Maria, with AERObridge, and other groups, including PALS Sky Hope, continually coordinated a humanitarian response.

A NEW STUDY HIGHLIGHTS A LONG-STANDING REALITY: NO PLANE, NO GAIN

Findings from a 2017 study conducted by NEXA Advisors, commissioned for the No Plane No Gain campaign, were among the many advocacy tools in the spotlight throughout NBAA's annual Business Aviation Convention & Exhibition (NBAA-BACE) in Las Vegas.

The latest study, "Business Aviation and Top Performing Companies 2017" – the sixth conducted by NEXA on behalf of No Plane No Gain – reaffirmed the value of business aviation as a powerful tool for the best-managed companies across the U.S.

NEXA examined the financial performance of the S&P 500 between 2013 and 2017, and found that when sorted into "users" versus "non-users," those companies using aircraft to support their missions out-performed comparable companies not using business aircraft.

Specifically, the study confirmed that S&P 500 business aviation users outperformed non-users by about 70 percent over the past five years, highlighting how business aircraft allow companies to leverage key employee productivity, accelerate transactional closings and boost customer interaction.

Released just ahead of NBAA-BACE, the study was also the focus of an education session conducted by the report's author, NEXA founder and managing partner Michael Dyment, who explained the methodology behind these studies with the acronym "UBV" for "utilization, benefits and value."

"Proper utilization of the aircraft drives its benefits to the company, which in turn drives the enterprise value it delivers," he told attendees. "When business aviation can impact shareholder value positively, it's why we have an industry. There are many, many anecdotes I could tell you about how certain companies use business aircraft to beat the pants off their competitors, but the UBV framework provides the ability to understand how your aircraft needs to be utilized to drive value."

Data from the NEXA study left) was used to create easily shareable infographics like these for the No Plane No Gain website and social media channels.

Advocating for Equal Access to the National Airspace

Unquestionably the most significant challenge facing NBAA in the past year was the renewed battle to privatize the nation's air traffic control (ATC) system. As NBAA fought against this effort on Capitol Hill, an unprecedented and overwhelming response from NBAA members and others in the business aviation community sent a clear message to lawmakers in strong opposition to ATC privatization.

PRIVATIZATION OBTAINS SUPPORT FROM THE WHITE HOUSE

This certainly wasn't the first time ATC privatization had been brought up for debate on Capitol Hill. The nation's big airlines have attempted to wrest oversight of the national airspace system from Congress for decades, and similar efforts to privatize ATC oversight failed in the last session of Congress.

Nevertheless, NBAA mobilized against the likelihood that privatization would once again be a serious threat in the coming year. Those fears were soon realized, as privatization proponents continued their push for legislation containing the concept, while the Trump administration signaled its support for the controversial scheme.

Immediately following the June 22 introduction of H.R. 2997 – legislation including language to privatize ATC – NBAA called upon its more than 11,000 member companies to make their voices heard in strong opposition to the proposal, which would strip congressional ATC oversight in favor of a private entity dominated by airline interests, and funded through user fees.

INDUSTRY UTILIZES NBAA-PROVIDED RESOURCES TO COMBAT LEGISLATION

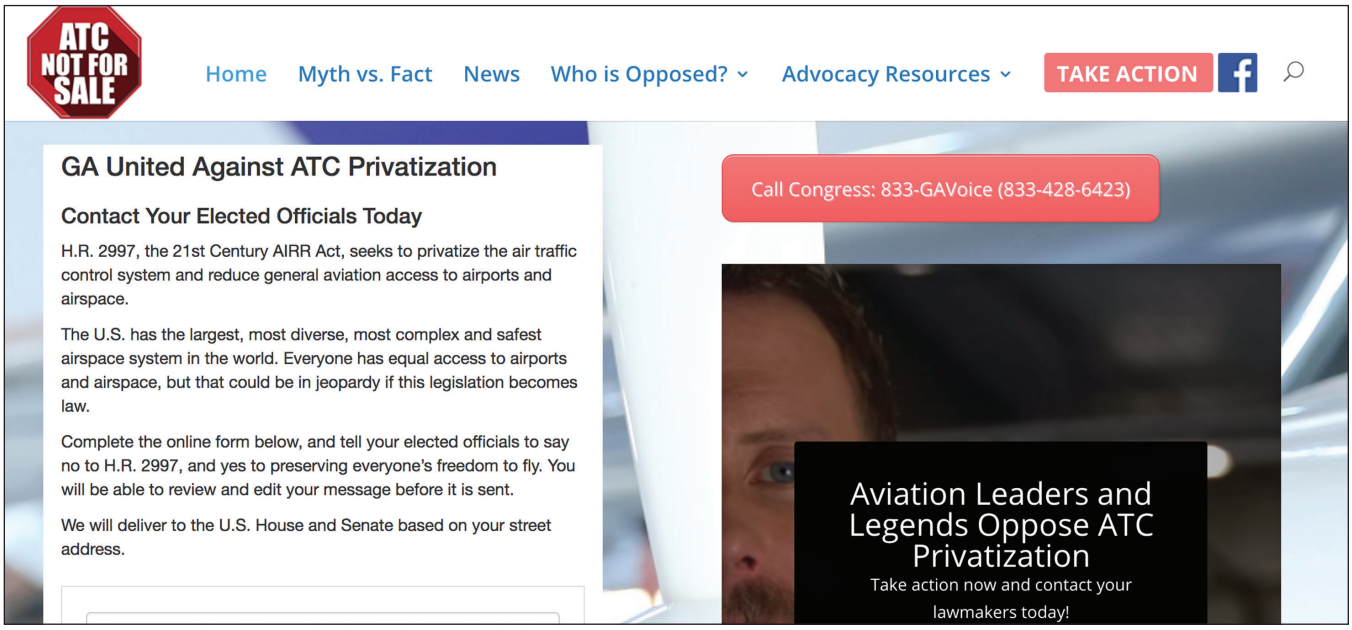
NBAA immediately deployed numerous tools for business aviation stakeholders to utilize in expressing their opposition to ATC privatization. As just one example, NBAA's online Contact Congress resource, allowed concerned industry representatives to voice their concerns about H.R. 2997, and reaffirm calls for fair and equal access for all stakeholders.

Additionally, on social media, a dedicated hashtag, #NoPrivatizedATC, served as a rallying call for industry, and provided a succinct reminder to lawmakers that the nation's system of airports and airspace belongs to the public, and should be run for the public's benefit, not that of a few special interests.

NBAA also helped deploy a toll-free action line (833-GA-VOICE), and participated in the effort to stand up an industry-wide website – ATCNotForSale.com – which helped people from across the general aviation community fully understand the onerous House legislation, and directly contact their local congressional offices to oppose it.

VOICES RAISE ALARM OVER ATC PRIVATIZATION

As NBAA mobilized its members to combat the privatization measure, respected, independent sources were pointing out significant concerns over H.R. 2997. For example, the Congressional Budget Office, a non-partisan scorekeeper on a bill's cost to taxpayers, issued a report estimating that the bill could swell the federal budget deficit by more than $100 billion.



Tools such as ATCNotForSale.com helped educate the general aviation community about the need for fair and equitable access to the nation's airspace.

Meanwhile, a diverse, growing and informed coalition of individuals and groups raised concerns of their own. Citing concerns about privatization's potential ramifications on vital general aviation service and support to their local communities, more than 100 mayors and other elected officials across the country also spoke out against the matter of turning control over the nation's airports and airspace to a corporate entity.

These mayors were joined by more than 100 CEOs - including many pilots – who sent letters to U.S. House and Senate leaders to weigh in on the issue, noting that "our nation's airspace belongs to the public, and every person, business and community should have fair and equitable access, not just a few special interests in select cities and metropolitan areas."

The CEOs' letter was picked up by a variety of news outlets, including political websites like Politico, The Hill and The Daily Caller. At the national level, Fox Business News reported the letter's observation that, "instead of removing [ATC] authority from the public sector and assigning it to a private board, the business leaders propose amending the current program through 'targeted solutions.'"

Throughout 2017, the general aviation community stood united on the issue, with more than 200 aviation organizations – ranging from airport associations, regional industry organizations, and owner/enthusiast groups – continually urging lawmakers to resist calls for ATC privatization.

AVIATION, AEROSPACE HEROES WEIGH IN

Perhaps one of the best-known voices in the chorus of opposition against ATC privatization in 2017 was that of Capt. Chesley "Sully" Sullenberger, the pilot who performed a heroic emergency landing of a disabled US Airways airplane on New York City's Hudson River in 2009.

"My real issue, and I think for many people, is that we have a wonderful and unique freedom in this country, this unfettered, wonderful aviation system that anyone can participate in safely and efficiently," Sullenberger told Yahoo Global News Anchor Katie Couric in a July 13 interview.

Other influential aviators also took positions against ATC privatization, including six former team commanders with the U.S. Air Force Thunderbirds and the U.S. Navy Blue Angels aerial demonstration teams, and acclaimed airshow performer Sean Tucker.

At this year's NBAA-BACE in Las Vegas, Sullenberger and Tucker joined famed Apollo 13 commander James Lovell, acclaimed country music artist Dierks Bentley and other aviation luminaries in a video urging viewers to mobilize against ATC privatization.

NBAA CONTINUES EFFORTS TO PRESERVE ACCESS TO VITAL AIRPORTS

The fight to maintain business aviation's access to the nation's airports and airspace was also exemplified in local battles to preserve general aviation access to small airports.

After decades of attempts by local officials to close Santa Monica Municipal Airport (SMO), in January 2017, the FAA announced an unprecedented settlement between the agency and the City of Santa Monica, CA, allowing the city to close the historic airfield after Dec. 31, 2028. The one-of-its-kind development also allowed the city to reduce the length of the airport's sole runway from 4,973 feet to 3,500 feet in a deliberate effort to restrict use by many business aircraft.

NBAA immediately responded across several legal fronts, including challenges presented by NBAA and other stakeholders to the city's repeated attempts to restrict aviation operations at SMO despite its obligations under federal grant assurances to maintain the airport open through 2023, and in perpetuity through a 1948 Instrument of Transfer.

In briefs filed before the U.S. Court of Appeals for the District of Columbia Circuit, NBAA also questioned the legality of the settlement agreement and reasserted its position that the agency failed to provide the required public comment period or establish a benefit to aviation. The court is expected to hear oral arguments in the case next year, with a final verdict coming before the end of 2018.

On the other side of the country, a lengthy legal fight over New York's East Hampton Airport (HTO) on Long Island came down squarely on the side of NBAA and other aviation stakeholders when a U.S. District Court Judge ended litigation over enforcement of the curfews and other restrictions at HTO by signing a permanent injunction against the noise and access restrictions.

Playing a Leadership Role in Business Aviation Safety

NATIONAL SAFETY FORUM AND SINGLE-PILOT SAFETY STANDDOWN RETURN TO NBAA-BACE

Safety is the business aviation community's top priority, which is why – from among the many ways NBAA promotes business aviation safety – the association's Safety Committee continually offers strategic guidance on matters relating to the safe operation of aircraft, and serves as a center of expertise on a wide range of aviation-safety matters.

For example, in 2017, two important safety events bookended NBAA-BACE in Las Vegas, NV.

The 2017 NBAA Single Pilot Safety Standdown focused on building a safety culture in a small or single-pilot organization. Tricia Coffman, who lost her husband in an aviation accident in 2005 and now serves as vice president of the National Air Disaster Alliance/Foundation, discussed the need to reframe aviation safety issues in more human terms, while NTSB member Aaron McCarter examined accident causation and how an accident chain builds and unfolds.

"You have to understand how you can be affected by flying alone," said McCarter. "You need to know what resources are available to you, and you always have to fly the airplane first."

Now in its third year, the NBAA National Safety Forum focused on three of the NBAA Safety Committee's 2017 top safety focus areas: fitness for duty, airport and ground handling safety, and loss of control inflight. In addressing session attendees, NBAA President and CEO Ed Bolen noted that safety has been a high priority for the association since its founding in 1947, and is an essential part of creating an environment that allows business aviation to thrive.

"We must be safe and perceived to be safe," said Bolen. "This was a fundamental challenge in 1947, and it is a fundamental challenge today...We need to understand what is at the heart of safety issues – what went wrong, how we can correct it and how we can do better in the future."

NTSB member Earl Weener one of several government officials who participated in the forum, commended NBAA for its safety initiatives. A general aviation pilot himself, Weener reminded the audience that "safety is everyone's responsibility" and "there is always room for improvement."

Discussions at the National Safety Forum addressed a host of additional topics, including methods to safely address and avoid wake turbulence encounters.

BUSINESS AVIATION MAKES PROGRESS ON NTSB'S MOST WANTED SAFETY IMPROVEMENTS

NBAA joined with other aviation stakeholders in a November at NTSB headquarters to review progress made in addressing the issues cited in the Board's 2017-18 Most Wanted List (MWL), which identifies the most critical changes needed to reduce transportation accidents, including several affecting business aviation operations.

Topping the most recent list is prevention of loss of control inflight (LOC-I) accidents among general aviation pilots. LOC-I has also been identified as a Top Safety Focus Area for business aviation operators by the NBAA Safety Committee, and by the General Aviation Joint Steering Committee (GAJSC), a collaborative effort between regulators and the industry to develop safety enhancements that mitigate problems associated with fatal GA accidents.

The MWL Mid-Point Progress Report meeting also featured breakout sessions for the modes of transportation. NTSB Member Earl Weener and John DeLisi, director of the NTSB Office of Aviation Safety, led the aviation breakout session of approximately 30 industry stakeholders to discuss a variety

Attendees of the 2017 National Safety Forum and Single-Pilot Safety Standdown learn about best practices and resources to enhance operational safety.

of safety topics, including the reduction of fatigue-related accidents, the safe transport of lithium-ion batteries, and eliminating alcohol and drug impairment.

"The Mid-Point Progress Report affirmed that we are making progress in these areas, and we expect to see that reflected shortly in updated statistics that align with the GAJSC's goal of no more than one fatal GA accident per 100,000 flight hours by 2018," said NBAA Operations Manager Peter Korns. "There's value in acknowledging our successes and that these enhancements are having a positive effect, but we must also never become complacent."

TOP SAFETY FOCUS AREAS HIGHLIGHT INDUSTRY-SPECIFIC CONCERNS

Much like the NTSB's most wanted list, the NBAA Safety Committee's Top Safety Focus Areas list highlights priorities in support of a greater commitment to business aviation safety standards. In 2017, the committee cited the following areas that affect industry safety, while also providing helpful resources for business aviation to utilize in addressing them.

- Professionalism
- Safety Culture
- Airmanship Skills
- LBA Safety
- Talent Pipeline
- Impact of Technology
- Public Policy
- Airport Safety
- Fatigue
- Task Saturation

NBAA CONTINUES SUPPORT FOR ANNUAL BUSINESS AVIATION SAFETY SUMMIT

In May 2017, the 62nd annual Business Aviation Safety Summit (BASS) offered the opportunity for industry stakeholders to meet in a collaborative environment to identify safety concerns, devise approaches to reduce risk and implement initiatives to improve safety. The summit, which was organized by Flight Safety Foundation in partnership with NBAA, addressed safety, training, practical solutions, management, human factors and other issues for every segment of the business aviation industry.

Providing Members With Valuable Tools and Resources

NBAA members have always looked to the association as a resource for their day-to-day operational concerns, which is why the association's Business Aviation Management Committee supports the industry with industry-leading best practices. For example, in 2017, the committee spearheaded efforts to combat the ongoing personnel shortage throughout the industry – a challenge facing flight departments large and small.

WORKFORCE SURVEY HIGHLIGHTS FACTORS BEHIND CAREER CHOICES

To that end, early in the year, the Business Aviation Management Committee conducted interviews with former industry personnel to determine the reasons for their departure from careers in business aviation. NBAA conducted a separate survey of more than 1,600 pilots among NBAA members to drill down on the various factors influencing their consideration of job opportunities outside the industry.

One surprising finding revealed that a more predictable schedule was essentially as important as more money to respondents who had at least considered jobs with commercial airlines.

Other concerns expressed through the survey included a perceived lack of advancement opportunities, and conflicts with supervisors. While those findings may seem discouraging, they also stem from factors that may be simpler than pay concerns for business aviation flight departments to quickly remedy through initiatives to promote teamwork through the department, and reward company longevity.

ASSISTING BUSINESS AVIATION STAKEHOLDERS IN EXPLAINING VALUE AND BENEFITS

To help address another ongoing industry need, the Business Aviation Management Committee also provides resources to help industry stakeholders explain the value that business aviation offers to their companies. A resource produced in 2017, entitled, "Explaining Why Your Company Relies on Business Aviation: Questions and Answers," presents several key talking points that industry professionals may use when speaking to other employees about the value of aircraft in meeting a company's business-transportation needs.

The downloadable document provides clear and easy-to-understand responses to questions including, "Why does our company use business aircraft?" and "How are these aircraft used?"

Facilitating Networking and Commerce Across the Globe

As in past years, NBAA hosted and sponsored a series of influential industry events throughout 2017 that provided value to participants, while often underscoring the importance of business aviation to local leaders in business and government, as it positively impacts communities by aiding companies in efficiently performing day-to-day operations, generating new jobs and spurring economic activity and local investment.

NBAA-BACE 2017 DEMONSTRATES THE RESILIENCE OF A VITAL INDUSTRY, AND A GREAT AMERICAN CITY

NBAA-BACE always represents the coming together of a large and diverse community to demonstrate the industry's strength, as well as its resilience against numerous challenges. That theme carried added poignancy, however, as the 2017 NBAA-BACE opened in Las Vegas, NV, just nine days following a mass shooting that claimed 58 lives.

"As we stand in Las Vegas, we're aware that not only is it a pro-business place with great infrastructure and great energy, but we also see that is a city of remarkable strength, remarkable selflessness, remarkable compassion," said NBAA President and CEO Ed Bolen during the event's Oct. 10 Opening General Session. "Las Vegas is resilient. And we're very proud be here at such an important time."

Clark County Commissioner Lawrence Weekly, who addressed session attendees, said: "To the 30,000 delegates attending NBAA-BACE, I want to say thank you from our community. You don't know what it means to all of us to have you here."

The convention also marked NBAA's 70th anniversary, and show-goers had many opportunities to celebrate the milestone. A key feature of the event was a large, three-dimensional, moving "NBAA70" wall, filled with signatures from those wanting to be a part of the occasion. The 70th anniversary was also celebrated at the static display of aircraft at Henderson Executive Airport (HND), with the inclusion of a "70th Anniversary Row," where a 1946 Douglas DC-3 business aircraft joined other vintage aircraft from business aviation's early days.

The show's first two days featured standing-room-only opening sessions with engaging speakers, including local leaders who welcomed attendees to Las Vegas – Rep. Dina Titus (D-1-NV), Commissioner Weekly and MGM Resorts International Chairman and CEO Jim Murren – along with top government officials, including FAA Administrator Michael Huerta and NTSB Chairman Robert Sumwalt.

The sessions also included industry legends: Miracle on the Hudson hero-pilot Chesley "Sully" Sullenberger and astronaut Jim Lovell spoke out against Air Traffic Control (ATC) privatization, during the show's opening sessions, and in a special NBAA video, urging aviation professionals to tell Congress to oppose ATC privatization. As part of the show's second-day opening session, astronauts Mark and Scott Kelly shared their adventures on the Space Shuttle, the International Space Station and as U.S. Navy aviators.

This year's NBAA-BACE featured about 1,100 exhibitors, including more than 100 new exhibitors, with attendees representing all 50 U.S. states and dozens of countries. Approximately 100 aircraft were featured on static display at HND and inside the Las Vegas Convention Center, including the Bombardier Global 7000, Gulfstream G600 and Pilatus PC-24, which all made their debuts at the show.

INTERNATIONAL EVENTS HIGHLIGHT INDUSTRY ACROSS EUROPE AND THE ASIA-PACIFIC

NBAA was also honored to sponsor two international events in 2017, the Asian Business Aviation Conference & Exhibition (ABACE2017) and the European Business Aviation Convention & Exhibition (EBACE2017).

The 2017 NBAA Business Aviation Convention & Exhibition (NBAA-BACE) in Las Vegas reflected the perseverance of an industry and a great American city.

Over 1,700 attendees, 148 exhibitors and 27 aircraft on static display made the Regional Forum at Fort Worth Meacham Airport (FTW) a memorable event.

NBAA joined with the Shanghai Airport Authority (SAA) and the Asian Business Aviation Association to present the sixth edition of ABACE, spotlighting the growing importance of business aviation across China and throughout the Asia-Pacific.

The ABACE exhibit floor had more than 180 exhibitors across the largest-ever show floor, with about 40 percent of ABACE exhibitors based in Asia. Attendees came from more than 40 countries, demonstrating the show's international representation, with 33 aircraft on static display representing the full spectrum of business aviation, from pistons through intercontinental jets, and helicopters.

Top national and international officials served as keynote speakers for the ABACE2017 Opening General Session, including Jiang Huaiyu, director general of the Eastern Regional Headquarters for the Civil Aviation Authority of China (CAAC); Geoff Jackson, executive director for the U.S.-China Aviation Cooperation Program; and Stephen Creamer, director of the Air Navigation Bureau at the International Civil Aviation Organization.

SAA President Jing Yiming hosted the ceremony, and participated in a forum hosted by the Eastern China Regional Administration of CAAC, the SAA and the NBAA, focused on the continued development and expansion of China's business aviation infrastructure.

NBAA's flagship annual industry event in the European theatre proved as successful in 2017 as the association's Asian show. Jointly hosted by NBAA and the European Business Aviation Association (EBAA), EBACE2017 took place from May 22 to 24 at Geneva's Palexpo conference center. Organizers reported the show was one of the most successful in recent memory, reinforcing its reputation as the industry's most important event in Europe.

"This show was full of energy and excitement for the future, with amazing technology on display, in-depth policy discussions and more than a few deals closed," reported said EBAA CEO Brandon Mitchener.

EBACE2017 featured more than 400 exhibitors on the show floor, representing nearly 40 different countries. More than 450 journalists from Europe and around the world covered the event. The static display at Geneva International Airport hosted 56 business aircraft, with three more aircraft displayed inside the Palexpo exhibit hall.

The week kicked off with an inspiring Opening General Session address by solar aviation pioneer Dr. Bertrand Piccard, while panels and education sessions held throughout the show covered timely and important issues including the implications of Brexit for business aviation, expanding opportunities for young professionals, security and top advocacy priorities across Europe.

REGIONAL FORUMS BRING NBAA'S CONVENTION TO LOCAL COMMUNITIES

For those unable to make scheduling or other accommodations for participation in NBAA's annual convention, NBAA hosts three Regional Forums every year, in different locations throughout the United States, providing local opportunities for aviation professionals to network and expand their knowledge about the issues affecting business aviation.

These Regional Forums take place at some of the most accessible airports and FBOs across the U.S., bringing many of the features and benefits of NBAA's larger events - including education sessions, influential speakers, and aircraft static displays - to venues closer to home. In 2017, Regional Forums took place Jan. 26 in Palm Beach, FL (PBI); March 23 in Fort Worth, TX (FTW); and Sept. 7 in Morristown, NJ (MMU).

NBAA Regional Forums are the best opportunities for business aviation professionals to attend education sessions, and view static displays of aircraft and vendor exhibits, all in one day. Every 2017 NBAA Regional Forum also included participation by important local, state, and even national leaders, providing a vital opportunity for business aviation stakeholders to engage with elected officials on critical matters for the industry.

Developing the Workforce of the Future

NBAA-BACE SESSIONS EXAMINE ONGOING PERSONNEL SHORTAGE

Among the most prevalent challenges facing business aviation is the ongoing personnel shortage throughout the industry. Several sessions at NBAA-BACE examined this concern, and highlighted methods that stakeholders could use to preserve knowledge and skills provided by experienced employees, retain existing personnel, and attract the next generation of aviation professionals to careers in the industry.

A well-attended session at NBAA-BACE – "All Hands on Deck: Confronting the Personnel Shortage" – offered guidance on how business aviation could compete with other industries when hiring young professionals, as well as strategies for retaining the industry's existing talent. Other sessions highlighted ways that diversifying the workforce can help employers attract high-caliber professionals, and the importance of mentoring programs to engage talented professionals and lead to better employee retention.

The event also featured opportunities for young professionals to discuss career paths with each other and industry veterans, and network with their peers, while Careers in Business Aviation Day informed middle school, high school and college students about the career opportunities in business aviation. The event opened with a keynote presentation by Shaesta Waiz of Dreams Soar, whose story of going from a refugee camp to the first civilian female pilot from Afghanistan inspired thousands of young people during her history-making solo flight around the world.

NEW SCHOLARSHIPS AND PROGRAMS TO SUPPORT INDUSTRY DEVELOPMENT

NBAA unveiled two new scholarship programs in 2017 to assist emerging industry professionals with their education and advancement. The C&W Family Scholarship provides funds of up to $2,500 to be used towards advancement programs including NBAA's Certified Aviation Manager (CAM) program, Professional Development Program (PDP) courses and other advanced aviation courses.

Also introduced in 2017, the Fred and Diane Fitts Aviation Scholarship will include funds of up to $2,500 to assist four individuals seeking careers as business aviation schedulers, dispatchers, maintenance professionals, pilots or flight attendants. The scholarship supports professional or educational training that will help recipients enter the business aviation career path of their choice.

NBAA Charities offers 17 unique monetary and training scholarships for both students and aviation professionals, such as flight department managers, pilots, maintenance technicians, schedulers, dispatchers, flight attendants and flight technicians. These scholarships, which total nearly $100,000 annually, are administered by NBAA standing committees and would not be possible without the generous financial support of NBAA member donors.

Also in 2017, NBAA held a first-time CAM prep course at NBAA-BACE that attracted more than 40 attendees, and the PDP review committee approved five new providers to helps business aviation professionals ascend in their careers by preparing them for management roles.

NBAA Chief Operating Officer Steve Brown addresses attendees at the Business Aviation Management Committee's first-ever Workforce Summit on Nov. 30, a solutions-focused event about staffing issues within the industry.

Students learn about aerospace opportunities during Careers in Business Aviation Day at NBAA-BACE, highlighted by Shaesta Waiz (top) sharing her inspiring story of going from a refugee camp to flying around the world.

2017 AWARDS

Honoring Industry Trailblazers and Heroes

MERITORIOUS SERVICE TO AVIATION AWARD

NBAA President and CEO Ed Bolen (left) presented the association's highest honor to MedAire founder Joan Sullivan Garrett for her pioneering work in critical-care medical response.

JOHN P. "JACK" DOSWELL AWARD

Bolen presented this award to Preston Henne, former Gulfstream senior vice president, for his leading role in the development of the Gulfstream V, 150, 280, 450, 550 and 650.

AL UELTSCHI AWARD FOR HUMANITARIAN LEADERSHIP

NBAA recognized the business aviation community's tireless work to assist the citizens and communities impacted by this year's wave of hurricanes, with the association's Al Ueltschi Award for Humanitarian Leadership.

Celebrating Professionalism in Business Aviation

Established in 2015, the NBAA Dr. Tony Kern Professionalism in Aviation Award recognizes individual aviation professionals (pilots, maintenance technicians, flight attendants, dispatchers or other aviation professionals) who have demonstrated their outstanding professionalism and leadership in support of aviation safety in the business aviation industry.

The following individuals were recognized in 2017 for their continuous history of extraordinary participation in, or support of, professionalism in business aviation:

- Robert Agostino
- James Albright
- Richard Boll
- Russell Joe Bryan
- Steve Charbonneau
- Gerald Ferriss
- Jason Herman
- Fred Karnik
- David Keys
- Yann Lemasson
- William McNease
- Rodrigo Mulchi
- Donald Paddock
- Paul 'BJ' Ransbury
- Sarah Rovner
- Gregory Scott
- Jim Weaver
- Scott White

Recognizing a Commitment to Safety

NBAA recognized 10 companies for exemplary safe flying achievement during its 2016 convention. Vulcan Materials Company received a 60-Year Safe Flying Achievement Awards, and Altria Client Services LLC, Cooper Tire & Rubber Co., Dunavant Enterprises, Inc., Georgia Crown Distributing Co., JCPenney Co., Inc., Masco Corp., Texas Instruments, Inc., Tulip City Air Service, Inc., VF Corporation Aviation each received 50-Year Safe Flying Achievement Awards.

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

- 204 companies received Corporate Business Flying Safety Awards
- 29 companies received Commercial Business Flying Safety Awards
- 403 pilots received ATP or Commercial Pilot Safety Awards
- 92 companies received Aviation Maintenance Department Awards
- 215 technicians received Maintenance/Avionics Technician Safety Awards
- 254 support services personnel received Aviation Support Services Safety Awards
- 114 schedulers and licensed dispatchers received Schedulers & Licensed Dispatchers Safety Awards

During NBAA-BACE in Las Vegas, NV, former Board Chairman Paul Anderson presented 50-Year Safe Flying Achievement Awards to representatives of Altria Client Services LLC, Dunavant Enterprises, Inc., Georgia Crown Distributing Co., JCPenney Co., Inc. and Masco Corp. (Not pictured: Vulcan Materials Company, Cooper Tire & Rubber Co., Texas Instruments, Inc., Tulip City Air Service, Inc., and VF Corporation Aviation)

INDEPENDENT AUDITOR'S REPORT

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, 2017 and 2016, 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, 2017 and 2016, 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.

BDO USA, LLP
Sept. 1, 2017

COMBINED STATEMENTS OF FINANCIAL POSITION

For the Years Ending June 30, 2017 and 2016

ASSETS	2017	2016
Current assets		
Cash and cash equivalents	**$ 24,308,122**	$ 24,970,274
Accounts receivable - net of allowance for uncollectible accounts of $56,619 in 2017 and $22,369 in 2016	**566,761**	465,557
Prepaid expenses and other assets	**1,183,785**	1,027,341
Total current assets	**26,058,668**	26,463,172
Noncurrent assets		
Deferred compensation investments	**1,182,346**	1,066,486
Investments in marketable securities	**27,743,851**	23,693,844
Furniture and equipment, net of accumulated depreciation and amortization of $1,293,418 in 2017 and $1,676,533 in 2016	**1,779,704**	1,358,584
Total assets	**$ 56,764,569**	$ 52,582,086
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	**$ 7,215,140**	$ 7,285,934
Deferred revenue		
Membership dues	**3,724,129**	3,721,608
Conventions, conferences, and forums	**14,740,880**	14,971,814
Other deferred revenue	**448,165**	36,488
Deferred rent, current portion	**204,940**	186,438
Accrued postretirement benefit obligation, current portion	**98,033**	67,304
Total current liabilities	**26,431,287**	26,269,586
Noncurrent liabilities		
Deferred rent, noncurrent portion	**1,797,098**	2,002,037
Deferred compensation liability	**1,182,346**	1,066,486
Accrued postretirement benefit obligation, noncurrent portion	**1,872,759**	1,745,437
Total liabilities	**31,283,490**	31,083,546
Minority interest	**3,634,505**	3,503,112
Commitments and contingencies		
Unrestricted net assets	**21,846,574**	17,995,428
Total liabilities and net assets	**$ 56,764,569**	$ 52,582,086

See accompanying notes to combined financial statements.

COMBINED STATEMENT OF ACTIVITIES

For the Years Ending June 30, 2017 and 2016

OPERATING REVENUE AND SUPPORT	2017	2016
Annual meeting and conventions	**$ 34,715,600**	$ 35,341,503
Conferences, forums and seminars	**7,919,907**	7,296,700
Membership dues	**6,369,719**	6,321,807
Membership affinity services	**803,263**	716,836
Professional development, publications and other service products	**788,424**	843,102
Interest and dividends	**597,788**	670,561
Air traffic service fees	**556,054**	631,991
Contributions and other income	**159,365**	570,220
Total operating revenue and support	**51,910,120**	52,392,720
OPERATING EXPENSES		
Program services		
Conventions, conferences, forums, and seminars	**19,985,449**	21,493,718
Operations	**9,222,689**	8,950,946
Communications	**5,740,382**	5,437,911
Government affairs	**4,182,493**	4,273,769
Membership marketing	**2,871,968**	2,935,495
Total program services	**42,002,981**	43,091,839
Supporting services		
General administration and governance	**4,366,646**	2,426,040
Total supporting services	**4,366,646**	2,426,040
Total operating expenses	**46,369,627**	45,517,879
Change in unrestricted net assets from operations	**5,540,493**	6,874,841
OTHER ACTIVITIES		
Postretirement benefit-related changes other than net periodic postretirement benefit cost	**(62,335)**	(175,561)
Net realized and unrealized losses on investments	**2,007,493**	(694,820)
Change in unrestricted net assets, before minority interest	**7,485,651**	6,004,460
Minority interest	**(3,634,505)**	(3,503,112)
Change in unrestricted net assets	**3,851,146**	2,501,348
Unrestricted net assets, beginning of year	**17,995,428**	15,494,080
Unrestricted net assets, end of year	**$ 21,846,574**	$ 17,995,428

See accompanying notes to combined financial statements.

COMBINED STATEMENT OF CASH FLOWS

For the Years Ending June 30, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Change in unrestricted net assets	**$ 3,851,146**	$ 2,501,348
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**288,790**	272,841
Loss on disposition of fixed assets	**-**	12,520
Bad debt expense (recovery)	**33,639**	(5,267)
Net realized and unrealized (gains) on investments in marketable securities	**(2,007,493)**	694,820
Minority interest	**3,634,505**	3,503,112
(Increase) decrease in assets		
Accounts receivable	**(134,843)**	(17,891)
Prepaid expenses and other assets	**(156,444)**	(252,448)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**(70,794)**	(2,428,943)
Deferred revenue - membership dues	**2,521**	145,589
Deferred revenue - conventions, conferences, forums and other	**(230,934)**	2,179,447
Other deferred revenue	**411,677**	(3,131)
Deferred rent	**(186,437)**	(168,298)
Accrued postretirement benefit obligation	**158,051**	(56,419)
Net cash provided by operating activities	**5,593,384**	6,377,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	**(709,910)**	(55,430)
Purchases of investments in marketable securities	**(8,175,184)**	(9,982,555)
Proceeds from sales of investments in marketable securities	**6,132,670**	8,447,108
Net cash used in investing activities	**(2,752,424)**	(1,590,877)
Cash flows from financing activities		
Capital distributions - LLC Member	**(3,503,112)**	(3,219,410)
Net cash used in financing activities	**(3,503,112)**	(3,219,410)
(Decrease) increase in cash and cash equivalents	**(662,152)**	1,566,993
Cash and cash equivalents, beginning of year	**24,970,274**	23,403,281
Cash and cash equivalents, end of year	**$ 24,308,122**	$ 24,970,274

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 European Business Aviation Association (EBAA) with each party having a 50 percent 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 conventions, conferences, seminars and forums. The Association recognizes related revenues when the conventions, conferences, seminars and forums occur. 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.

Reclassifications
Certain amounts in the 2016 combined financial statements have been reclassified to conform to the 2017 presentation. These reclassifications have no effect on the previously reported change in net assets.

Recently Adopted Authoritative Guidance
In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-15, *Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. The update also provides related disclosures. The guidance is effective for the Association's year ended June 30, 2017. The adoption of this guidance had no impact on the Association's combined financial statements.

Accounting Pronouncements Issued but Not Yet Adopted
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Association until annual periods beginning after Dec. 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on the Association's combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the combined statement of financial positon and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Association's fiscal years beginning after Dec. 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on the Association's combined financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Association's combined financial statements for fiscal years beginning after Dec. 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on the Association's combined financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*. The update standardizes how certain transactions should be classified in the statement of cash flows. The guidance is effective for fiscal year 2020. Management is currently evaluating the impact of this ASU on the Association's 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, 2017 and 2016, 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 unrelated business taxable income during the years ended June 30, 2017 and 2016.

NBAA China is a Wholly Foreign-Owned Enterprise organized in China, and is treated as a foreign corporation for federal income tax purposes. NBAA China is required to pay taxes in accordance with laws and regulations of the People's Republic of China. NBAA China is also taxable at the rate applicable to U.S. corporations on its share of any net income that is effectively connected with the conduct of a U.S. trade or business. Additionally, NBAA China has recognized income and losses during the years ended June 30, 2017 and 2016, respectively, however, does not have material unrecognized temporary tax differences. As of June 30, 2017 and 2016, NBAA China has $491,553 of accrued taxes under ASC, 740-10, *Accounting for Income Taxes*.

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 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, 2017 and 2016, the Association did not recognize any interest or penalties.

The tax years ended June 30, 2013 through 2016 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. At June 30, 2017 and 2016, bank balances in U.S. banks of approximately $25 million and $25.2 million, respectively, exceeded FDIC insurance limits. The Association has approximately $500 thousand and $900 thousand at June 30, 2017 and 2016, respectively, in foreign bank accounts which are not insured. 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 Measurement, 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.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. In determining the appropriate levels, management performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The table below sets forth those assets measured at fair value as of June 30, 2017, on a recurring basis:

Fair value measurement at reporting date using:

Description	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	Balance as of June 30, 2017
Money market funds	$ 334,667	$ -	$ -	$ 334,667
Investment grade fixed income	8,811,787	-	-	8,811,787
Other fixed income	2,621,338	-	-	2,621,338
U.S. equity securities	10,340,756	-	-	10,340,756
Non-U.S. equity securities	5,669,576	-	-	5,669,576
Currency structured securities	314,495	-	-	314,495
Large cap – equity securities	423,889	-	-	423,889
Mid cap – equity securities	33,021	-	-	33,021
Small cap – equity securities	48,613	-	-	48,613
Global equity securities	96,342	-	-	96,342
Asset allocation – equities	209,371	-	-	209,371
Life cycle funds	22,342	-	-	22,342
Total	**$ 28,926,197**	$ -	$ -	**$ 28,926,197**

The table below sets forth those assets measured at fair value as of June 30, 2016, on a recurring basis:

Fair value measurement at reporting date using:

Description	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant other unobservable inputs (level 3)	Balance as of June 30, 2016
Money market funds	$ 2,006,834	$ -	$ -	$ 2,006,834
Investment grade fixed income	6,427,759	-	-	6,427,759
Other fixed income	2,276,951	-	-	2,276,951
U.S. equity securities	8,774,566	-	-	8,774,566
Non-U.S. equity securities	4,020,403	-	-	4,020,403
Currency structured securities	387,934	-	-	387,934
Large cap – equity securities	410,123	-	-	410,123
Mid cap – equity securities	40,269	-	-	40,269
Small cap – equity securities	37,341	-	-	37,341
Global equity securities	68,898	-	-	68,898
Asset allocation – equities	293,653	-	-	293,653
Life cycle funds	15,599	-	-	15,599
Total	**$ 24,760,330**	$ -	$ -	**$ 24,760,330**

The balance of the Association's assets measured at fair value as of June 30, 2017 and 2016, are classified in the combined statements of financial position as follows:

	2017	2016
Investments in marketable securities	**$ 27,743,851**	$ 23,693,844
Deferred compensation investments	**1,182,346**	1,066,486
	$ 28,926,197	$ 24,760,330

5. INVESTMENTS IN MARKETABLE SECURITIES

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

June 30,	2017	2016
Money market funds	**$ 139,368**	$ 1,826,613
Investment grade fixed income	**8,672,027**	6,427,759
Other fixed income	**2,607,629**	2,256,569
U.S. equity securities	**10,340,756**	8,774,566
Non-U.S. equity securities	**5,669,576**	4,020,403
Structured note securities	**314,495**	387,934
	$ 27,743,851	$ 23,693,844

Investment return consists of the following:

Years ended June 30,	2017	2016
Interest and dividends	**$ 597,788**	$ 670,561
Unrealized gains (losses)	**1,475,505**	(1,010,815)
Realized gains	**531,988**	315,995
	$ 2,605,281	$ (24,259)

Investment fees included in expenses amounted to $148,375 and $160,625 for the years ended June 30, 2017 and 2016, respectively.

6. FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at:

June 30,	2017	2016
Furniture and equipment	**$ 495,723**	$ 494,509
Hardware	**286,806**	229,191
Software	**376,284**	351,819
Leasehold improvements	**1,287,693**	1,287,693
Exhibit booths	**626,616**	671,905
	3,073,122	3,035,117
Less: accumulated depreciation and amortization	**(1,293,418)**	(1,676,533)
	$ 1,779,704	$ 1,358,584

Depreciation and amortization expense was $288,790 and $272,841 for the years ended June 30, 2017 and 2016, respectively.

7. POSTRETIREMENT BENEFITS

The Association provides postretirement health care 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 Dec. 31, 2006. The Plan is unfunded. Effective Jan. 1, 2006, the Plan no longer accepts new participants.

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

June 30,	2017	2016
Postretirement benefit obligation, beginning of year	**$ 1,812,741**	$ 1,869,160
Interest cost	**91,312**	84,525
Service cost	**31,733**	26,081
Actuarial loss (gain)	**88,922**	(112,377)
Benefits paid	**(53,916)**	(54,648)
Postretirement benefit obligation, end of year	**$ 1,970,792**	$ 1,812,741

Accumulated postretirement benefit obligation for amounts due for retired and active employees consist of the following:

June 30,	2017	2016
Accrued postretirement benefit obligation - postretirement liability:		
Active participants, not yet eligible	**$ 448,270**	$ 496,747
Fully eligible active participants	**413,532**	297,274
Retirees, disabled and dependents	**1,108,990**	1,018,720
Accrued postretirement benefit obligation	**$ 1,970,792**	$ 1,812,741

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

June 30,	2017	2016
Accrued postretirement benefit obligation - postretirement liability:		
Current	**$ 98,033**	$ 67,304
Non-current	**1,872,759**	1,745,437
Accrued postretirement benefit obligation	**$ 1,970,792**	$ 1,812,741
Postretirement benefit obligation, end of year	**$ 1,970,792**	$ 1,812,741
Fair value of plan assets	**-**	-
Unfunded status (accrued postretirement benefit obligation)	**$ 1,970,792**	$ 1,812,741

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:

Years ended June 30,	2017	2016
Transition obligation	**$ -**	$ -
Prior service credit	**307,148**	379,325
Net actuarial gain	**279,252**	269,410
Net periodic postretirement benefit costs	**$ 586,400**	$ 648,735

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

Years ended June 30,	2017	2016
Service cost	**$ 31,733**	$ 26,081
Interest cost	**91,312**	84,525
Amortization of unrecognized prior service credit	**(64,123)**	(131,232)
Components of net periodic postretirement benefit costs	**$ 58,922**	$ (20,626)

Amounts paid by the Association for retiree post-retirement benefits during the year ended June 30, 2017 and 2016, were $53,916 and $54,648, respectively.

Weighted average assumptions used to determine the benefit obligation are as follows:

Years ended June 30,	2017	2016
Discount rate	**4.75%**	4.75%
Rate of compensation increase	**N/A**	N/A
Initial health care cost trend	**6.00%**	6.25%
Ultimate health care cost trend	**5.00%(2021)**	5.00%(2021)
Probability of retiree electing coverage	**100%**	100%

The health care cost trend rate assumption has a significant effect on the amounts reported in the accompanying combined financial statements. If the assumed rates were to increase or decrease by one percentage point in each year, it would increase or decrease the postretirement benefit obligation as of June 30, 2017, by $271,466 and ($224,588), respectively.

Contributions

As the plan is unfunded, contributions are expected to be equivalent to future estimated benefit payments. Accordingly, for the year ending June 30, 2018, the Association expects to contribute approximately $98,033 to its postretirement healthcare benefit plan.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ended June 30,	
2018	$ 98,033
2019	$ 102,157
2020	$ 104,885
2021	$ 95,403
2022	$ 97,065
Thereafter	$ 642,973

Given the estimates included in the calculation of this accumulated benefit obligation, it is possible amounts recorded under the Plan may change in the near term.

8. DEFERRED COMPENSATION

During fiscal year 2007, the Association established a nonqualified deferred compensation plan (a "457(b) plan") for senior executives and other management or highly compensated employees. The Association holds assets totaling $1,182,346 and $1,066,486 as of June 30, 2017 and 2016, respectively, which are reported as deferred compensation investments and a deferred compensation liability in the accompanying combined statements of financial position. The assets are subject to the claims of general creditors. 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, 2017 and 2016. 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 years ended June 30, 2017 and 2016 and no outstanding balance as of June 30, 2017 and 2016.

10. COMMITMENTS AND CONTINGENCIES

Operating Lease

In March 2013, the Association signed an office 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 combined 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 began in January 2015. The lease also provided 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:

Years ended June 30,	
2018	$ 943,572
2019	962,444
2020	992,189
2021	1,022,530
2022	1,042,982
Thereafter	2,696,889
	$ 7,660,606

Rent expense for the years ended June 30, 2017 and 2016 were $758,944 and $740,494, respectively.

Commitments for Convention and Conference Facilities

The Association is committed under agreements for conventions, conferences and hotel space through the year 2022. 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 the 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, 2017 and 2016, the Association contributed $1,089,939 and $940,800, 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 $474,342 and $466,625 for the years ended June 30, 2017 and 2016, respectively.

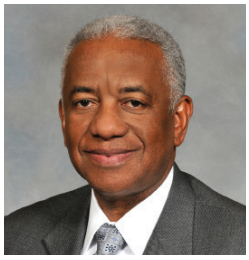
The National Business Aviation Association, Inc. Political Action Committee (NBAA PAC) is a non-profit political association that was registered with the Federal Election Commission on June 17, 1996. Administrative, overhead and direct costs incurred by NBAA PAC during the Years Ended June 30, 2017 and 2016, 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, 2017 and 2016, NBAA contributed $615,000 and $621,000, respectively, to support AAAA.

14. SUBSEQUENT EVENTS

The Association evaluated subsequent events through Sept. 1, 2017, 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



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Vice Chair/Treasurer
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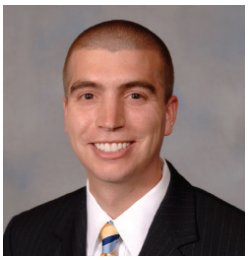

BENJAMIN SCHWALEN
NBAA Corporate Secretary

As of Jan. 31, 2018

NBAA Associate Member Advisory Council

The Associate Member Advisory Council 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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Vice Chair
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ARGUS International

John Rosanvallon
Dassault Falcon Jet Corporation

Maria Sastre
Signature Flight Support

Tyson Weihs
ForeFlight

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Gulfstream Aerospace Corporation

NBAA Staff

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President and Chief Executive Officer

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Executive Assistant to the
Office of the President

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Manager, Web Development
& Operations

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Perry Beagle
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Jesse Cipala
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Manager, Web Development
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Jason Wolf
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Senior Vice President,
Conventions & Membership

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Administrative Assistant, Exhibits

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Manager, Conventions VP Events &
Budgeting

David Bascomb
Marketing Analyst

Rhonda Bowman
Manager, Advertising & Sponsorships

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Margo DeMark
Senior Manager, Membership

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Manager, Exhibits

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Senior Director, Conferences & Forums

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Joe Hart
Director, Static Displays

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Senior Director, Marketing

Kirby Konz
Senior Manager, Membership Marketing

Eddie Kyle
Marketing Traffic Manager

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Conventions & Forums

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Project Manager, Event Marketing

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Administrative Affairs, Conventions

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Member Services Representative

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Operations & Administration

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Chief Operating Officer

Tyler Austin
Manager, Professional Development

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Chelsea Cranshaw
Meetings Coordinator

Jo Damato, CAM
Senior Director, Educational Strategy

Brittany Davies
Northeast Regional Representative

Linda Eaton
Director, Office & Support Services

Jay Evans, CAM
Director, Professional Development

Marc Freeman
Chief Financial Officer

Alex Gertsen
Director, Airports & Ground Infrastructure

Steve Hadley
Director, Regional Programs
Southwest Regional Representative

Stacy Howard
Western Regional Representative

Toyin Isichei
Controller

Kristi Ivey
Northwest Regional Representative

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Meagan Keller
Manager, Conferences

Brian Koester
Manager, Operations

Peter Korns
Manager, Operations

John Kosak
Weather Specialist, Air Traffic Services

Paige Kroner
Mid-Atlantic Regional Representative

Mark Larsen
Senior Manager, Safety & Flight Operations

Jim McClay
Project Manager, Air Traffic Services

Mike Nichols, CAM
Vice President, Operational Excellence & Professional Development

Bob Quinn, CAM
Central Regional Representative

Cheryl Richards
Staff Accountant, Accounts Receivable

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Senior Support Services Coordinator

Cheri Rudd
Manager, Office Coordination

Michael Schwab
Specialist, Air Traffic Services

Dean Snell
Manager, Air Traffic Services

Ernie Stellings
Senior Manager, Air Traffic Services

Michele Terner
Senior Manager, Human Resources

Greg Voos
Southeast Regional Representative

Heidi Williams
Director, Air Traffic Services & Infrastructure

James Williams
Mailroom Coordination & Inventory Control

Sarah Wolf, CAM
Senior Manager, Security & Facilitation

As of Jan. 31, 2018

National Business Aviation Association
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www.nbaa.org

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 11,000 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.