

MIRACLE FLIGHTS FOR KIDS
AUDITED FINANCIAL STATEMENTS
APRIL 30, 2005

MIRACLE FLIGHTS FOR KIDS

INDEX TO AUDITED FINANCIAL STATEMENTS

	<u>PAGE(S)</u>
Audited Financial Statements:	
Report of Independent Auditor	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Miracle Flights for Kids
Las Vegas, Nevada

We have audited the accompanying statement of financial position of Miracle Flights for Kids (a nonprofit organization) as of April 30, 2005 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miracle Flights for Kids as of April 30, 2005, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BAGELL, JOSEPHS, LEVINE & COMPANY, LLC.

BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
Certified Public Accountants
Gibbsboro, New Jersey
August 20, 2005

MEMBER OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SEC PRACTICE SECTION OF THE AICPA (SECPSI)
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA STATE BOARD OF ACCOUNTANCY

MIRACLE FLIGHTS FOR KIDS
STATEMENT OF FINANCIAL CONDITION
April 30, 2005

ASSETS

CURRENT ASSETS

Cash	\$ 301,775
Investments	438,634
Pledges receivable, net	99,847
Prepaid expenses	2,055
Note receivable	43,313
Grant receivable	<u>7,500</u>
Total Current Assets	<u>\$ 893,124</u>

FIXED ASSETS

Equipment and furniture, net of accumulated depreciation of \$91,869	<u>3,176</u>
Total Fixed Assets	<u>3,176</u>

OTHER ASSETS

Investments	101,623
Grant receivable	90,000
Deposits	<u>9,010</u>
Total Other Assets	<u>200,633</u>

TOTAL ASSETS

\$ 1,096,933

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 118,442
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NET ASSETS

Unrestricted	<u>978,491</u>
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TOTAL LIABILITES AND NET ASSETS

\$ 1,096,933

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

**MIRACLE FLIGHTS FOR KIDS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2005**

UNRESTRICTED NET ASSETS

Unrestricted revenue, gains and other support:

Contributions	\$ 3,056,603
In-kind contributions	314,486
Investment income	7,820
Unrealized (loss) on investments	<u>(9,170)</u>

Total Income	<u>3,369,739</u>
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Expenses:

Program services:

Miracle Flights for Kids	\$ 2,092,446
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Supporting services:

Management and general	96,021
Fundraising	<u>836,561</u>

Total Expenses	<u>\$ 3,025,028</u>
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INCREASE IN NET ASSETS	\$ 344,711
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NET ASSETS, BEGINNING OF YEAR-AS RESTATED	<u>633,780</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 978,491</u></u>
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The accompanying notes are an integral part of these financial statements.

MIRACLE FLIGHTS FOR KIDS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED APRIL 30, 2005

	Miracle Flights For Kids	Management and General	Fundraising	Total
Awards	\$ -	\$ 2,156	\$ -	\$ 2,156
Bank fees	6,875	-	7,812	14,687
Community outreach	1,141,550	-	745,689	1,887,239
Depreciation	6,419	958	604	7,981
Dues and fees	-	2,425	-	2,425
Insurance	10,948	1,765	639	13,352
Marketing	-	1,455	-	1,455
Miscellaneous	5,200	5,240	6,036	16,476
Occupancy	56,129	12,588	5,470	74,187
Office supplies	6,376	1,283	1,049	8,708
Postage	3,610	-	3,202	6,812
Printing	2,496	-	2,704	5,200
Professional services	-	23,550	-	23,550
Staff leasing	375,377	42,854	57,098	475,329
Telephone	6,311	486	5,341	12,138
Travel resources	461,870	-	-	461,870
Vehicle expense	9,285	1,261	917	11,463
	<u>\$ 2,092,446</u>	<u>\$ 96,021</u>	<u>\$ 836,561</u>	<u>\$ 3,025,028</u>

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

**MIRACLE FLIGHTS FOR KIDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 344,711
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	7,981
Unrealized loss on investments	9,170
(Increase) decrease in operating assets:	
Pledges receivable	(60,069)
Prepaid expenses	2,246
Note receivable	29,701
Grants receivable	(97,500)
Land held for sale	90,000
Increase (decrease) in operating liabilities:	
Accounts payable	(133,147)
Net cash provided by operating activities	<u>193,093</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Redemption of investment	109,785
Purchase of investments	(250,000)
Purchase of equipment and furniture	(808)
Net cash (used in) by investing activities	<u>(141,023)</u>

NET INCREASE IN CASH	\$ 52,070
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CASH-BEGINNING OF YEAR	<u>249,705</u>
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CASH, END OF YEAR	<u><u>\$ 301,775</u></u>
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The accompanying notes are an integral part of these financial statements.

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2005

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Miracle Flights for Kids was incorporated in Nevada to assist people who need critical care transportation. The Organization has been classified as one that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue code.

Basis of Accounting

The financial statements of Miracle Flights for Kids have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Pledges are recorded when the pledge is received and collectibility is reasonably assured and subject to estimation. As a result, contributions from certain fundraising campaigns are recorded on the cash basis. Pledges are received from individuals from across the nation. Other restricted contributions to the Organization are recognized as revenue when received. Donated property and services requiring specialized skills are recorded at the estimated fair market value on the date of the gift. All pledges receivable are due within one year.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2005

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

Timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures, some of which may need revision in future periods.

Equipment and Furniture

Equipment and furniture are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The Organization capitalizes items that have a life of five years or more and have a cost of \$500 or more.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Investments

Investments in marketable equitable securities with readily determinable fair values are stated at their fair market value in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

NOTE 2- ALLOCATION OF JOINT COSTS

Miracle Flights for Kids does fundraising through professional outreach companies. In 2005, the Organization incurred \$1,887,239 of these costs and all of these amounts were considered joint costs under AICPA Statement of Position 98-2. Of these costs, \$1,141,550 were allocated to the Miracle Flights for Kids program and \$745,689 were allocated to fund raising, using the physical units method.

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2005

NOTE 2- ALLOCATION OF JOINT COSTS (CONTINUED)

The allocation under the physical units method is based on lines of print from the documents and scripts used in the above activities. Each line of print is analyzed and a determination is made as to its purpose. The number of lines for each objective is totaled and weighed against the total number of lines in the document as well as the frequency of use of the document. The joint costs are then allocated to their proper objective based on the results of this process.

NOTE 3- COMMITMENTS AND CONTINGENCIES

On July 1, 2003, the Organization was committed to a contract for fundraising and program services, which is scheduled to expire on June 30, 2006. The contract provides for payments to be made by the Organization based on hourly rates with certain minimum performance guarantees.

In September 2004, the Organization entered into a contract for fundraising and program services commencing October 1, 2004 and expiring September 30, 2005. This contract provides for payments to be made by the Organization based on a set amount per name per mailing. Unless notice is given, this contract will automatically renew for one year.

NOTE 4- OPERATING LEASES

The Organization leases office space under a 36-month operating lease.

The future minimum rental payments required under operating leases that have initial noncancellable lease terms in excess of one year as of April 30, 2005 are as follows:

2005	\$44,576
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Total rental expense under operating leases with terms in excess of one year was \$66,592 for the year ended April 30, 2005.

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2005

NOTE 5- DONATED SERVICES

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ended April 30, 2005, the Organization received \$314,486 of in-kind services, which consist primarily of donated flights, which have been allocated to the Miracle Flights for Kids program.

NOTE 6- PLEDGES RECEIVABLE

Pledges receivable at April 30, 2005 are summarized as follows:

Receivable in one year	\$107,360
Less allowance for uncollectible pledges	<u>(7,513)</u>
	<u>\$99,847</u>

NOTE 7- INVESTMENTS

Investments consist of the following at April 30, 2005:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	\$ 436,161	\$ 436,161
Corporate stocks	<u>113,266</u>	<u>104,096</u>
	549,427	540,257
Less current portion	<u>(447,804)</u>	<u>(438,634)</u>
Long-term portion	<u>\$ 101,623</u>	<u>\$ 101,623</u>

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2005

NOTE 8- NOTE RECEIVABLE

The Organization entered into a contract for fundraising and program services with an outside company. The contract stipulated there were minimum performance guarantees. The outside company did not meet the contractual performance guarantees. As of May 1, 2004 the outside company owed the Organization \$73,014 which is being paid back monthly in the amount of \$1,238.

NOTE 9- GRANTS RECEIVABLE

The Organization has been the recipient of numerous grants from various organizations. The Organization received a \$30,000 grant from Mirage Voice Foundation. The Organization will receive the fourth equal installment of \$7,500 in May 2005. This is listed as a current asset in the statement of financial position.

In addition, the Organization entered into a quit claim deed with Real Estate Donations, Inc., a 501(c)(3) charitable organization for the sale of land in the amount of \$90,000. Real Estate Donations, Inc. will forward to the Organization the proceeds from the sale of the land, in the form of a grant. The \$90,000 is listed as an other asset in the statement of financial position because it can not be determined when the sale will occur.

NOTE 10- RESTATED NET ASSETS

The Organization made adjustments in 2005 to correct its recording of a note receivable at April 30, 2004. The adjustment resulted in an increase of previously reported net assets of \$73,014. The effect of this adjustment is as follows:

Net assets at April 30, 2004, as previously reported	\$560,766
Pledges receivable	<u>73,014</u>
Net assets at April 30, 2004, as restated	<u>\$633,780</u>