

MIRACLE FLIGHTS FOR KIDS
AUDITED FINANCIAL STATEMENTS
APRIL 30, 2007



**BAGELL, JOSEPHS, LEVINE
& COMPANY, L.L.C.**

Certified Public Accountants

www.bjlcpas.com

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.
Certified Public Accountants

High Ridge Commons
Suites 400-403
200 Haddonfield Berlin Road
Gibbsboro, New Jersey 08026
(856) 346-2828 Fax (856) 346-2882

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, 2007 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, 2007, 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, 2007

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, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 363,987
Certificates of deposit	578,747
Pledges receivable, net	74,612
Prepaid expenses	<u>2,118</u>

Total Current Assets	<u>\$ 1,019,464</u>
----------------------	---------------------

FIXED ASSETS

Equipment and furniture, net of accumulated depreciation of \$95,045	<u>-</u>
--	----------

Total Fixed Assets	<u>-</u>
--------------------	----------

OTHER ASSETS

Investments	132,497
Grant receivable	26,384
Deposits	<u>9,010</u>

Total Other Assets	<u>167,891</u>
--------------------	----------------

TOTAL ASSETS	<u><u>\$ 1,187,355</u></u>
---------------------	----------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 107,342
------------------	------------

NET ASSETS

Unrestricted	<u>1,080,013</u>
--------------	------------------

TOTAL LIABILITES AND NET ASSETS	<u><u>\$ 1,187,355</u></u>
--	----------------------------

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

**MIRACLE FLIGHTS FOR KIDS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2007**

UNRESTRICTED NET ASSETS

Unrestricted revenue, gains and other support:	
Contributions	\$ 2,357,928
In-kind contributions	902,274
Investment income	34,252
Unrealized gain on investments	<u>9,501</u>
 Total Income	 <u>3,303,955</u>
 Expenses:	
Program services:	
Miracle Flights for Kids	\$ 2,564,076
 Supporting services:	
Management and general	114,054
Fundraising	<u>619,535</u>
 Total Expenses	 <u>\$ 3,297,665</u>
 INCREASE IN NET ASSETS	 \$ 6,290
 NET ASSETS, BEGINNING OF YEAR	 <u>1,073,723</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 1,080,013</u></u>

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, 2007**

	Miracle Flights For Kids	Management and General	Fundraising	Total
Awards	\$ -	\$ 6,122		\$ 6,122
Bank and credit card fees	6,886	-	7,609	14,495
Community outreach	951,894	-	473,716	1,425,610
Dues and fees	-	3,424	-	3,424
Flight resources	202,522	-	54,829	257,351
Insurance	12,158	6,847	605	19,610
Marketing	-	267	-	267
Miscellaneous	5,927	5,625	9,688	21,240
Occupancy	60,293	12,355	5,655	78,303
Office supplies	7,216	1,586	276	9,078
Postage	7,074	-	2,973	10,047
Printing	630	-	537	1,167
Professional services	-	13,457	-	13,457
Staff leasing	445,819	61,898	55,001	562,718
Telephone	10,603	2,059	8,130	20,792
Travel resources	846,828	-	-	846,828
Vehicle expense	6,226	414	516	7,156
	<u>\$ 2,564,076</u>	<u>\$ 114,054</u>	<u>\$ 619,535</u>	<u>\$ 3,297,665</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, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 6,290
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Investment contribution	(10,025)
Unrealized (gain) on investments	(9,501)
(Increase) decrease in operating assets:	
Pledges receivable	38,322
Prepaid expenses	36
Note receivable	14,851
Grants receivable	7,283
Increase (decrease) in operating liabilities:	
Accounts payable	<u>16,964</u>
Net cash provided by operating activities	<u>64,220</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Realized increase in market value of certificate of deposits	<u>(25,862)</u>
Net cash (used in) investing activities	<u>(25,862)</u>

NET INCREASE IN CASH	\$ 38,358
-----------------------------	-----------

CASH-BEGINNING OF YEAR	<u>325,629</u>
-------------------------------	----------------

CASH, END OF YEAR	<u><u>\$ 363,987</u></u>
--------------------------	--------------------------

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

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2007

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, 2007

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 and program service through professional outreach companies. In 2007, the Organization incurred \$1,425,610 of these costs and all of these amounts were considered joint costs under AICPA Statement of Position 98-2. Of these costs, \$951,894 were allocated to the Miracle Flights for Kids program and \$473,716 were allocated to fund raising, using the physical units method.

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2007

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 May 1, 2006 the Organization was committed to a contract for fundraising and program services, which is scheduled to expire on April 30, 2009. The contract renews automatically on an annual basis unless rescinded by either party. The contract provides for payments to be made by the Organization based on hourly rates with certain minimum performance guarantees.

In May 2006, the Organization entered into a contract for fundraising and program services commencing May 1, 2006 and expiring April 30, 2009. 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, 2007 are as follows:

2008	\$45,912
------	----------

Total rental expense under operating leases with terms in excess of one year was \$69,454 for the year ended April 30, 2007.

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2006

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, 2007, the Organization received \$902,274 of in-kind services, which consist primarily of donated flights and flight resources, which have been allocated to the Miracle Flights for Kids program and flight resource.

NOTE 6- PLEDGES RECEIVABLE

Pledges receivable at April 30, 2007 are summarized as follows:

Receivable in one year	\$74,612
------------------------	----------

NOTE 7- INVESTMENTS

Investments consist of the following at April 30, 2007:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	\$ 536,161	\$ 578,747
Corporate stocks	<u>123,423</u>	<u>132,797</u>
	659,584	711,544
Less current portion	<u>(527,087)</u>	<u>(579,047)</u>
Long-term portion	<u><u>\$ 132,497</u></u>	<u><u>\$ 132,497</u></u>

MIRACLE FLIGHTS FOR KIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
APRIL 30, 2007

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. As of April 30, 2007 the Company was paid back in full.

NOTE 9- GRANT RECEIVABLE

The Organization has been the recipient of numerous grants from various organizations. The Organization received a \$10,025 grant from American International Group Inc.

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. On February 1, 2006 the land associated with the grant had been sold to an outside party. The Organization will receive proceeds in the amount of \$33,667. The balance at April 30, 2007 is \$26,834, which is listed as an other asset as payments will be received in one year or more.