

**MIRACLE FLIGHTS FOR KIDS**  
**AUDITED FINANCIAL STATEMENTS**

**APRIL 30, 2008**



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

Certified Public Accountants

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# MIRACLE FLIGHTS FOR KIDS

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

Certified Public Accountants

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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, 2008 and the related statements of activities and net assets, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2008, 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

Marlton, New Jersey

August 28, 2008

**MIRACLE FLIGHTS FOR KIDS**  
**STATEMENT OF FINANCIAL CONDITION**  
**APRIL 30, 2008**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 221,666
Certificates of deposit	802,993
Contributions receivable, net	<u>92,000</u>

Total Current Assets	<u>1,116,659</u>
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**FIXED ASSETS**

Equipment and furniture, net of accumulated depreciation of \$95,045	<u>-</u>
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Total Fixed Assets	<u>-</u>
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**OTHER ASSETS**

Investments	89,688
Grant receivable	26,388
Deposits	<u>9,010</u>

Total Other Assets	<u>125,086</u>
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<b>TOTAL ASSETS</b>	<u><u>\$ 1,241,745</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	<u>\$ 15,086</u>
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Total Current Liabilities	<u>15,086</u>
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**NET ASSETS**

Unrestricted	<u>1,226,659</u>
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Total Net Assets	<u>1,226,659</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,241,745</u></u>
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The accompanying notes are an integral part of these financial statements.

**MIRACLE FLIGHTS FOR KIDS  
STATEMENT OF ACTIVITIES AND NET ASSETS  
FOR THE YEAR ENDED APRIL 30, 2008**

Unrestricted revenue, gains and other support:	
Contributions	\$ 2,674,422
In-kind contributions	1,355,513
Investment loss and other income	<u>9,161</u>
 Total Income	 <u>4,039,096</u>
 Expenses:	
Program services:	
Miracle Flights for Kids	3,256,531
 Supporting services:	
Management and general	107,712
Fundraising	<u>528,207</u>
 Total Expenses	 <u>3,892,450</u>
 <b>INCREASE IN NET ASSETS</b>	 146,646
 <b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	 <u>1,080,013</u>
 <b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	 <u><u>\$ 1,226,659</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, 2008**

	Miracle Flights For Kids	Management and General	Fundraising	Total
Bank and credit card fees	\$ 9,349	\$ -	\$ 10,331	\$ 19,680
Community outreach	939,522	-	408,229	1,347,751
Dues and fees	-	4,996	-	4,996
Flight resources	99,048	-	26,815	125,863
Insurance	11,067	6,232	551	17,850
Meals and entertainment	-	228	-	228
Miscellaneous	706	670	1,154	2,530
Occupancy	49,611	10,166	4,653	64,430
Office supplies	6,156	1,356	235	7,747
Postage	6,580	-	2,765	9,345
Printing	5,694	-	4,854	10,548
Professional services	-	8,474	-	8,474
Repairs and maintenance	-	3,316	-	3,316
Staff leasing	450,653	62,569	55,598	568,820
Telephone	16,169	3,139	12,398	31,706
Travel resources	1,654,443	-	-	1,654,443
Utilities	-	6,065	-	6,065
Vehicle expense	7,533	501	624	8,658
	<u>\$ 3,256,531</u>	<u>\$ 107,712</u>	<u>\$ 528,207</u>	<u>\$ 3,892,450</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, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$	146,646
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**Adjustments to reconcile change in net assets to net cash  
provided by operating activities**

Unrealized loss on investments		42,809
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(Increase) decrease in operating assets:

Contributions receivable		(4,872)
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Prepaid expenses		2,118
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Allowance for uncollected contributions		(12,521)
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Increase (decrease) in operating liabilities:

Accounts payable		(92,256)
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<b>Net cash provided by operating activities</b>		<u>81,924</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of certificate of deposits		<u>(224,245)</u>
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<b>Net cash (used in) investing activities</b>		<u>(224,245)</u>
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<b>NET DECREASE IN CASH</b>		(142,321)
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<b>CASH, BEGINNING OF YEAR</b>		<u>363,987</u>
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<b>CASH, END OF YEAR</b>	\$	<u><u>221,666</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, 2008**

**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.

**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. As of April 30, 2008, there were no temporary or permanently restricted net assets.

**Contributions**

Contributions are recorded when they are received and collectability is reasonably assured and subject to estimation. As a result, contributions from certain fundraising campaigns are recorded on the cash basis. Contributions 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 contributions 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, 2008**

**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 2008, the Organization incurred \$1,347,751 of these costs and all of these amounts were considered joint costs under AICPA Statement of Position 98-2. Of these costs, \$939,522 were allocated to the Miracle Flights for Kids program and \$408,229 were allocated to fund raising, using the physical units method.

**MIRACLE FLIGHTS FOR KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**APRIL 30, 2008**

**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, 2008 are as follows:

2009	\$64,430
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Total rental expense under operating leases for the year ended April 30, 2008 was \$64,430.

**MIRACLE FLIGHTS FOR KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**APRIL 30, 2008**

**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, 2008, the Organization received \$1,355,513 of in-kind services, which consist primarily of donated flights and flight resources. These services have been reported as unrestricted revenue and the in-kind expenses have been included in the Miracle Flights for Kids program services under travel resources.

**NOTE 6- CONTRIBUTIONS RECEIVABLE**

Contributions receivable at April 30, 2008 are summarized as follows:

Receivables from individuals due within one year    \$92,000

**NOTE 7- INVESTMENTS**

Investments consist of the following at April 30, 2008:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	\$ 736,161	\$ 802,993
Corporate stocks	<u>123,423</u>	<u>89,688</u>
	859,584	892,681
Less current portion	<u>(727,087)</u>	<u>(802,993)</u>
Long-term portion	<u>\$ 132,497</u>	<u>\$ 89,688</u>

**MIRACLE FLIGHTS FOR KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**APRIL 30, 2008**

**NOTE 8-     GRANT RECEIVABLE**

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, 2008 is \$26,388, which is listed as a long-term asset as payments will be received beyond one year.