

**MIRACLE FLIGHTS FOR KIDS**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED APRIL 30, 2010**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

# MIRACLE FLIGHTS FOR KIDS

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**FRIEDMAN LLP**

ACCOUNTANTS AND ADVISORS

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
Miracle Flights for Kids

We have audited the accompanying statement of financial position of Miracle Flights for Kids (a nonprofit organization) as of April 30, 2010 and the related statements of activities and changes in 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, 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, 2010, 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.

*Friedman LLP*

August 25, 2010

**MIRACLE FLIGHTS FOR KIDS**  
**STATEMENT OF FINANCIAL POSITION**

**APRIL 30, 2010**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 95,925
Certificates of deposit	941,174
Contributions receivable, net of allowance for doubtful accounts of \$13,051	52,360
Investments	7,953
Total current assets	1,097,412

**Fixed assets**

Equipment and furniture, net of accumulated depreciation of \$95,045	-
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**Other assets**

Annuities	118,611
	\$ 1,216,023

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$ 1,730
Total current liabilities	1,730

Commitments and contingencies

**Net assets**

Unrestricted	1,214,293
	\$ 1,216,023

See notes to financial statements.

**MIRACLE FLIGHTS FOR KIDS**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED APRIL 30, 2010**

<b>Unrestricted revenue, gains and other support</b>	
Contributions	\$ 1,754,319
In-kind contributions	786,824
Investment gain and other income	33,621
	<u>2,574,764</u>
<b>Expenses</b>	
Program services	
Miracle Flights for Kids	2,092,596
Supporting services	
Management and general	138,639
Fundraising	325,532
	<u>2,556,767</u>
<b>Increase in net assets</b>	17,997
Unrestricted net assets, beginning of year	1,124,108
Prior period adjustment	72,188
Unrestricted net assets, beginning of year, as restated	1,196,296
<b>Unrestricted net assets, end of year</b>	<u>\$ 1,214,293</u>

**MIRACLE FLIGHTS FOR KIDS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED APRIL 30, 2010**

	Miracle Flights For Kids	Management and General	Fundraising	Total
Bank and credit card fees	\$ 5,717	\$ -	\$ 6,318	\$ 12,035
Community outreach	542,814	-	241,251	784,065
Dues and fees	-	12	-	12
Insurance	4,585	2,582	228	7,395
Repairs and maintenance	-	2,161	-	2,161
Meals and entertainment	-	602	-	602
Miscellaneous	720	683	1,177	2,580
Occupancy	46,566	9,542	4,368	60,476
Office supplies	1,314	289	50	1,653
Postage	5,154	-	2,166	7,320
Printing	7,024	-	5,988	13,012
Professional services	-	16,663	-	16,663
Staff leasing	369,002	74,281	60,532	503,815
Telephone	3,657	710	2,804	7,171
Travel resources	1,098,206	-	-	1,098,206
Utilities	-	4,206	-	4,206
Bad debt expense	-	26,387	-	26,387
Vehicle expense	7,837	521	650	9,008
	<u>\$ 2,092,596</u>	<u>\$ 138,639</u>	<u>\$ 325,532</u>	<u>\$ 2,556,767</u>

See notes to financial statements.

**MIRACLE FLIGHTS FOR KIDS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED APRIL 30, 2010**

**Cash flows from operating activities**

Increase in net assets	\$ 17,997
Adjustments to reconcile change in net assets to net cash used in operating activities	
Unrealized gain on investments	(47,320)
Changes in assets and liabilities	
Contributions receivable	9,519
Grants receivable	35,398
Accounts payable	(7,510)
Net cash used in operating activities	8,084

**Cash flows from investing activities**

Purchase of certificates of deposit	(273,406)
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**Net decrease in cash and cash equivalents** (265,322)

**Cash and cash equivalents, beginning of year** 361,247

**Cash and cash equivalents, end of year** \$ 95,925

See notes to financial statements.

**MIRACLE FLIGHTS FOR KIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Miracle Flights for Kids (the Organization) 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 and Presentation**

The financial statements of Miracle Flights for Kids have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles ("GAAP"). 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, 2010, 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.

**Use of Estimates**

Timely preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that effect certain reported amounts and disclosures, some of which may need revision in future periods.



**MIRACLE FLIGHTS FOR KIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

For purposes of reporting, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less as cash and cash equivalents.

The Organization maintained cash and cash equivalent balances at various financial institutions, insured by the Federal Deposit Insurance Corporation subject to certain limitations.

**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. Federal, state, and local tax returns prior to 2006 are no longer subject to examination by tax authorities.

**Investments**

GAAP requires certain financial assets and liabilities to be measured at fair value. GAAP defines fair value, provides guidance for measuring fair value, requires certain disclosures and discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). GAAP also provides for a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into three brand levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect management's own assumptions.

**MIRACLE FLIGHTS FOR KIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

*Investments*

Investments include shares of common stock and are stated at fair value based upon quoted prices on a recognized securities exchange and are valued at the last reported sales price on the last business day of the year. Investments in common stock are classified as Level 1 investments.

*Annuities*

Variable annuities are insurance products that are complex long-term investment vehicles that are subject to market risk, including the potential loss of principal invested. They are stated at fair value based upon quoted prices. Investments in annuities are classified as Level 1 investments.

**2 - ALLOCATION OF JOINT COSTS**

The Organization does fundraising and program service through professional outreach companies. In 2010, the Organization incurred \$784,065 of these costs and all of these amounts were considered joint costs under AICPA Statement of Position 98-2. Of these costs, \$542,814 were allocated to the Miracle Flights for Kids program and \$241,251 were allocated to fund raising, using the physical units method.

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.

**3 - COMMITMENTS AND CONTINGENCIES**

On May 1, 2006, the Organization was committed to a contract for fundraising and program services, expiring on April 30, 2010. 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.

**MIRACLE FLIGHTS FOR KIDS**  
**NOTES TO FINANCIAL STATEMENTS**

**3 - COMMITMENTS AND CONTINGENCIES (Continued)**

In May 2006, the Organization also entered into a contract for fundraising and program services commencing May 1, 2006 and expiring April 30, 2010. 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.

**4 - OPERATING LEASES**

The Organization leases office space under a 24-month operating lease for \$4,430 per month.

The future minimum rental payments required under operating leases that have initial noncancellable lease terms in excess of one year as of April 30, 2010 are as follows:

2011	\$ 53,160
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Total rental expense under operating leases for the year ended April 30, 2010 was \$60,476.

**5 - DONATED SERVICES**

Donated services are recognized as contributions in accordance with GAAP, 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, 2010, the Organization received \$786,824 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.

**6 - INVESTMENTS**

Investments consist of the following at April 30, 2010:

Annuities	\$ 72,188
Corporate stocks	7,056
Unrealized gain	47,320
	<u>\$ 126,564</u>

## MIRACLE FLIGHTS FOR KIDS

### NOTES TO FINANCIAL STATEMENTS

#### 7 - FAIR VALUE MEASUREMENTS

The following table summarizes investment assets measured at fair value and classified as available-for-sale at April 30, 2010:

	Level 1	Level 2	Level 3	Total
Investments	\$ 7,953	\$ -	\$ -	\$ 7,953
Annuities	118,611	-	-	118,611
	\$ 126,564	\$ -	\$ -	\$ 126,564

#### 8 - CERTIFICATES OF DEPOSITS

The Company has three certificates of deposits. The first certificate of deposit is held with First Service Bank of Nevada. It matures in 2010, bears an interest rate of 1.74% and has a value of \$439,321 as of April 30, 2010. The second certificate of deposit is held with US Bank. It matures in 2010, bears an interest rate of 2.23% and has a value of \$251,853 as of April 30, 2010. The last certificate of deposit is held with Discover. It matures in 2011, bears an interest rate of 1.4% and has a value of \$250,000 as of April 30, 2010.

#### 9 - PRIOR PERIOD ADJUSTMENT

The Organization discovered that the total investments from prior years were not recorded properly. There were two annuities prior to May 1, 2009, with a total cost of \$113,000, which were not recognized as assets to the Organization as of April 30, 2009. In prior years, the Organization erroneously expensed these payments under Pension/Profit Sharing expenses. As of April 30, 2009, the fair value of these two annuities was \$72,188.

For the year ended April 30, 2010, a prior period adjustment to record the erroneously posted annuities was recorded. Retroactive inclusion of these annuity amounts in the financial statement for this year end have resulted in an increase in the investment account on the balance sheet and an increase in the net asset account on the balance sheet.