MIRACLE FLIGHTS FOR KIDS

FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2011

AND

INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

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, 2011 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, 2011, 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 24, 2011

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MIRACLE FLIGHTS FOR KIDS

STATEMENT OF FINANCIAL POSITION

APRIL 30, 2011

ASSETS		
Current assets		
Cash and cash equivalents	$	83,210
Certificates of deposit		1,085,394
Contributions receivable, net of allowance for doubtful accounts of $48,051		3,926
Investments		8,816
Total current assets		1,181,346
Fixed assets		
Equipment and furniture, net of accumulated depreciation of $95,045		-
Other assets		
Annuities		233,249
	$	1,414,595
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$	85,818
Due to related party		26,035
Total current liabilities		111,853
Commitments and contingencies		
Net assets		
Unrestricted		1,302,742
	$	1,414,595

See notes to financial statements.

MIRACLE FLIGHTS FOR KIDS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED APRIL 30, 2011

Unrestricted revenue, gains and other support	
Contributions	$ 1,536,405
In-kind contributions	838,887
Investment gain and other income	44,456
	2,419,748
Expenses	
Program services	
Miracle Flights for Kids	1,085,262
Miracle Flights for Kids - in-kind	734,764
Supporting services	
Management and general	75,459
Management and general - in-kind	104,123
Fundraising	331,691
	2,331,299
Increase in net assets	88,449
Unrestricted net assets, beginning of year	1,214,293
Unrestricted net assets, end of year	$ 1,302,742

See notes to financial statements.

MIRACLE FLIGHTS FOR KIDS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED APRIL 30, 2011

	Miracle Flights For Kids	Management and General	Fundraising	Total
Bank and credit card fees	$ 9,987	$ -	$ 4,919	$ 14,906
Community outreach	473,096	-	233,018	706,114
Dues and fees	-	5,145	-	5,145
Insurance	-	9,458	-	9,458
Repairs and maintenance	-	5,726	-	5,726
Meals and entertainment	-	273	-	273
Miscellaneous	-	2,263	-	2,263
Occupancy	28,020	6,691	7,110	41,821
Office supplies	1,922	-	946	2,868
Postage	3,141	-	1,547	4,688
Printing	3,003	-	1,479	4,482
Professional services	-	40,072	-	40,072
Staff leasing	317,313	75,776	80,512	473,602
Telephone	5,084	1,214	1,290	7,588
Travel resources	972,372	-	-	972,372
Utilities	-	4,224	-	4,224
Bad debt expense	-	27,000	-	27,000
Vehicle expense	6,088	1,739	870	8,697
	$ 1,820,026	$ 179,582	$ 331,691	$ 2,331,299

See notes to financial statements.

MIRACLE FLIGHTS FOR KIDS

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2011

Cash flows from operating activities		
Increase in net assets	$	88,449
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments		(30,363)
Allowance for doubtful accounts		27,000
Changes in assets and liabilities		
Contributions receivable		21,434
Accounts payable		84,088
Due to related party		26,035
Net cash provided by operating activities		216,643
Cash flows from investing activities		
Contributions to annuity accounts		(85,138)
Purchase of certificates of deposit		(666,584)
Redemption of certificates of deposit		522,364
Net cash used by investing activities		(229,358)
Net decrease in cash and cash equivalents		(12,715)
Cash and cash equivalents, beginning of year		95,925
Cash and cash equivalents, end of year	$	83,210

See notes to financial statements.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
Miracle Flights for Kids (the Organization) was incorporated in Nevada to financially assist people who need critical care transportation. The Internal Revenue Services has determined that the Organization is exempt from federal income tax under Section 501 (c)(3) of the Code and is classified as a publicly support organization as described in section 509 (a) (1).

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, 2011, there were no temporary or permanently restricted net assets.

Revenue Recognition
Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specially restricted by the donor.

Contributions are recorded when they are received. Pledge receivables are recorded when an individual or corporation make a pledge 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.

The Organization records contributions as temporarily restricted or permanently restricted net assets if they are received with any donor restrictions as to their use. 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.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents
The Organization maintains its cash balances at various financial institutions. The Federal Deposit Insurance Corporation insures cash deposits subject to certain limitations. For purposes of reporting cash flows, the Organization considers all cash and cash equivalents with original maturities of 90 days or less to be cash or cash equivalents.

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. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ended April 30, 2008, 2009, 2010, and 2011 are subject to examination by the IRS, generally for 3 years after they were filed.

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.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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

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. Total balance in investments as of April 30, 2011 is $8,816.

Annuities
Variable annuities are insurance products that are complex long-term investment vehicles that are subject to market risk. They are stated at fair value based upon quoted prices. Investments in annuities are classified as Level 1 investments. Total balance in annuities as of April 30, 2011 is $233,249.

Expense allocation
Expenses are allocated to program and supporting services on the following basis:

a) Travel and associated expenses are considered program expenses only.
b) Community outreach and associated expenses are allocated 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.
c) Personnel and associated expenses are allocated on the basis of the employee's time allocated to each category.
d) Professional services are considered management and general only
e) Overhead expense categories are allocated to management and general, unless they can be directly identified with either program or fundraising activities.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events
The Company considered all subsequent events through August 24, 2011, the date the financial statements were available to be issued.

2 - ALLOCATION OF JOINT COSTS

The Organization does fundraising and program service through professional outreach companies. In 2011, the Organization incurred $706,114 of these costs and all of these amounts were considered joint costs under AICPA Statement of Position 98-2. Of these costs, $473,096 were allocated to the Miracle Flights for Kids program and $233,018 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 - CERTIFICATES OF DEPOSITS

The Company has four certificates of deposits. The first certificate of deposit is held with First Service Bank of Nevada. It matures in September 2011, bears an interest rate of 1.00% and has a value of $330,341 as of April 30, 2011. The second certificate of deposit is held with MetLife Bank, NA. It matures in April 2013, bears an interest rate of 1.53% and has a value of $250,137 as of April 30, 2011. The third certificate of deposit is held with Discover Bank. It matures in August 2011, bears an interest rate of 1.40% and has a value of $254,226 as of April 30, 2011. The last certificate of deposit is held with USAA Financial. It matures in July 2012, bears an interest rate of 1.69% and has a value of $250,690 as of April 30, 2011.

4 - INVESTMENTS AND ANNUITIES

Investments consist of the following at April 30, 2011:

Available for sale securities	$	7,953
Unrealized gain		863
	$	8,816

Annuities consist of the following at April 30, 2011:

Annuities	$	197,000
Unrealized gain		36,249
	$	233,249

5 - DUE TO RELATED PARTY

As of April 30, 2011 a related party is due $26,035 which is expected to be paid within one year.

6 - 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, 2011, the Organization received $838,887 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.

7 - CONCENTRATIONS

The Organization utilizes two vendors to generate pledge contributions which represent 17% and 10% of total expenses included in community outreach expense in the statement of functional expenses. Additionally, the Company utilizes various airlines for travel resources.

8 - 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.

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.

On April 1, 2011, the Organization was committed to a contract for fundraising and program services, expiring on April 30, 2014. The contract provides for payments to be made by the Organization based on hourly rates.

The Organization's national president is named the unconditional personal guarantor in the Organization's lease agreement for the duration of the lease agreement being in effect.

9 - OPERATING LEASES

The Organization leases office space under an 18-month operating lease, expiring on June 30, 2012. Base monthly rent is $3,266 per month excluding utility allowance of $120 per month.

The future minimum rental payments required under operating lease agreement that have initial noncancellable lease terms in excess of one year as of April 30, 2011 and 2012 is $40,632 and $6,772, respectively.

Total rental expense under operating leases for the year ended April 30, 2011 was $41,821.