Miracle Flights for Kids, Inc. and Affiliate
(A Nonprofit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2015

(With Report of Independent Certified Public Accountants Thereon)

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RBSM LLP
Accountants & Advisors

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To the Board of Directors of
MIRACLE FLIGHTS FOR KIDS, INC. AND AFFILIATE

We have audited the accompanying consolidated financial statements of Miracle Flights For Kids, Inc.(a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of April 30, 2015, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Miracle Flights For Kids, Inc. and affiliates as of April 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RBSM LLP

RBSM, LLP
Henderson, Nevada
March 3, 2016

MIRACLE FLIGHTS FOR KIDS, INC. AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
APRIL 30, 2015

ASSETS

Current assets		
Cash and equivalents	$	6,803,274
Cash - restricted for flights		35,760
Certificates of deposit		1,275,967
Investments in marketable securities		29,611,369
Note receivable		25,590
Prepaid expenses and other current assets		228,784
Total current assets		37,980,744
Investments in annuities		5,994,064
Fixed assets, net		10,473,463
Total assets	$	54,448,271

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	$	207,258
Pension obligation - short term portion		374,625
Prepaid rent		103,132
Tenant security deposits		54,570
Total current liabilities		739,585
Pension obligation		6,882,796
Total liabilities		7,622,381
Net assets		
Unrestricted		
Undesignated		39,532,709
Board designated		7,257,421
		46,790,130
Temporarily restricted		35,760
Total net assets		46,825,890
Total liabilities and net assets	$	54,448,271

MIRACLE FLIGHTS FOR KIDS, INC. AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, and other support			
Contributions	$ 1,847,317	$ 21,619	$ 1,868,936
Contribution - settlement	13,206,729	-	13,206,729
In-kind contributions	789,245	-	789,245
Investment income	619,744	-	619,744
Fee Income	57,250	-	57,250
Rental income	1,402,176	-	1,402,176
Total support	17,922,461	21,619	17,944,080
Functional expenses			
Program services			
Program services	1,182,036	-	1,182,036
Program services-in-kind	780,554	-	780,554
Total program services	1,962,590	-	1,962,590
Supporting services			
Fundraising	1,155,599	-	1,155,599
Fundraising-in-kind	8,691	-	8,691
Management and general	6,899,674	-	6,899,674
Total supporting services	8,063,964	-	8,063,964
Total functional expenses	10,026,554	-	10,026,554
Building expenses	916,013	-	916,013
Total expenses	10,942,567	-	10,942,567
Other income			
Unrealized gain on investments	269,654	-	269,654
Change in net assets	7,249,548	21,619	7,271,167
Net assets, May 1, 2014	39,540,582	14,141	39,554,723
Net assets, April 30, 2015	$ 46,790,130	$ 35,760	$ 46,825,890

MIRACLE FLIGHTS FOR KIDS, INC. AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
(EXCLUSIVE OF BUILDING EXPENSES)
FOR THE YEAR ENDED APRIL 30, 2015

	Program Services	Supporting Services		
	Flights	Fundraising	Management and Administrative	Total Expenses
Bad debt	$ -	$ -	$ 1,514,410	$ 1,514,410
Bank and credit card fees	2,614	334	931	3,879
Dues and subscriptions	-	-	6,312	6,312
Fundraising, Public Relations/Advertising	-	1,057,320	-	1,057,320
Grants awarded	20,000	-	-	20,000
Insurance	-	-	8,229	8,229
Investment fees	102,256	-	-	102,256
Repairs and Maintenance	-	-	4,145	4,145
Meals and entertainment	-	-	1,395	1,395
Miscellaneous	-	-	2,460	2,460
Office supplies	25,238	3,220	8,987	37,445
Pension	-	-	4,877,832	4,877,832
Postage	4,194	535	1,493	6,222
Printing	18,406	2,349	6,554	27,309
Professional fees and services	-	-	202,478	202,478
Salaries, wages and benefits	709,498	90,529	252,640	1,052,667
Telephone	5,947	759	2,118	8,824
Travel Resources	289,545	-	-	289,545
Vehicle	4,338	553	1,545	6,436
Depreciation	-	-	8,145	8,145
Subtotal	1,182,036	1,155,599	6,899,674	9,237,309
In kind goods expense	780,554	-	-	780,554
In kind services expense	-	8,691	-	8,691
Total Functional Expense	$ 1,962,590	$ 1,164,290	$ 6,899,674	$ 10,026,554

MIRACLE FLIGHTS FOR KIDS, INC. AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2015

Cash flows from operating activities:	
Increase in net assets	$ 7,271,167
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	240,708
Bad debt expense	1,514,410
Contributions - securities	(52,799)
Net unrealized gain on annuities	(273,635)
Net unrealized loss on securitires	3,027
Net realized loss on securities	15,320
Changes in operating assets and liabilities:	
Prepaid expenses and other current assets	(143,501)
Accounts payable and accrued liabilities	64,062
Pension obligation	4,877,832
Prepaid rent	25,160
Tenancy security deposits	(5,994)
Net cash provided by operating activities	13,535,757
Cash flows from investing activities:	
Increase in cash - retricted	(21,619)
Purchase of annuities	(2,075,781)
Purchase of fixed assets	(11,122)
Purchase of securities	(29,576,917)
Redemption of certificate of deposits	9,994,079
Proceeds from loan repayment by Med-Lien Management, Inc.	440,000
Net cash used in investing activities	(21,251,360)
Net decrease in cash	(7,715,603)
Cash as of May 1, 2014	14,518,877
Cash as of April 30, 2015	$ 6,803,274

See notes to accompanying consolidated financial statements

1. Summary of significant accounting policies

Organization – The accompanying consolidated financial statements include the consolidated accounts of Miracle Flights for Kids, Inc. (hereinafter referred to as "MFFK") and MFFK Holdings, Inc. (hereinafter referred to as "Holdings"). Such consolidated group is collectively referred to as Miracle Flights for Kids, Inc. and Affiliate (hereinafter referred to as the "Organization"). The consolidated financial statements have been presented on a consolidated basis due to common management and board. All significant intercompany balances and transactions have been eliminated in consolidation. .

Miracle Flights for Kids, Inc. was founded in 1985 and is a nonprofit organization operating under the laws of the state of Nevada. Its mission is dedicated to helping low income very sick children overcome financial obstacles that prevent them from accessing proper medical care and second opinions. MFFK flies children who are struggling with serious cancers and other debilitating diseases to specialized medical treatment centers across the United States. Any child needing medical treatment or seeking a second opinion not available in their own home town is eligible to apply for a miracle mission. To date, the Organization has provided more than 92,000 nationwide airline flights to facilitate urgent medical care for children in need.

On May 14, 2013, the Organization formed MFFK Holdings, Inc., under the laws of the state of Nevada. The sole purpose is to hold commercial real estate property located in Las Vegas, Nevada. On June 28, 2013 Holdings purchased, for cash, two commercial properties for the total of $10.9 million with the intent of leasing out office space. MFFK relocated to these facilities in January 2014.

Basis of accounting – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Basis of presentation – The accompanying consolidated financial statements have been presented in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations, principally the recommendations of the Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements of Non-Profit Organizations.* Under ASC 958, the Organization is required to report information regarding its financial position and changes in financial position according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

All restricted support is reported as an increase in temporarily 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. There were no permanently restricted net assets at April 30, 2015

Principles of consolidation – The consolidated financial statements include the accounts of MFFK and Holdings. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue – Contributions received are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recorded when they are received. Promises to give (pledges) are recorded at their net present value when collection of the gift is reasonably assured. Contributions are considered to be unrestricted unless specifically restricted by the donor. Donated property and services requiring specialized skills are recorded at the estimated fair value on the date of the gift.

1. Summary of significant accounting policies (continued)

Functional allocation of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services and Materials – Donated services are recognized as in-kind donations if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Cash and cash equivalents – Cash and cash equivalents include all cash balances in the banks and brokerage accounts. The accounts are maintained by institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At various times the organization maintains cash in financial institutions in excess of amounts insured by the federal government. The Organization has not experienced any losses in these accounts.

Investments & Annuities – Marketable equity securities and other investments are stated at their fair value, which is determined by quoted market prices. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on these investments, is included in investment income (loss) in the statement of activities.

Allowance for doubtful accounts – Notes receivable are presented on the balance sheet net of estimated uncollectible amounts. The company records and allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The company recorded an allowance for doubtful accounts of $1,514,410 as of April 30, 2015.

Fixed Assets – Fixed assets are stated at cost, if purchased, or fair market value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives ranging from five to forty years. The Organization capitalizes all fixed assets over $500 with an estimated useful life greater than five years. When assets are retired or otherwise disposed, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities for the period. The cost of maintenance and repairs are expensed as incurred, while significant renewals and betterments are capitalized.

The Organization periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Organization uses an estimate of related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Fair value of financial instruments – The financial instruments of the Organization include cash equivalents, mutual funds, and equities, accounts payable and accrued liabilities. The fair value hierarchy under U.S. GAAP distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

Level one – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level two – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

1. Summary of significant accounting policies (continued)

Level three – Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use. The Organization has determined the estimated fair values of its financial instruments using available market information and commonly accepted valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the Organization's estimates are not necessarily indicative of the amounts that it, or holders of the instruments, could realize in a current market exchange. The use of different assumptions or valuation methodologies could have a material effect on the estimated fair value amounts. The fair value estimates are based on information available as of April 30, 2015. $29,611,369 have not been revalued since those dates, and current estimates of fair value could differ significantly from the amounts presented.

Fair Value Measurements at April 30, 2015 Using:

Assets:	**Total Carrying Value as of 04/30/2015**	**Quoted Marked Proces in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments in marketable securities	$ 29,611,369	$ 29,611,369	-0-	-0-
Total	$ 29,611,369	$ 29,611,369	-0-	-0-

Income taxes – The Internal Revenue service has determined that MFFK and Holdings are charitable organizations exempt from federal income taxes under sections 501(c)(3) and 501(c)(2), respectively, of the IRC.

Federal information returns for years prior to fiscal 2012 are no longer subject to examination by tax authorities.

Advertising costs – Advertising costs incurred in the normal course of operations are expensed accordingly.

2. Note receivable – related party transaction

In May 2013, MFFK made a $2.2 million loan to Med-Lien Management, Inc. carrying an annual interest rate of 20% ("Note"). The principal amount of the note is due in one lump-sum payment on April 30, 2016. Interest payments of $220,000 are due semi-annually. The note may be prepaid at any time for the amount of the principal sum plus 10% and any interest due up to and including the date of the payoff.

In April 2015, Med-Lien Management defaulted on the loan by failing to make an interest payment due on the loan. To that point, interest payments totaling $660,000 had been received which have been recorded as a reduction to the loan balance. The Company is currently pursuing repayment in full through a lawsuit that was filed in September 2015. The underlying assets of the loan were in the form of medical liens which the remaining portion had been assigned to the Company. Since April 30, 2015, a total of $25,590 had been collected. Management has serious doubts as to the quality of the remaining collateral and collectability of the loan and has elected to write the balance down to the $25,590 that has been collected in the current fiscal year.

3. Fixed assets, net

As of April 30, 2015, fixed assets consisted of the following:

Buildings and Improvement	$ 9,069,968
Land	1,797,518
Furniture and Fixtures	105,262
Vehicles	25,417
Computers and Equipment	9,451
	11,007,616
Less: accumulated depreciation	(534,153)
	$ 10,473,463

Depreciation expense incurred for the twelve months ended April 30, 2015 was $232,551.

4. Certificates of deposit

As of April 30, 2015, the Organization has two certificates of deposit. The first certificate of deposit is held with Synchrony Bank, formerly GE Capital Retail Bank. The certificate of deposit matures in April 2017, bears interest at a rate of 1.39%, and has a value of $263,901 as of April 30, 2015. The second certificate of deposit is held with TD Ameriprise. The certificate of deposit matures in October 2015, bears interest at a rate of 1.20%, and has a value of $1,012,066 as of April 30, 2015.

5. Investment in marketable securities

Investment in marketable securities consists of the following at April 30, 2015:

Purchases of securities at cost	$ 29,576,917
Contribution of securities	52,799
Net realized loss of securities	(15,320)
Change in fair value	(3,027)
	$ 29,611,369

6. Annuities

Annuities consist of the following at April 30, 2015:

Annuities, beginning of year	$ 3,644,648
Purchases of annuities at cost	2,075,781
Change in fair value	273,635
	$ 5,994,064

7. In-kind contributions

As of April 30, 2015, the Organization received $789,245 of in-kind donations, which consist primarily of donated flights and flight resources. These services have been reported as unrestricted revenue and the related in-kind expenses have been included in the MFFK services under travel resources.

8. Unrestricted net assets

Unrestricted net assets consist of the following at April 30, 2015

Board designated for pension obligation	$ 7,257,421
Undesignated	39,532,709
	$ 46,790,130

9. Temporarily restricted net assets

Temporarily restricted net assets at April 30, 2015 are restricted for flight costs associated with a specific city or state in the United States of America.

10. Concentrations

Leases – Rental Income
Holdings leases space to nine tenants (including MFFK), with three tenants representing 34%, 14%, and 13%, respectively, of the total rental income.

For the year ended April 30, 2015, the Organization received $13,206,729 from British Airways and Virgin Atlantic Airlines, representing the final payment of proceeds from a 2008 class action legal settlement in which British Airlines and Virgin Atlantic Airlines agreed to donate unclaimed funds to the Organization under the doctrine of *Cy Pres*. The Organization was not a party to the suit.

11. Commitments and contingencies

Holdings, as lessor, maintains long-term operating lease agreements with unaffiliated lessees related to its investment in real estate properties expiring at various dates through 2025. The following is a schedule of approximate future minimum rents receivable under non-cancelable leases that have initial or remaining terms in excess of one year as of April 30, 2015:

April 30, 2016	$ 1,382,482
April 30, 2017	1,098,019
April 30, 2018	569,955
April 30, 2019	369,061
April 30, 2020	355,696
Thereafter	252,694
	$ 4,027,907

12. Legal matters

On June 26, 2015, MFFK filed suit against Med Lien Management, Inc. ("Med Lien") and its two principals, Brad Esposito and Lincoln Lee, as a result of their default on a $2.2 million dollar loan obligation. Pursuant to a lending agreement dated April 30, 2013, MFFK agreed to loan Med Lien $2,200,000 in exchange for Med Lien's repayment of the money plus interest for a total repayment obligation of $3,520,000. The Lending Agreement was secured by a promissory note and assignment of liens. Both principals, Lee and Esposito expressly agreed to personally guaranty Med Lien's obligations under the Lending Agreement and promissory note.

Med Lien borrowed funds from MFFK with the express written understanding that it would make six interest only payments of $220,000 each, at six month intervals beginning October 30, 2013 with the final repayment of the principal amount of $2,200,000 due on April 30, 2016. As collateral for the lending agreement, Med Lien executed a written agreement providing for the assignment of the numerous medical liens in the event of default. Med Lien made the first three interest payments but failed to remit the $220,000 due on April 30, 2015.

Med Lien has relinquished to MFFK approximately $15,000 in lien settlements as well as the rights to a number of the collateral liens and company assets, but nevertheless claims to have been the victim of fraud by its principal, Lee, and thus, unable to remit the balance due under the loan. Med Lien and Esposito further contend that Lee, who has since filed for bankruptcy, destroyed the documentation needed to allow MFFK to meaningfully collect on the collateral liens. As a result, in addition to Christiansen Law Office's ("CLO") action against Med Lien and Esposito, MFFK has enlisted the services of law firm McDonald Carano Wilson ("MCW") to pursue an adversary bankruptcy action against Lee as well as collection efforts on the collateral liens to the extent possible.

During the course of CLO's prosecution of the state court breach of contract action against Med Lien, Esposito and Lee, discovery revealed that the original $2.2 million dollar loan is believed to have been induced by fraud and further involved self-dealing and breaches of fiduciary duties by MFFK former board member Michael McDonald. Accordingly, MFFK filed an Amended Complaint to add causes of action against McDonald and various other sham entities used to divert funds away from Med Lien and its obligation to MFFK.

MFFK has brought claims under its Directors and Officer's Liability insurance policy to recoup the losses it sustained as a result f McDonalds's misconduct and self-dealing but the insurance carrier has thus far denied coverage. MFFK has demanded the carrier reconsider its position on coverage. However, should it refuse, MFFK will likely be forced to bring an action against its insurer for declaratory relief and bad faith.

MFFK further learned of an approximately $350,000 breach of contract action that Med Lien filed against third party lien and medical services entities, Solution Providers and Centennial Medical Imaging. MFFK has intervened as a Plaintiff in that action and Med Lien concedes MFFK would be entitled to any proceeds recovered as a result of that litigation.

While MFFK is zealously pursuing all avenues of financial recovery with respect to the losses sustained as a result of the Med Lien loan, the likelihood of success in collecting on the full amount owed is subject to a number of unresolved variables. Both pending litigation actions are at their relative infancy and thus, the timing and extent of collection is unknown at this point.

13. Subsequent events

In November 2015, the founders of the Organization have retired. The Board of Directors agreed on a pension amount for Ann McGee to be funded by the purchase of annuities totaling approximately $6,047,935 which will provide annual annuity payments to Mrs. McGee totaling an amount not to exceed 75% of her final salary during her lifetime. The Organization is the beneficiary of the annuities. Therefore, upon her passing, the annuities will be transferred back to the Organization in the form of a contribution from Mrs. McGee's estate.

13. Subsequent events (continued)

The Board of Directors also agreed on a pension amount for Bill McGee to be funded by the purchase of annuities totaling approximately $1,209,485 which will provide annual annuity payments to Mr. McGee totaling an amount not to exceed 75% of his final salary during his lifetime. The Organization is the beneficiary of the annuities. Therefore, upon his passing, the annuities will be transferred back to the Organization in the form of a contribution from Mr. McGee's estate.

The Company has evaluated subsequent events through the filing of this financial statements, and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements except for the transaction described above.