Miracle Flights and Affiliate
(A Nonprofit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2017

(With Report of Independent Auditors' Thereon)

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RBSM LLP
Accountants & Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Miracle Flights and Affiliate

We have audited the accompanying consolidated financial statements of Miracle Flights, Inc. (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of April 30, 2017, and the related consolidated statements 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, Inc. and affiliate as of April 30, 2017, and the changes in its net assets and its 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, NV
August 4, 2017

MIRACLE FLIGHTS AND AFFILIATE
(FORMERLY MIRACLE FLIGHTS FOR KIDS, INC. AND AFFILIATE)
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
APRIL 30, 2017

ASSETS

Cash and equivalents	$	34,440,802
Cash - restricted for flights		61,234
Investments in marketable securities		66,090
Prepaid expenses and other current assets		257,862
Land, building and equipment, net		10,511,111
Total assets	$	45,337,099

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	$	255,699
Prepaid rent		61,951
Tenant security deposits		4,864
Total liabilities		322,514
Net assets		
Unrestricted		44,953,351
Temporarily restricted		61,234
Total net assets		45,014,585
Total liabilities and net assets	$	45,337,099

See Notes to Accompanying Consolidated Financial Statements

MIRACLE FLIGHTS AND AFFILIATE
(FORMERLY MIRACLE FLIGHTS FOR KIDS, INC. AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, and other support			
Contributions	$ 1,372,837	$ 62,750	$ 1,435,587
In-kind contributions	728,035	-	728,035
Fee Income	10,000	-	10,000
Rental income	1,159,954	-	1,159,954
Total support	3,270,826	62,750	3,333,576
Net assets released from retrictions	33,657	(33,657)	-
Functional expenses			
Program services			
Program services	2,009,167	-	2,009,167
Program services-in-kind	695,144	-	695,144
Total program services	2,704,311	-	2,704,311
Supporting services			
Fundraising	529,459	-	529,459
Fundraising-in-kind	32,891	-	32,891
Management and general	888,242	-	888,242
Total supporting services	1,450,592	-	1,450,592
Total functional expenses	4,154,903	-	4,154,903
Building expenses	960,800	-	960,800
Total expenses	5,115,703	-	5,115,703
Other income			
Investment income	888,313	-	888,313
Other income	198,252	-	198,252
Realized gain on investments	828,125	-	828,125
Unrealized gain on investments	1,349,419	-	1,349,419
Total other income	3,264,109	-	3,264,109
Change in net assets	1,452,889	29,093	1,481,982
Net assets, May 1, 2016	43,500,462	32,141	43,532,603
Net assets, April 30, 2017	$ 44,953,351	$ 61,234	$ 45,014,585

See Notes to Accompanying Consolidated Financial Statements

MIRACLE FLIGHTS AND AFFILIATE
(FORMERLY 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, 2017

	Program Services	Supporting Services		
	Flights	Fundraising	Management and Administrative	Total Expenses
Bank and credit card fees	$ 866	$ 81	$ 208	$ 1,155
Dues and subscriptions	-	-	14,730	14,730
Fundraising, public relations/advertising	-	453,801	-	453,801
Grants awarded	470,000	-	-	470,000
Insurance	-	-	7,912	7,912
Investment fees	257,713	-	-	257,713
Repairs and maintenance	-	-	8,205	8,205
Meals and entertainment	-	-	8,297	8,297
Miscellaneous	-	-	28,886	28,886
Office supplies	16,787	1,567	4,029	22,383
Pension	-	-	15,771	15,771
Postage	3,845	359	923	5,127
Printing	1,159	108	278	1,545
Professional fees and services	-	-	602,727	602,727
Salaries, wages and benefits	766,907	71,578	184,058	1,022,543
Telephone	7,994	746	1,919	10,659
Travel resources	470,835	-	-	470,835
Vehicle	13,061	1,219	3,135	17,415
Depreciation	-	-	7,164	7,164
Subtotal	2,009,167	529,459	888,242	3,426,868
In-kind goods expense	695,144	-	-	695,144
In-kind services expense	-	32,891	-	32,891
Total functional expense	$ 2,704,311	$ 562,350	$ 888,242	$ 4,154,903

MIRACLE FLIGHTS AND AFFILIATE
(FORMERLY MIRACLE FLIGHTS FOR KIDS, INC. AND AFFILIATE)
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2017

Cash flows from operating activities:		
Inrease in net assets	$	1,481,982
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		310,043
Gain from sales of fixed assets		(3,680)
Net unrealized gain on securitires		(227,338)
Net realized gain on securities		(828,125)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets		(46,863)
Accounts payable and accrued liabilities		(159,016)
Prepaid rent		48,653
Tenant security deposits		(41,025)
Net cash provided by operating activities		534,631
Cash flows from investing activities:		
Increase in cash - retricted		(29,093)
Purchase of fixed assets		(469,952)
Proceeds from sales of fixed assets		13,000
Sale of marketable securities		37,518,025
Purchase of marketablesecurities		(9,599,976)
Redemption of certificate of deposits		267,603
Net cash provided by investing activities		27,699,607
Net increase in cash		28,234,238
Cash as of May 1, 2016		6,206,564
Cash as of April 30, 2017	$	34,440,802

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 (hereinafter referred to as "MF") and MFFK Holdings, Inc. (hereinafter referred to as "Holdings"). Such consolidated group is collectively referred to as Miracle Flights 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 was founded in 1985 and is a nonprofit organization operating under the laws of the state of Nevada. During February 2016, MF amended the articles of incorporation to change its name from Miracle Flights for Kids, Inc. to Miracle Flights. Its mission is dedicated to helping low income and very sick children overcome financial obstacles that prevent them from accessing proper medical care and second opinions. MF 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 100,000 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. MF 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, 2017.

Principles of consolidation – The consolidated financial statements include the accounts of MF 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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.

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.

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;

1. SUMMARY OF INDEPENDENT ACCOUNTING POLICIES (cont.)

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

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, 2017. $66,090 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, 2017 Using:

Assets:	Total Carrying Value as of 04/30/2017	Quoted Marked Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in marketable securities	$ 66,090	$ 66,090	-0-	-0-
Total	$ 66,090	$ 66,090	-0-	-0-

Income taxes – The Internal Revenue service has determined that MF 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 2014 are no longer subject to examination by tax authorities.

Advertising costs – Advertising costs incurred in the normal course of operations are expensed accordingly. There was $134,560 in advertising costs for the fiscal year ending April 30, 2017.

2. LAND, BUILDING, AND EQUIPMENT, NET

As of April 30, 2017, land, building, and equipment consisted of the following:

Buildings and Improvement	$ 9,681,209
Furniture and Fixtures	107,181
Computers and Equipment	10,977
	9,799,367
Less: accumulated depreciation	(1,085,774)
	8,713,593
Land	1,797,518
	$ 10,511,111

The depreciation expenses for the year ended April 30, 2017 is $310,043

3. INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities consists of the following at April 30, 2017:

Securities, beginning of year	$ 26,928,676
Sale of securities	(37,518,025)
Purchase of securities	9,599,976
Net realized gain of securities	828,125
Change in fair value	227,338
	$ 66,090

4. IN-KIND CONTRIBUTIONS

As of April 30, 2017, the Organization received $32,891 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 MF services under travel resources.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at April 30, 2017 are restricted for flight costs associated with a specific city or state in the United States of America.

6. CONCENTRATIONS

Leases – Rental Income
Holdings leases space to nine tenants (including MF), with three tenants representing 25%, 14%, and 13%, respectively, of the total rental income.

7. RENTAL ASSETS

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 2023. 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, 2017:

April 30, 2018	$ 1,075,796
April 30, 2019	901,455
April 30, 2020	877,068
April 30, 2021	631,033
April 30, 2022	361,972
April 30, 2023	114,104
	$ 3,961,428

8. 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 numerous medical liens in the event of a default. Med Lien made the first three interest payments but failed to remit the $220,000 due on April 30, 2015.

During the course of Christiansen Law Office's ("CLO") 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 was induced by fraud and further involved self-dealing and breaches of fiduciary duties by MFFK former Board Member, Michael McDonald. Additionally, the named Defendants had co-mingled funds with various sham alter ego entities. Accordingly, MFFK filed an Amended Complaint to add causes of action against McDonald, Southern Nevada Medical Associates ("SNMA"), Critical Care Medical Consultants ("CCMC") and Quality Care Medical ("QCM").

On May 19, 2016, the district court issued an order striking the answers of Esposito and Med Lien and subsequently held an evidentiary hearing to determine the amount of damages. On May 19, 2016, the court entered its Findings of Fact, Conclusions of Law and Order, holding the Defendants jointly and severally liable for Breach of Contract, Breach of the Implied Covenant of Good Faith and Fair Dealing, Fraud in the Inducement, Unjust Enrichment, Declaratory Relief, Accounting, Fraudulent Misrepresentation and/or

Concealment, and Fraudulent Conveyance/Transfer. On June 22, 2016, a Judgment was entered in favor of MFFK and against Defendants for each and every cause of action (independently and severally), resulting in an award of $2,782,096 in compensatory damages. Each of the Defendants was also assessed $100,000 in punitive damages for a toward award to MFFK in the amount of $2,982,096. The financial solvency of both debtors however, is questionable at best and thus, CLO cannot determine the likely amount of total recovery based upon the judgment.

MFFK also brought claims under its Directors and Officer's Liability insurance policy to recoup the losses it sustained as a result of McDonald's misconduct and self-dealing but the insurance carrier initially denied coverage. On September 7, 2016, the parties stipulated to allow McDonald to amend his Answer to assert third-party claims against the Federal Insurance Company – Chubb Group of Insurance Companies ("Federal" and/or "Chubb") regarding its denial of insurance coverage to MFFK and McDonald. Thereafter, MFFK went to mediation with McDonald and Chubb on September 20, 2016, and again on December 8, 2016. The parties were able to reach a confidential global settlement agreement to resolve this matter, wherein Chubb paid MFFK a total of $387,500 and McDonald's benefactors made a charitable donation of $262,500 to MFFK on his behalf. Based upon Defendants satisfaction of their settlement obligations, MFFK's claims against McDonald had been dismissed with prejudice.

8. LEGAL MATTERS (cont.)

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 Associates, its principal, Dr. John Nelson, and Centennial Medical Imaging. MFFK 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. On or about June 20, 2017, the parties agreed to resolve the matter for the sum of $460,000, with $68,000 to be paid on or before September 1, 2017, monthly payments of no less than $5,500 for October, November and December 2017, and an additional balloon payment to bring the total paid to $100,000 on or before January 1, 2018. Thereafter, the Defendants will make $5,500 monthly payments for an additional thirty-one (31) months with a final balloon payment of $235,400 due on or before September 1, 2020. This agreement has yet to be formalized in writing, but will include confessions of judgment, a 30-day cure period and credit for amounts paid to be applied to any judgment that may ultimately be taken in the event that the Defendants fail to meet their payment obligations.

Additionally, MFFK, as a lienholder, was served with two separate interpleader actions, wherein the total amount of the liens for medical treatment and services exceeds the amount of the settlement funds available. Accordingly, it is up to the court to determine how the proceeds should be divided based on the number of parties that answer the complaint. Accordingly, on March 21, 2017, MFFK filed its Answer in *Glen Lerner Injury Attorneys v. Cleveland Powe, et al.*,Case No. A-16-745663-C, and on April 6, 2017, MFFK filed its Answer in *Glen Lerner Injury Attorneys v. William Woods, Sr. et al*, Case No. A-17-751653-C, in order to protect its right, interest, entitlement and/or benefit to the settlement funds based upon its existing lien. While MFFK is zealously pursuing all avenues of financial recovery with respect to 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. Thus, the timing and full extent of collection remains unknown at this point and all balances have been written off.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 4, 2017, the date the financial statements were issued. During this period, no subsequent events have occurred that would require disclosure.