Miracle Flights and Affiliate
(A Nonprofit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2019

(With Report of Independent Auditors' Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors 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, 2019, and the related consolidated statements of activities, 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, 2019, 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.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules beginning on page 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting

and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RBSM LLP

RBSM LLP
Henderson, NV
November 20, 2019

MIRACLE FLIGHTS AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
APRIL 30, 2019

ASSETS

Current assets		
Cash and cash equivalents	$	1,228,747
Cash - with donor restrictions		85,601
Accounts receivable		5,097
Investments in marketable securities		34,648,350
Prepaid expenses and other current assets		575,148
Land, building and equipment, net		10,428,081
Total assets	$	46,971,024

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$	147,747
Accrued liabilities		54,919
Prepaid rent		65,815
Tenant security deposits		33,535
Total liabilities		302,016
Net assets		
Without donor restrictions		46,583,407
With donor restrictions		85,601
Total net assets		46,669,008
Total liabilities and net assets	$	46,971,024

See Notes to Accompanying Consolidated Financial Statements

MIRACLE FLIGHTS AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, and other support			
Contributions	$ 617,174	$ 83,800	$ 700,974
In-kind contributions	930,344	-	930,344
Special events	36,824	-	36,824
Rental income	1,322,868	-	1,322,868
Total support	2,907,210	83,800	2,991,010
Net assets released from restrictions	99,951	(99,951)	-
Functional expenses			
Program services			
Program services	1,659,793	-	1,659,793
Program services-in-kind	930,310	-	930,310
Total program services	2,590,103	-	2,590,103
Supporting services			
Fundraising	216,218	-	216,218
Fundraising-in-kind	34	-	34
Management and administrative	659,230	-	659,230
Total supporting services	875,482	-	875,482
Total functional expenses	3,465,585	-	3,465,585
Building expenses	1,237,287	-	1,237,287
Total expenses	4,702,872	-	4,702,872
Other income			
Investment income	943,942	-	943,942
Other income	108,447	-	108,447
Realized gain on investments	337,005	-	337,005
Unrealized loss on investments	(138,474)	-	(138,474)
Total other income	1,250,920	-	1,250,920
Change in net assets	(444,791)	(16,151)	(460,942)
Net assets, May 1, 2018	47,028,198	101,752	47,129,950
Net assets, April 30, 2019	$ 46,583,407	$ 85,601	$ 46,669,008

MIRACLE FLIGHTS AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2019

Cash flows from operating activities:		
Decrease in net assets	$	(460,942)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation		437,576
Unrealized loss on securities		138,474
Realized gain on securities		(337,005)
Changes in operating assets and liabilities:		
Accounts receivable		(5,980)
Prepaid expenses and other current assets		(48,976)
Deposits		12,780
Accounts payable		69,945
Accrued liabilities		(65,975)
Prepaid rent		(42,180)
Tenant security deposits		14,465
Other assets		10,606
Net cash used in operating activities		(277,212)
Cash flows from investing activities:		
Decrease in cash - with donor restrictions		16,151
Purchase of building and equipment		(423,099)
Sale of securities		11,475,567
Purchase of securities		(12,058,290)
Net cash used in investing activities		(989,671)
Net change in cash and cash equivalents		(1,266,883)
Cash and cash equivalents as of May 1, 2018		2,495,630
Cash and cash equivalents as of April 30, 2019	$	1,228,747

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.

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 and their families overcome financial obstacles that prevent them from accessing proper medical care and second opinions. MF flies children and their families who are struggling with serious cancers and other debilitating diseases to specialized medical treatment centers across the United States. Children and their families 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 those 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 as amended on ASU 2016-14, the Organization is required to report information regarding its financial position and changes in financial position according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

All restricted support is reported as an increase in net assets with donor restrictions, based on the nature of the restriction. All unrestricted support is reported as an increase in net assets without donor restrictions.

Operations and financial liquidity of assets – The organization has $1,228,747 of cash and cash equivalents all of which is available to meet the organization's anticipated cash demands for operations for the forthcoming year. The majority of the cash receipts originate from the donations from individuals and other organizations and the related allocation of fees are paid subsequent to the collection of the donation. At times the company may invest funds in short term certificates of deposits and marketable securities which are in excess of its anticipated cash flow budget for the next ninety days. Funds received with donor specific restriction purposes are normally expended in the year for that designated purposes.

Currently the board of directors has deemed that the cash and cash equivalents on hand as of April 30, 2019 of $1,228,747 is sufficient in the event of a financial distress of immediate liquidity need resulting from events outside the typical life cycle of collecting donations and settling financial liabilities.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 without donor restrictions or with donor restrictions 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 without donor restrictions 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 cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and the supplemental schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimate of the benefit to the related program and supporting service and certain expenses are allocated to program, general and administrative, and fundraising based on a percentage of utilization. The allocation of expenses at April 30, 2019 were allocated approximately 75% to programs, 19% to support services, and 6% to fundraising expenses.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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. Investments totaling $34,648,350 are based on information available as of April 30, 2019. Current estimates of fair value could differ significantly from the amounts presented.

Fair Value Measurements at April 30, 2019 Using:

Assets:	Total Carrying Value as of 04/30/2019	Quoted Marked Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in marketable securities	$ 34,648,350	$ 34,648,350	-0-	-0-
Total	$ 34,648,350	$ 34,648,350	-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 2015 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 $79,707 in advertising costs for the fiscal year ending April 30, 2019.

New Accounting Pronouncement – In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This guidance requires lessees to recognize lease assets and liabilities for most leases classified as operating leases under previous U.S. GAAP. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods for fiscal year 2020. For non-public business entities there is a one-year deferral recently affirmed by FASB on October 2019 for which the organization's financials have yet to be issued. Early adoption is permitted for financial statements that have not been previously issued. The Organization is assessing the potential effect this guidance may have on their financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

In November, 2016, the FASB issued ASU 2016-18, Statement of cash flows restricted cash (Topic 230) provides guidance for classification and presentation of changes in restricted cash on the statement of cash flows and addresses the diversity of cash flows from entities that have transfers of cash and restricted cash to entities that have direct cash receipts and direct cash payments made from bank accounts that holds restricted cash. The amendments in this update require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This amendment is effect for public business entities for fiscal years beginning after December 15, 2017, and interim period within those fiscal years. All other entities, the amendments are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal year beginning after December 15, 2019. The Organization is assessing the potential effect this guidance may have on their financial statements.

In June, 2018, the FASB issued ASU 2018-08, Non-for-profit entities (Topic 958) clarifying the scope and the accounting guidance for contributions received and contributions made which clarifies and improves the scope and guidance for contributions made and received. The amendments in the update should assist entities in the evaluation whether transactions should be accounted for as contributions without reciprocal transactions or contributions with reciprocal transaction and subject to other guidance as well as determining whether a contribution is conditional. These updates are intended to increase stakeholders' awareness of the amendments and to expedite the improvements. The standard is effective on a modified prospective basis with a retrospective application being permitted. The Organization is assessing the potential effect this guidance had on their financial statement.

In March 2019, the FASB issued ASU 2019-01, Leases (Topic 842) codification improvements, which clarifies the codification more generally, and corrects unintended application of guidance for issued ASU 2016-2, Leases (Topic 842). The amendments in this update address fair values of underlying assets by lessor that are not manufacturers of dealers, presentation on the state of cash flows for sale type and direct financing leases, and transition disclosures related to Topic 250, accounting changes and error corrections. These updates are intended to increase stakeholders' awareness of the amendments and to expedite the improvements. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods for fiscal year 2020. The Organization is assessing the potential effect this guidance may have on their financial statements.

2. LAND, BUILDING, AND EQUIPMENT, NET

As of April 30, 2019, land, building, and equipment consisted of the following:

Buildings and Improvement	$ 10,393,854
Furniture and Fixtures	107,181
Computers and Equipment	28,968
	10,530,003
Less: accumulated depreciation	(1,899,441)
	8,630,562
Land	1,797,519
	$ 10,428,081

The depreciation expenses for the year ended April 30, 2019 is $437,576

3. INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities consists of the following at April 30, 2019:

Securities, beginning of year	$ 33,867,096
Sale of securities	(11,475,567)
Purchase of securities	12,058,290
Net realized gain of securities	337,005
Net unrealized gain on securities	(138,474)
	$ 34,648,350

4. IN-KIND CONTRIBUTIONS

As of April 30, 2019, the Organization received $930,344 of in-kind donations, which consist primarily of donated flights and flight resources. These services have been reported as revenue without donor restrictions and the related in-kind expenses have been included in program services-in-kind and fundraising services-in-kind.

5. CONTRIBUTIONS

As of April 30, 2019, the Organization received $737,800 of contributions, which consist primarily of direct public support of $57,149, federal and other grants of $225,374, restricted grants of $83,800, fundraising of $334,653 and special events and carnivals of $36,824. $83,800 of contributions have been reported as revenues with donor restrictions. $654,000 of contributions have been reported as revenues without donor restrictions.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of $85,601 at April 30, 2019 are restricted for flight costs associated with a specific city or state in the United States of America.

7. CONCENTRATIONS

Leases – Rental Income
Holdings leases space to thirteen tenants (including MF), with three tenants representing 22%, 13%, and 11%, respectively, of the total rental income.

8. 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 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, 2019:

April 30, 2020	$ 1,567,723
April 30, 2021	1,371,594
April 30, 2022	1,102,653
April 30, 2023	723,374
April 30, 2024	235,679
April 30, 2025	11,116
	$ 5,012,139

9. 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

9. LEGAL MATTERS (cont.)

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 total 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 were dismissed with prejudice.

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.

10. PENSION PLANS

In November 2015, the founders of the Organization retired. The Board of Directors agreed on a pension plan for Ann McGee to be funded by the purchase of annuities totaling $6,047,935, which would 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 and upon her passing, the annuities will be transferred back to the Organization in the form of a contribution from Mrs. McGee's estate.

The Board of Directors also agreed on a pension plan for Bill McGee to be funded by the purchase of annuities totaling $1,209,485, which would 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 and upon his passing, the annuities will be transferred back to the Organization in the form of a contribution from Mr. McGee's estate.

The annuities were purchased to cover Ann and Bill McGee's pension liability. Although the annuities are held in the name of Miracle Flights, the Organization is contractually obligated to leave the annuities intact until the events described above occur.

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 20, 2019, the date the financial statements were issued. During this period, no subsequent events have occurred that would require disclosure.

SUPPLEMENTAL SCHEDULES

MIRACLE FLIGHTS AND AFFILIATE
(A NONPROFIT ORGANIZATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
(EXCLUSIVE OF BUILDING EXPENSES)
FOR THE YEAR ENDED APRIL 30, 2019

	Program Services	Supporting Services		
	Flights	Fundraising	Management and Administrative	Total Expenses
Bank and credit card fees	$ 1,188	$ 111	$ 285	$ 1,584
Dues and subscriptions	-	-	29,662	29,662
Fundraising, public relations/advertising	254,915	137,095	79,707	471,717
Grants awarded	266,500	-	-	266,500
Insurance	-	-	20,589	20,589
Investment fees	-	-	86,114	86,114
Repairs and maintenance	-	-	3,924	3,924
Meals and entertainment	17,500	-	7,143	24,643
Seminars and education	-	-	6,976	6,976
Travel	-	-	21,183	21,183
Office supplies	24,350	2,273	5,844	32,467
Pension	-	-	8,232	8,232
Postage	3,770	352	905	5,027
Printing	5,550	518	1,332	7,400
Professional fees and services	119,859	-	185,229	305,088
Salaries, wages and benefits	785,860	73,347	188,606	1,047,813
Telephone	11,510	1,074	2,762	15,346
Travel resources	153,273	-	-	153,273
Vehicle	15,518	1,448	3,724	20,690
Depreciation	-	-	7,013	7,013
Subtotal	1,659,793	216,218	659,230	2,535,241
In kind goods expenses	930,310	-	-	930,310
In kind services expenses	-	34	-	34
Total functional expenses	$ 2,590,103	$ 216,252	$ 659,230	$ 3,465,585

MIRACLE FLIGHTS AND AFFILIATE
(A NONPROFIT ORGANIZATION)
SCHEDULE OF FINANCIAL POSITION CONSOLIDATION
APRIL 30,2019

ASSETS

	Miracle Flights	MFFK Holdings, Inc	Elimination	Consolidated
Current assets				
Cash and equivalents	$ 1,127,660	$ 101,087	$ -	$ 1,228,747
Cash - with donor restrictions	85,601	-	-	85,601
Accounts receivable	-	5,097	-	5,097
Investments in marketable securities	34,648,350	-	-	34,648,350
Prepaid expenses and other current assets	14,133	561,015	-	575,148
Land, building and equipment, net	14,297	10,413,784	-	10,428,081
Intercompany affiliate	7,609,685	-	(7,609,685)	-
Total assets	$ 43,499,726	$ 11,080,983	$ (7,609,685)	$ 46,971,024

LIABILITIES AND NET ASSETS

	Miracle Flights	MFFK Holdings, Inc	Elimination	Consolidated
Current liabilities				
Account payable	$ 95,398	$ 52,349	$ -	$ 147,747
Accrued liabilities	54,919	-	-	54,919
Prepaid rent	-	65,815	-	65,815
Tenant security deposits	-	33,535	-	33,535
Intercompany affiliate	-	7,609,685	(7,609,685)	-
Total liabilities	150,317	7,761,384	(7,609,685)	302,016
Net assets				
Without donor restrictions	43,263,808	3,319,599	-	46,583,407
With donor restrictions	85,601	-	-	85,601
Total net assets	43,349,409	3,319,599	-	46,669,008
Total liabilities and net assets	$ 43,499,726	$ 11,080,983	$ (7,609,685)	$ 46,971,024

MIRACLE FLIGHTS AND AFFILIATE
(A NONPROFIT ORGANIZATION)
SCHEDULE OF ACTIVITIES CONSOLIDATION
APRIL 30,2019

	Miracle Flights	MFFK Holdings, Inc	Elimination*	Consolidated
Revenues, and other support				
Contributions	$ 700,974	$ -	$ -	$ 700,974
In-kind contributions	930,310	-	-	930,310
Total contributions	1,631,284	-	-	1,631,284
Special events	36,824	-	-	36,824
Other income	68,290	40,157	-	108,447
Rental income	-	1,600,368	(277,500)	1,322,868
Other support	105,114	1,640,525	(277,500)	1,468,139
Total support	1,736,398	1,640,525	(277,500)	3,099,423
Functional expenses				
Program services				
Program services	1,693,093	-	(33,300)	1,659,793
Program services in-kind	930,310	-	-	930,310
Total program services	2,623,403	-	(33,300)	2,590,103
Support services				
Fundraising services	216,218	-	-	216,218
Management and administrative	903,430	-	(244,200)	659,230
Total support services	1,119,648	-	(244,200)	875,448
Total functional expenses	3,743,051	-	(277,500)	3,465,551
Building expenses	-	1,237,287	-	1,237,287
Total expenses	3,743,051	1,237,287	(277,500)	4,702,838
Investment income				
Investment income	943,291	651	-	943,942
Realized gain on investments	337,005	-	-	337,005
Unrealized loss on investments	(138,474)	-	-	(138,474)
Total investment income	1,141,822	651	-	1,142,473
Change in net assets	(864,831)	403,889	-	(460,942)
Net assets, May 1, 2018	44,214,240	2,915,710	-	47,129,950
Net assets, April 30, 2019	$ 43,349,409	$ 3,319,599	$ -	$ 46,669,008

* The elmination entry of $277,500 is to remove the related party rents paid from Miracle Flights to MFFK Holdings, Inc for fiscal year April 30, 2019.