

Miracle Flights and Affiliate  
(A Nonprofit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2024

(With Report of Independent Auditors' Thereon)

## TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditors' Report	1
Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplemental Schedules	15



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Miracle Flights and Affiliate

### **Opinion**

We have audited the financial statements of Miracle Flights (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of April 30, 2024, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Miracle Flights, Inc. as of April 30, 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Miracle Flights and affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Miracle Flights, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Miracle Flights internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Miracle Flights ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **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 15 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.

A handwritten signature in black ink, appearing to be "RBSM LLP", written over the printed name.

RBSM LLP  
New York, New York  
November 19, 2024

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
APRIL 30, 2024

ASSETS

Assets	
Cash and cash equivalents	\$ 826,600
Accounts receivable	525
Investments in marketable securities	44,883,231
Prepaid expenses and other current assets	900,097
Land, building and equipment, net	<u>8,947,244</u>
Total assets	<u>\$ 55,557,697</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 74,219
Accrued liabilities	366,657
Secured line of credit	7,650,000
Prepaid rent	82,757
Tenant security deposits	<u>50,106</u>
Total liabilities	8,223,739
Net assets	
Without donor restrictions	47,308,958
With donor restrictions	<u>25,000</u>
Total net assets	<u>47,333,958</u>
Total liabilities and net assets	<u>\$ 55,557,697</u>

See Notes to Accompanying Consolidated Financial Statements



MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 512,652	\$ 144,740	\$ 657,392
In-kind contributions	1,142,950	-	1,142,950
Special events	388,740	-	388,740
Rental income	1,895,413	-	1,895,413
Total support	3,939,755	144,740	4,084,495
Net assets released from restrictions	119,740	(119,740)	-
Total revenues and other support	4,059,495	25,000	4,084,495
Functional expenses			
Program services			
Program services	3,447,484	-	3,447,484
Total program services	3,447,484	-	3,447,484
Supporting services			
Fundraising	252,157	-	252,157
Management and administrative	1,199,374	-	1,199,374
Total supporting services	1,451,531	-	1,451,531
Total functional expenses	4,899,015	-	4,899,015
Building expenses	1,299,229	-	1,299,229
Total expenses	6,198,244	-	6,198,244
Other income ( expense ):			
Investment income, net of fees	1,228,842	-	1,228,842
Other (expense)	(6,182)	-	(6,182)
Interest expense	(418,045)	-	(418,045)
Realized gain on investments	184,323	-	184,323
Unrealized gain on investments	2,275,824	-	2,275,824
Total other income (expense)	3,264,762	-	3,264,762
Change in net assets	1,126,013	25,000	1,151,013
Net assets, May 1, 2023	46,182,945	-	46,182,945
Net assets, April 30, 2024	\$ 47,308,958	\$ 25,000	\$ 47,333,958

See Notes to Accompanying Consolidated Financial Statements

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
(EXCLUSIVE OF BUILDING EXPENSES)  
FOR THE YEAR ENDED APRIL 30, 2024

	Program Services	Supporting Services		
	Flights	Fundraising	Management and Administrative	Total Expenses
Bad Debt	\$ -	\$ -	\$ 6,794	\$ 6,794
Bank and credit card fees	2,147	200	515	2,862
Dues and subscriptions	-	-	35,777	35,777
Fundraising, public relations/advertising	39,227	102,738	44,831	186,796
Insurance	-	-	29,353	29,353
Meals and entertainment	8,633	-	3,700	12,333
Office supplies	21,457	2,002	5,150	28,609
Postage	8,630	805	2,071	11,506
Professional fees and services	288,471	-	673,099	961,570
Salaries, wages and benefits	1,521,123	141,971	365,069	2,028,163
Special events	431,943	-	-	431,943
Telephone	6,623	618	1,590	8,831
Travel resources	1,078,275	-	-	1,078,275
Vehicle	40,955	3,823	9,829	54,607
Depreciation	-	-	21,596	21,596
Total functional expenses	<u>\$ 3,447,484</u>	<u>\$ 252,157</u>	<u>\$ 1,199,374</u>	<u>\$ 4,899,015</u>

See Notes to Accompanying Consolidated Financial Statements

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED APRIL 30, 2024

Cash flows from operating activities:	
Increase in net assets	\$ 1,151,013
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	458,951
Unrealized gain on securities	(2,275,824)
Realized gains on sale of securities	(184,323)
Changes in operating assets and liabilities:	
Accounts receivable	27,291
Prepaid expenses and other current assets	108,454
Accounts payable	(220,183)
Accrued liabilities	(325,115)
Prepaid rent	58,619
Tenant security deposits	4,997
Net cash used in operating activities	<u>(1,196,120)</u>
Cash flows from investing activities:	
Purchase of fixed assets	(73,556)
Sale of securities	25,342,470
Purchase of securities	<u>(27,326,403)</u>
Net cash used by investing activities	<u>(2,057,489)</u>
Cash flows provided by financing activities:	
Proceeds from secured line of credit	<u>2,350,000</u>
Net cash provided by financing activities	<u>2,350,000</u>
Net change in cash, restricted cash, and cash equivalents	(903,609)
Cash, restricted cash, and cash equivalents as of May 1, 2023	<u>1,730,209</u>
Cash, restricted cash and cash equivalents as of April 30, 2024	<u>\$ 826,600</u>
Supplemental Cash Flow Information	
Cash paid for:	
Interest	\$ 418,045
Taxes	<u>\$ -</u>

See Notes to Accompanying Consolidated Financial Statements



MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2024

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 hometown are eligible to apply for a miracle mission. To date, the Organization has provided more than 144,000 nationwide airline flights to facilitate urgent medical care for those in need.

On May 14, 2013, the Organization formed MFFK Holdings, Inc., a nonprofit 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.

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.

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.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the Organization’s discretion.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions represent net assets which are subject to donor-imposed stipulations and whose use is restricted by time and/or purpose. Some donor restrictions are temporary in nature; those restrictions will be lifted pursuant to certain actions of the Organization or by the passage of time and are presented as purpose restricted. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

When a donor restriction expires, such as when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities.

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2024

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 \$826,600 of cash and cash equivalents as well as marketable securities that can be readily liquidated, all of which are 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. 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 purpose.

Currently the board of directors has deemed that the cash and cash equivalents on hand as of April 30, 2024 of \$826,600 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.

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.

Miracle Flights owns an office building and collects rents from tenants. Revenues are recognized in the period in which the property was rented and is done on a straight-line basis over the term of the lease.

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. Donated items are recorded at the wholesale value.

Functional allocation of expenses – The cost of providing various programs and other activities has been summarized on a functional basis in the Statements of Activities and 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, 2024 were allocated approximately 70% to programs, 25% to support services, and 5% to fundraising expenses.

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. As of April 30, 2024 there was approximately \$326,000 of cash held in excess of the FDIC insurable limits. 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, net of fees.



MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2024

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 thirty-nine 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 comparable market values for evaluating any impairment on its recorded real estate values.

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 \$44,883,231 are based on information available as of April 30, 2024. Current estimates of fair value could differ significantly from the amounts presented.

Fair Value Measurements at April 30, 2024 Using:

Assets:	Total Carrying Value as of 04/30/2024	Quoted Marked Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in marketable securities	\$ 44,883,231	\$ 37,721,514	-0-	\$ 7,161,717
Total	\$ 44,883,231	\$ 37,721,514	-0-	\$ 7,161,717

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2024

The following are what make up the balance in level 3:

Private Equity Core Funds

Private Equity Core Fund (QP) IV (Offshore), L.P., Private Equity Core Fund (QP) VII (Offshore), L.P., Private Equity Core Fund (QP) VIII (Offshore), L.P., Private Equity Core Fund (QP) IX (Offshore), L.P., Private Equity Core Fund X (Offshore), L.P. and Private Equity Core fund XI ( Offshore ) L.P. were formed in accordance with the Cayman Islands Exempted Limited Partnership Law. The General Partner of each Partnership is 50 South Capital Advisors, LLC, a wholly owned subsidiary of Northern Trust Corporation and an investment advisor registered with the U.S. Securities and Exchange Commission.

Private Equity Core Funds IV, VII, VIII, IX, X, XI and Global Venture Capital are illiquid alternative investments. For these investments, there is no redemption process. Rather, the investor participates in the lifecycle of the fund. There can occasionally be an opportunity for a private transaction on the secondary market.

The average life cycle for a private equity fund is around 12 years from inception to close (when any remaining commitments have been cancelled and the full value of the fund has been distributed).

The Organization has committed \$1,800,000 to PE VII, \$1,000,000 to PE VIII, \$750,000 to PE IV, \$750,000 to PE IX, \$500,000 to Global Venture, \$1,000,000 to PE X, \$500,000 to PE V and \$750,000 to PE XI, which \$0, \$150,350, \$177,368, \$262,825, \$371,150, \$683,349, \$399,000 and \$709,750 or a total of \$2,753,792 of the commitment remains outstanding, respectively.

Alpha Core Strategies Fund

Alpha Core Strategies Fund (the “Fund”) is a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as a closed-end, diversified management investment company. 50 South Capital Advisors, LLC (“50 South”) serves as the Fund’s investment manager. 50 South is a wholly owned direct subsidiary of Northern Trust Corporation (“NTC”), and is registered with the U.S. Securities and Exchange Commission as an investment adviser. Northern Trust Securities, Inc. (“NTSI”), a subsidiary of NTC, serves as the placement agent for the Fund.

The Alpha Core Strategies Fund (Hedge) can be redeemed under the following parameters:

- 60 day notice required with quarterly (i.e. calendar quarter-end) liquidity
- No redemption fee
- 95% of value is paid out within a few weeks of quarter-end
- Remainder (holdback) is paid once audit is complete for the fiscal year

The fair value is \$2,145,084.

Level 3 Fair Value Measurements at April 30, 2024:

	Total
Beginning balance	\$6,281,279
Net gain or (loss) – realized and unrealized	276,774
Purchases	-
Sales	-
Return of capital	(741,288)
Transferred into level 3 – capital calls	<u>1,344,952</u>
	<u>\$7,161,717</u>

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2024

\* Gain or (loss) mixed into unrealized investment loss line on Statement of Activities.

\* Funds were changed from level 1 to level 3 because funds were used to purchase level 3 investments.

\* Fair market value for level 3 investments is based on prices from an external manager or other-directed pricing source. Management reviews fair value monthly to make sure the investments are performing up to expectations.

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 2020 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 \$81,329 in advertising costs for the fiscal year ending April 30, 2024.

New Accounting Pronouncements – The Organization has evaluated recent accounting pronouncements and does not believe any recently issued but not yet effective accounting pronouncements once effective will have any effect on the Company's reporting needs.

2. LAND, BUILDING, AND EQUIPMENT, NET

As of April 30, 2024, land, building, and equipment consisted of the following:

Buildings and Improvement	\$ 11,263,420
Furniture and Fixtures	194,319
Computers and Equipment	39,980
Box Truck	<u>16,429</u>
	11,514,148
Less: accumulated depreciation	<u>(4,364,423)</u>
	7,149,725
Land	<u>1,797,519</u>
	<u>\$ 8,947,244</u>

The depreciation expenses for the year ended April 30, 2024 is \$458,951.

3. INVESTMENT IN MARKETABLE SECURITIES

Investment in marketable securities consists of the following at April 30, 2024:

Securities, beginning of year	\$ 40,439,151
Sale of securities and other	(25,342,470)
Purchase of securities	27,326,403
Net realized gain of securities	184,323
Net unrealized gain of securities	<u>2,275,824</u>
	<u>\$ 44,883,231</u>



MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2024

4. IN-KIND CONTRIBUTIONS

As of April 30, 2024, the Organization received \$1,066,664 of in-kind program donations, which consist primarily of donated flights, flight resources and ground transportation. These services have been reported as revenue without donor restrictions and the related in-kind expenses have been included in program services-in-kind.

Fundraising gifts in kind amounted to approximately \$76,286 for the year ended April 30, 2024.

5. CONTRIBUTIONS

As of April 30, 2024, the Organization received \$1,046,132 of contributions, which consist primarily of direct public support of \$512,652 and special event fundraisers of \$388,740, which have been reported as revenues without donor restrictions. Contributions of \$144,740 have been reported as revenues with donor restrictions.

6. ACCRUED LIABILITIES

Included in accrued liabilities as of April 30, 2024, are amounts for the terms of settlement of litigation noted in Note 9 relating to the continuation of the terms of the health insurance and pension payments that had been previously in place for the overall settlement of all of the McGee claims.

7. CONCENTRATIONS

Cash

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At April 30, 2024, the Company had \$325,513 in excess of the FDIC insured limit. Another \$1,968,896 is subject to investment banking firm private insurance coverage.

Leases – Rental Income

Holdings leases space to fourteen 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 2029. 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, 2024:

April 30, 2025	\$ 1,885,871
April 30, 2026	1,619,723
April 30, 2027	1,123,687
April 30, 2028	1,096,701
April 30, 2029	849,523
	<u>\$ 6,575,505</u>

9. LEGAL MATTERS

In 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. On June 26, 2015, MFFK filed suit against Med Lien Management, Inc., ("Med Lien") and its two principals, Brad Esposito and Lincoln Lee "Defendants", as a

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2024

result of their default on a \$2.2 million dollar loan obligation. 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 \$2,982,096 in compensatory and punitive damages. The financial solvency of these debtors however, remains questionable at best and thus, MFFK cannot determine the likely amount of total recovery based upon the judgment. 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. During the year ended April 2023, \$85,000 was received as a full settlement for the release of one of the parties in this litigation. Thus, the timing and full extent of collection of the remaining amount remains unknown at this point and all balances have been written off.

On August 1, 2019, the retired Miracle Flights CEO, Ann McGee and her husband, William McGee filed suit against MF seeking injunctive and declaratory relief with respect to the enforceability and validity of certain employment and/or consulting agreements related to her compensation and seat on the MF Board of Directors ("BOD"), as a result of certain disputes regarding the compensation and benefits package to which retired Miracle Flights CEO, Ann McGee and her husband, William McGee, were entitled.

MF had filed counterclaims alleging Breach of Fiduciary Duty, Constructive Fraud and Declaratory Relief against McGee, as well as claims for Constructive Trust and Unjust Enrichment against both Ms. McGee and her husband, William McGee. In a nutshell, MF alleged McGee fraudulently inflated her salary and that of her husband, which ultimately resulted in MF paying excessive retirement benefits. William McGee did not have a written agreement formalizing the compensation and retirement benefits to which he is entitled. MF contends Ms. McGee unilaterally determined the benefits and compensation to which her husband was entitled. While Ms. McGee had a number of written employment agreements during her tenure with MF, the challenge has been determining which employment agreement was enforceable and should govern her retirement compensation and benefits. In March 2023, MF had arrived at a mutual settlement of all claims for a one time payment of \$350,000, although such agreement was never subject to an executed final written agreement, but in draft only. McGee subsequently denied having agreed with the terms of such draft agreement. In August 2023, the court determined that such agreement was in fact binding for a one time payment of \$350,000, a catch up payment of less than \$15,000 for some past health insurance costs and annuity payments, as well as the continuation of the terms of the health insurance and pension payments that had been previously in place for the overall settlement of all of the McGee claims. The terms of the settlement agreement was finalized and executed in October 2023 by both parties.

10. RETIREMENT PLANS

In November 2015, the founders of the Organization retired. The Board of Directors agreed on a retirement 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 retirement plan for Bill McGee to be funded by the purchase of annuities totaling \$1,145,090, 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. Mr. McGee's retirement plan is under no contractual obligations.

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



MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2024

As a term of the CEO's employment contract entered into in October of 2015 and renewed in September of 2021, the Company finalized in May 2023, a supplemental retirement plan for the executive funded through a split-dollar retirement plan. The split-dollar plan is being used as a supplemental and retention benefit for the CEO. Under the split dollar arrangement, the premium payments are made by the Company and are considered taxable benefits paid to the former executive. Upon the death of the CEO, the Company may recover all or a portion of the premiums paid.

The Organization's Board of Directors have also agreed to fund the health insurance of Ann and Bill McGee, for their lifetime, as part of their retirement arrangement.

11. SECURED LINE OF CREDIT

On April 8, 2020, the Company entered into a Credit and Security Agreement with a financial institution. The Company had a \$4,000,000 secured line-of-credit. The obligation was secured by the Company's investments held at the same financial institution and matured July 5, 2023. In October 2023, the Company increased the line of credit to \$7,000,000 and extended the maturity date to October 14, 2024. In March 2024, the Company increased the line of credit to \$11,000,000 and extended the maturity date to March 15, 2025. The balance as of April 30, 2024 totaled \$7,650,000. The interest on the unpaid principal is payable monthly at a rate of interest equal to (a) 1.150% or (b) Prime rate minus 2.125% or (c) Daily Simple SOFR (Secured Overnight Financing Rate ) Based Rate of 1.155% or (d) Daily Simple SOFR plus 1.15%. The unpaid principal is due at maturity. Interest expense as of April 30, 2024 was \$417,668.

12. OFFICER SALARY

Mark Brown, CEO of Miracle Flights receives compensation via an annual salary, 20% of Mr. Brown's salary is allocated to MFFK Holdings Inc. for the role of on-site manager.

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 19, 2024, the date the financial statements were issued.

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
SCHEDULE OF FINANCIAL POSITION CONSOLIDATION  
APRIL 30, 2024

ASSETS

	MFFK			
	Miracle Flights	Holdings, Inc.	Elimination	Consolidated
Assets				
Cash and cash equivalents	\$ 410,179	\$ 416,421	\$ -	\$ 826,600
Accounts receivable	-	525	-	525
Investments in marketable securities	44,883,231	-	-	44,883,231
Prepaid expenses and other current assets	11,830	888,267	-	900,097
Land, building and equipment, net	49,137	8,898,107	-	8,947,244
Intercompany affiliate	3,218,862	-	(3,218,862)	-
Total assets	<u>\$ 48,573,239</u>	<u>\$ 10,203,320</u>	<u>\$ (3,218,862)</u>	<u>\$ 55,557,697</u>

LIABILITIES AND NET ASSETS

	MFFK			
	Miracle Flights	Holdings, Inc.	Elimination	Consolidated
Liabilities				
Accounts payable	\$ 48,732	\$ 25,487	\$ -	\$ 74,219
Accrued liabilities	366,657	-	-	366,657
Secured line of credit	7,650,000	-	-	7,650,000
Prepaid rent	-	82,757	-	82,757
Tenant security deposits	-	50,106	-	50,106
Intercompany affiliate	-	3,218,862	(3,218,862)	-
Total liabilities	<u>8,065,389</u>	<u>3,377,212</u>	<u>(3,218,862)</u>	<u>8,223,739</u>
Net assets				
Without donor restrictions	40,482,850	6,826,108	-	47,308,958
With donor restrictions	25,000	-	-	25,000
Total net assets	<u>40,507,850</u>	<u>6,826,108</u>	<u>-</u>	<u>47,333,958</u>
Total liabilities and net assets	<u>\$ 48,573,239</u>	<u>\$ 10,203,320</u>	<u>\$ (3,218,862)</u>	<u>\$ 55,557,697</u>

See Notes to Accompanying Consolidated Financial Statements.

MIRACLE FLIGHTS AND AFFILIATE  
(A NONPROFIT ORGANIZATION)  
SCHEDULE OF ACTIVITIES CONSOLIDATION  
APRIL 30, 2024

	Miracle Flights	MFFK Holdings, Inc.	Elimination *	Consolidated
Revenues, and other support				
Contributions	\$ 657,392	\$ -	\$ -	\$ 657,392
In-kind contributions	1,142,950	-	-	1,142,950
Total contributions	1,800,342	-	-	1,800,342
Special events	388,740	-	-	388,740
Rental income	-	2,113,887	(218,474)	1,895,413
Other support	388,740	2,113,887	(218,474)	2,284,153
Total support	2,189,082	2,113,887	(218,474)	4,084,495
Functional expenses				
Program services				
Program services	3,447,484	-	-	3,447,484
Total program services	3,447,484	-	-	3,447,484
Supporting services				
Fundraising	252,157	-	-	252,157
Management and administrative	1,417,848	-	(218,474)	1,199,374
Total supporting services	1,670,005	-	(218,474)	1,451,531
Total functional expenses	5,117,489	-	(218,474)	4,899,015
Building expenses	-	1,299,229	-	1,299,229
Total expenses	5,117,489	1,299,229	(218,474)	6,198,244
Other income ( expense ):				
Investment income, net of fees	1,228,842	-	-	1,228,842
Other (expense)	(6,182)	-	-	(6,182)
Interest expense	(418,045)	-	-	(418,045)
Realized gain on investments	184,323	-	-	184,323
Unrealized gain on investments	2,275,824	-	-	2,275,824
Total other income (expense)	3,264,762	-	-	3,264,762
Change in net assets	336,355	814,658	-	1,151,013
Net assets, May 1, 2023	40,171,495	6,011,450	-	46,182,945
Net assets, April 30, 2024	\$ 40,507,850	\$ 6,826,108	\$ -	\$ 47,333,958

See Notes to Accompanying Consolidated Financial Statements.