

MERCY MEDICAL AIRLIFT

**Financial Statements for the Years Ended June 30, 2011 and 2010
and Independent Auditors' Report
Dated October 3, 2011**

**HENDERSHOT, BURKHARDT & REED
CERTIFIED PUBLIC ACCOUNTANTS
7525 Presidential Lane, Manassas, Virginia, 20109
P: 703.361.1592 F: 703.361.0836**

Table of Contents

Independent Auditors' Report	1
Statements of Position as of June 30, 2011 and 2010	2
Statement of Activities for the Year Ended June 30, 2011	3
Statement of Activities for the Year Ended June 30, 2010	4
Statements of Cash Flow for the Years Ended June 30, 2011 and 2010	5
Statement of Functional Expenses for the Year Ended June 30, 2011	6
Statement of Functional Expenses for the Year Ended June 30, 2010	7
Notes to the Financial Statements	8-17

HENDERSHOT, BURKHARDT & REED
CERTIFIED PUBLIC ACCOUNTANTS
7525 Presidential Lane, Manassas, Virginia, 20109
P: 703.361.1592 F: 703.361.0836

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mercy Medical Airlift
Virginia Beach, VA

We have audited the accompanying statements of financial position of Mercy Medical Airlift ("the Organization") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Medical Airlift as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with United States generally accepted accounting principles.

Hendershot, Burkhardt & Reed, CPAs
Hendershot, Burkhardt & Reed
Certified Public Accountants
October 3, 2011

MERCY MEDICAL AIRLIFT
Statements of Financial Position
As of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 155,413	\$ 113,989
Grants, Pledges, and Accounts Receivable, current	645,179	1,029,630
Prepaid Expenses	11,775	14,022
Donated Airfare Inventory	561,387	22,033
Endowment Fund	<u>206,633</u>	<u>183,651</u>
Total Current Assets	1,580,387	1,363,325
Property and Equipment		
Furniture and Equipment, net of depreciation	26,826	51,990
Building, net of depreciation	296,450	307,568
Building Improvements, net of amortization	76,102	63,113
Construction In Process	14,400	-
Land	<u>391,500</u>	<u>391,500</u>
Total Property and Equipment	<u>805,278</u>	<u>814,171</u>
 Total Assets	 <u>\$ 2,385,665</u>	 <u>\$ 2,177,496</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 8,352	\$ 121,569
Payroll Liabilities	63,006	80,688
Deposits	550	550
Notes Payable, current	<u>7,303</u>	<u>6,824</u>
Total Current Liabilities	79,211	209,631
 Long Term Notes Payable	 <u>349,865</u>	 <u>357,031</u>
Total Liabilities	429,076	566,662
Net Assets		
Unrestricted Net Assets	790,275	588,306
Temporarily Restricted Net Assets	<u>1,166,314</u>	<u>1,022,528</u>
Total Net Assets	<u>1,956,589</u>	<u>1,610,834</u>
 Total Liabilities and Net Assets	 <u>\$ 2,385,665</u>	 <u>\$ 2,177,496</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

MERCY MEDICAL AIRLIFT
Statement of Activities
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CONTRIBUTIONS AND REVENUE			
Contributions			
In Kind Donations - Services	\$ 1,856,002	\$ 561,387	\$ 2,417,389
Donations and Grants	844,383	595,318	1,439,701
Total Contributions	<u>2,700,385</u>	<u>1,156,705</u>	<u>3,857,090</u>
Revenues			
Unrealized Gain/(Loss) on Investment	24,335	-	24,335
Rental Income	15,858	-	15,858
Other Income	10,066	-	10,066
Interest Income	<u>1,126</u>	<u>-</u>	<u>1,126</u>
Total Revenue	51,385	-	51,385
Net Assets Released from Restrictions	<u>1,012,919</u>	<u>(1,012,919)</u>	<u>-</u>
Total Contributions and Revenues	3,764,689	143,786	3,908,475
EXPENSES			
Program			
Airline Support	1,446,981	-	1,446,981
ACVET	807,546	-	807,546
Angel Flights	557,078	-	557,078
Public Education	185,506	-	185,506
NIH	95,464	-	95,464
ACA	94,995	-	94,995
Bonanza	89,505	-	89,505
NPATH	81,070	-	81,070
AAFL	37,911	-	37,911
HSEATS	21,721	-	21,721
ACN	<u>4,757</u>	<u>-</u>	<u>4,757</u>
Total Program Services	3,422,534	-	3,422,534
Supporting Services			
General & Administrative	70,014	-	70,014
Fundraising	<u>70,172</u>	<u>-</u>	<u>70,172</u>
Total Supporting Services	<u>140,186</u>	<u>-</u>	<u>140,186</u>
Total Expenses	<u>3,562,720</u>	<u>-</u>	<u>3,562,720</u>
Change in Net Assets	201,969	143,786	345,755
Net Assets, Beginning of Year	<u>588,306</u>	<u>1,022,528</u>	<u>1,610,834</u>
Net Assets, End of Year	<u>\$ 790,275</u>	<u>\$ 1,166,314</u>	<u>\$ 1,956,589</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

MERCY MEDICAL AIRLIFT
Statement of Activities
For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CONTRIBUTIONS AND REVENUE:			
Contributions:			
Donations and Grants	\$ 1,060,530	\$ 1,018,418	\$ 2,078,948
In Kind Donations - Services	1,343,267	-	1,343,267
Total Contributions	<u>2,403,797</u>	<u>1,018,418</u>	<u>3,422,215</u>
Revenues:			
Unrealized Gain/(Loss) on Investment	16,576	-	16,576
Rental Income	15,858	-	15,858
Reimbursed Expenses	15,006	-	15,006
Interest Income	2,456	-	2,456
Gain/(Loss) on Disposal of Assets	(329)	-	(329)
Total Revenue	<u>49,567</u>	<u>-</u>	<u>49,567</u>
Net Assets Released from Restrictions:	<u>1,538,174</u>	<u>(1,538,174)</u>	<u>-</u>
Total Contributions and Revenues	3,991,538	(519,756)	3,471,782
EXPENSES:			
Program:			
Airline Support	1,205,830	-	1,205,830
ACVET	1,100,022	-	1,100,022
Angel Flights	637,950	-	637,950
Public Education	364,092	-	364,092
ACA	179,348	-	179,348
Bonanza	131,014	-	131,014
NPATH	128,397	-	128,397
NIH	111,540	-	111,540
HSEATS	44,791	-	44,791
Child Lift/Special Lift	27,417	-	27,417
ACN	24,141	-	24,141
Total Program Services	<u>3,954,542</u>	<u>-</u>	<u>3,954,542</u>
Supporting Services:			
General & Administrative	42,231	-	42,231
Fundraising	24,084	-	24,084
Total Supporting Services	<u>66,315</u>	<u>-</u>	<u>66,315</u>
Total Expenses	<u>4,020,857</u>	<u>-</u>	<u>4,020,857</u>
Change in Net Assets	(29,319)	(519,756)	(549,075)
Net Assets, Beginning of Year	<u>617,625</u>	<u>1,542,284</u>	<u>2,159,909</u>
Net Assets, End of Year	<u>\$ 588,306</u>	<u>\$ 1,022,528</u>	<u>\$ 1,610,834</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

MERCY MEDICAL AIRLIFT
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 345,755	\$ (549,075)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,256	51,220
(Increase)/Decrease in Grants and Pledges Receivable	384,451	(81,514)
(Increase)/Decrease in Prepaid Expenses	2,247	15,074
(Increase)/Decrease in Donated Airfare Inventory	(539,354)	(22,033)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	<u>(130,899)</u>	<u>35,004</u>
Net Cash (used by)/provided by Operating Activities	102,456	(551,324)
CASH FLOWS FROM INVESTING ACTIVITIES		
Unrealized (Gain)/Loss on Investment	(24,335)	(16,576)
(Purchase)/Sale of Investments, net	1,353	1,080
(Purchase)/Disposal of Fixed Assets, net	<u>(31,363)</u>	<u>(5,769)</u>
Net Cash (used by)/provided by Investing Activities	(54,345)	(21,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments of)/Increase in Notes Payable	<u>(6,687)</u>	<u>(6,244)</u>
Net Cash (used by)/provided by Financing Activities	<u>(6,687)</u>	<u>(6,244)</u>
NET CHANGE IN CASH	41,424	(578,833)
CASH, BEGINNING OF YEAR	<u>113,989</u>	<u>692,822</u>
CASH, END OF YEAR	<u>\$ 155,413</u>	<u>\$ 113,989</u>
Interest Paid	<u>\$ 24,654</u>	<u>\$ 25,211</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

MERCY MEDICAL AIRLIFT
Statement of Functional Expenses
For the Year Ended June 30, 2011

	Airline Support	ACVET	Angel Flights	Public Education	NIH	ACA	Bonanza	NPATH	AAFL	HSEATS	ACN	Total Programs	G&A	Fundraising	Support Services	Total
In-kind Service Expense	\$ 1,069,296	\$ 528,995	\$ 276,744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,875,035	\$ -	\$ -	\$ -	\$ 1,875,035
Salaries	190,757	126,324	154,389	99,306	75,691	42,670	-	52,575	-	8,469	2,213	752,394	34,558	36,175	70,733	823,127
Grant Expense	52,903	-	7,250	-	-	26,706	3,250	6,000	15,200	-	-	111,309	-	-	-	111,309
Communications	9,442	14,323	9,770	26,922	2,749	4,058	635	3,260	1,987	3,692	450	77,288	1,334	1,571	2,905	80,193
Payroll Taxes	10,822	10,283	9,960	7,803	6,680	3,626	-	5,050	-	1,448	387	56,059	3,411	3,551	6,962	63,021
Accounting Fees	2,147	6,092	27,374	-	-	2,890	-	391	-	156	-	39,050	14,284	-	14,284	53,334
Patient Travel	44,648	4,043	-	-	-	-	-	-	-	154	-	48,845	-	-	-	48,845
Repairs and Maintenance	2,048	1,174	1,799	1,038	574	723	34,943	694	-	138	26	43,157	825	309	1,134	44,291
Depreciation Expense	6,903	3,975	6,240	3,456	1,735	2,810	9,336	2,445	-	1,390	120	38,410	884	962	1,846	40,256
Benefits	7,498	7,366	4,618	6,214	2,056	2,315	-	3,030	-	200	46	33,343	2,216	475	2,691	36,034
Travel	867	16,876	2,296	11,209	496	87	-	12	-	2,317	-	34,160	380	207	587	34,747
Consulting	-	30,000	720	-	-	-	-	-	-	-	-	30,720	-	-	-	30,720
Program Development	25,500	3,745	-	-	-	-	-	-	-	-	-	29,245	-	-	-	29,245
License and Fees	1,025	2,056	8,251	222	97	993	8	260	11,791	73	59	24,835	1,770	2,591	4,361	29,196
Insurance Expense	3,339	3,451	9,828	1,600	956	1,069	4,373	767	-	165	73	25,621	613	678	1,291	26,912
Interest Expense	5,598	3,295	4,986	2,794	1,301	2,296	-	2,008	-	462	78	22,818	1,058	778	1,836	24,654
Event Expense	12	18,214	3,208	21	-	-	-	-	-	-	-	21,455	-	-	-	21,455
Fuel-All Aircraft	-	790	-	-	-	-	19,380	-	-	-	-	20,170	-	-	-	20,170
Legal Fees	800	397	1,785	-	-	188	-	25	8,348	903	-	12,446	-	7,423	7,423	19,869
Supplies - Office	4,488	2,527	3,629	2,068	917	1,002	-	1,371	-	309	35	16,346	2,189	768	2,957	19,303
Office Utilities	3,498	2,115	3,185	1,767	809	919	924	1,261	-	294	32	14,804	997	492	1,489	16,293
Media	-	10,125	100	2,465	-	-	-	-	-	-	-	12,690	-	-	-	12,690
Fund Development	-	-	-	-	-	-	-	-	-	-	-	-	-	12,037	12,037	12,037
Postage and Delivery	2,436	2,126	2,783	1,198	468	773	13	759	379	111	28	11,074	341	331	672	11,746
Promotional Materials	919	2,080	5,442	1,356	424	909	-	55	-	1	-	11,186	-	-	-	11,186
Advertising and Outreach	272	5,679	3,468	-	-	366	-	49	-	20	-	9,854	-	1,210	1,210	11,064
Conferences and Training	452	589	362	7,558	300	11	-	442	-	591	-	10,305	610	21	631	10,936
Volunteer Expense	-	39	6,320	-	-	-	3,500	-	-	-	-	9,859	-	-	-	9,859
N7709R Lease	-	-	-	-	-	-	8,218	-	-	-	-	8,218	-	-	-	8,218
Miscellaneous Expense	801	348	816	1,292	54	474	-	197	-	11	6	3,999	3,693	425	4,118	8,117
Rent Expense	429	188	366	196	112	82	4,800	140	-	40	4	6,357	649	63	712	7,069
Memberships	-	50	45	3,905	-	-	-	275	-	775	-	5,050	-	-	-	5,050
Printing and Reproduction	81	281	1,344	1,916	45	28	125	4	206	2	-	4,032	202	105	307	4,339
Technology Project	-	-	-	1,200	-	-	-	-	-	-	1,200	2,400	-	-	-	2,400
Total Expenses	\$ 1,446,981	\$ 807,546	\$ 557,078	\$ 185,506	\$ 95,464	\$ 94,995	\$ 89,505	\$ 81,070	\$ 37,911	\$ 21,721	\$ 4,757	\$ 3,422,534	\$ 70,014	\$ 70,172	\$ 140,186	\$ 3,562,720

MERCY MEDICAL AIRLIFT
Statement of Functional Expenses
For the Year Ended June 30, 2010

	Airline Support	ACVET	Angel Flights	Public Education	ACA	Bonanza	NPATH	NIH	HSEATS	Child Lift Special Lift	ACN	Total Programs	G&A	Fundraising	Support Services	Total
In-kind Service Expense	\$ 949,967	\$ 98,066	\$ 229,723	\$ -	\$ -	\$ 40,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,318,235	\$ -	\$ -	\$ -	\$ 1,318,235
Salaries	112,307	161,247	174,148	140,259	52,848	-	60,951	90,206	22,485	12,195	8,452	835,098	14,662	9,873	24,535	859,633
Patient Travel	1,606	640,724	-	-	-	-	-	-	-	11,653	-	653,983	-	-	-	653,983
Grant Expense	88,390	45,000	92,250	90,000	92,072	3,100	49,125	-	6,050	-	-	465,987	-	-	-	465,987
Accounting Fees	2,569	3,425	40,195	-	6,851	-	268	-	214	-	-	53,522	16,509	-	16,509	70,031
Communications	5,377	12,432	10,213	22,289	3,860	487	2,999	4,206	3,771	724	385	66,743	497	1,291	1,788	68,531
Payroll Taxes	7,896	11,109	10,595	13,255	3,724	-	4,392	6,461	1,652	897	577	60,558	2,217	622	2,839	63,397
Depreciation Expense	4,359	6,235	6,893	5,202	2,051	15,909	2,360	3,863	2,672	472	330	50,346	487	387	874	51,220
Travel	7	19,542	3,231	16,498	777	-	1	2,134	2,779	-	1,504	46,473	59	-	59	46,532
Repairs and Maintenance	1,762	2,501	2,358	2,756	1,292	32,355	952	366	335	183	123	44,983	409	133	542	45,525
Event Expense	-	45,358	-	-	-	-	-	-	-	-	-	45,358	-	-	-	45,358
Benefits	13,100	6,661	8,031	7,763	3,390	-	103	1,078	38	15	10	40,189	153	2,615	2,768	42,957
Technology Project	3,400	-	3,400	8,401	-	-	-	-	-	-	11,714	26,915	-	-	-	26,915
Interest Expense	3,365	4,805	4,529	5,681	2,016	-	1,866	766	689	380	253	24,350	573	288	861	25,211
Insurance Expense	1,698	2,397	5,708	2,652	1,227	6,195	922	378	413	183	118	21,891	265	139	404	22,295
License and Fees	1,008	1,471	6,698	1,230	1,398	5	443	181	194	91	71	12,790	3,644	2,811	6,455	19,245
Fuel-All Aircraft	-	475	-	-	-	18,699	-	-	-	-	-	19,174	-	-	-	19,174
Consulting	-	17,576	-	-	-	-	-	-	-	-	-	17,576	-	-	-	17,576
Legal Fees	1,913	817	9,746	-	1,633	-	64	-	51	-	-	14,224	-	3,169	3,169	17,393
Supplies - Office	2,041	3,265	2,729	4,491	1,066	-	1,127	507	461	231	157	16,075	834	167	1,001	17,076
Conferences and Training	-	2,901	240	10,771	339	-	-	-	525	-	189	14,965	104	-	104	15,069
Promotional Materials	732	1,992	7,040	4,117	353	-	100	600	-	-	-	14,934	-	-	-	14,934
Advertising and Outreach	227	1,302	3,548	7,474	605	-	24	-	19	-	-	13,199	-	1,385	1,385	14,584
Office Utilities	1,742	2,175	2,295	2,914	732	822	942	371	322	186	130	12,631	1,305	140	1,445	14,076
Postage and Delivery	1,339	2,293	2,314	2,693	1,087	-	746	334	315	167	103	11,391	114	234	348	11,739
Volunteer Expense	11	82	9,600	435	28	-	-	-	1	-	-	10,157	-	-	-	10,157
Media	-	965	-	9,022	-	-	-	-	-	-	-	9,987	-	-	-	9,987
N7709R Lease	-	-	-	-	-	8,163	-	-	-	-	-	8,163	-	-	-	8,163
Printing and Reproduction	22	3,926	1,310	1,167	58	-	452	-	-	-	-	6,935	140	-	140	7,075
Rent Expense	317	426	410	494	148	4,800	172	70	55	34	23	6,949	90	27	117	7,066
Memberships	122	53	29	2,805	1,330	-	275	-	1,720	-	-	6,334	-	300	300	6,634
Miscellaneous Expense	553	801	717	1,723	463	-	113	19	30	6	2	4,427	169	503	672	5,099
Total Expenses	\$ 1,205,830	\$ 1,100,022	\$ 637,950	\$ 364,092	\$ 179,348	\$ 131,014	\$ 128,397	\$ 111,540	\$ 44,791	\$ 27,417	\$ 24,141	\$ 3,954,542	\$ 42,231	\$ 24,084	\$ 66,315	\$ 4,020,857

See the accompanying Independent Auditors' Report and notes to the financial statements

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

A. ORGANIZATION

Mercy Medical Airlift (“the Organization”) is a not-for-profit organization incorporated in 1984 in the Commonwealth of Virginia. The Organization provides medical air transportation to needy individuals and manages several national programs servicing and developing the charitable medical air transport sector in our society. Volunteers provide many of the Organization’s services.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates - The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Property and equipment - Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their fair market value on the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from five to twelve years. The building and building improvements are amortized over thirty years.

Revenue recognition - Grants and contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed services - The Organization receives significant contributions of transportation services from various airlines and subsidized airline ticket programs from foundations working with the Organization to provide airline tickets to patients and patient escorts. Contributed transportation services are recorded as the difference between what the client had to pay (sometimes zero) and the actual retail airline ticket cost per quotes from the appropriate airline web site. The Organization also receives donated pilot services for the operation of the Bonanza aircraft and professional program management. All services are recorded at going commercial rates.

Income taxes - The Organization is classified as a Section 501(c)(3) organization, as described in Section 501(a) of the Internal Revenue Code, and is exempt from federal and state income taxes, except for taxes on unrelated business income, if any.

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.

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major programs - The major programs of the Organization are as follows:

Bonanza Aircraft Operations-The Organization operates a federally approved stretcher equipped Beech 36 aircraft (the Bonanza) for purposes of transporting patients who must be lying down en route. MMA operates this aircraft under a Federal Air Carrier certificate and utilizes a cadre of trained volunteer pilots. The service provided is free to patients. This aircraft serves patients on behalf of and in support of Air Charity Network regional member organizations.

Helpline Program-The Organization operates the National Patient Travel HELPLINE program. This serves the general public and medical community nationwide. The Organization keeps abreast of all known charitable and charitably assisted medical air transportation programs in the U.S. Referrals are made to the most appropriate charitable medical air transportation program. For ambulatory outpatients traveling less than 1,000 miles, the referrals are to Air Charity Network member organizations. For patients needing airline assistance, referral is to whichever program can best meet the needs of the patient. This program utilizes a 24/7 Telephone Helpline service and several Internet web sites where referrals are automatically generated and sent to ACN member organizations.

Airline Patient Ticket Programs-The Organization operates several charitable and charitably assisted airline patient ticket programs. The Organization maintains a full knowledge of other special airline ticket programs for patients and will refer patients when MMA operated programs cannot meet the need.

Public Education and Outreach Program-The Organization operates a nationwide public education and medical community outreach and education program for itself and on behalf of Air Charity Network. The purpose of this program is to inform patients and the medical community that charitable medical air transportation programs exist and can meet patient needs.

Air Charity Network Program-The Organization has several program initiatives that it undertakes on behalf of and at no cost to Air Charity Network including nationwide pilot recruitment, contribution of convention exhibit/display costs, government liaison/program development and liaison with national disease organizations and other national charities involved in patient services.

Association Management Program-The Organization serves in the role of an Association Manager and operates programs per the request and formal agreements with other independent non-profit organizations involved in some way with charitable medical air transportation. MMA receives grants and expense reimbursement for services rendered.

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Homeland Security Program-The Organization, through a grant provided by the Federal Corporation for National and Community Service, developed the Homeland Security Emergency Air Transportation System (HSEATS) to provide service in times of disaster for transportation of small priority cargo and key personnel. Agencies that will be supported will include the American Red Cross, the Salvation Army, the Southern Baptist Disaster Relief Service, FEMA, DHS, DHHS, and other Federal agencies. MMA works with individual Angel Airlines regions to implement this program.

NIH Clinical Center Patient Program-The Organization provides one staff person who is housed within the Bethesda, Maryland NIH Clinical Center. This staff person works with NIH staff, patients, and patients' families to identify transportation needs and facilitate arrangement of Angel Airline trips for patients going to or from NIH Bethesda, Maryland.

Air Compassion America Program-The Organization provides one staff person, facility, and administrative support to this cooperating charity that serves as a non-profit, patient advocate air ambulance facilitator. This service fills the national need for a less costly air ambulance option for those patients needing that form of transport.

Special Lift/Child Lift-National Clinical Trial Support Program-The Organization operates the Child-Lift/Special-Lift National Clinical Trial Support Program utilizing the services of ACN member organizations and the charitable/charitably-assisted airline ticket programs.

The following Special-Lift and Child-Lift programs involve the charitable transport of needy children (normally with accompanying adult) and/or adult patients on a nationwide basis. Mercy Medical Airlift (MMA) administers these programs with major financial support assistance from various foundations. MMA uses the charitable services of several airlines and numerous Air Charity Network Volunteer Pilot Organizations (VPOs) that fly for public benefit.

The following is a list of active Child-Lift and Special Lift Programs:

Child-Lift 1. Congenital Lactic Acidosis – Univ of Florida, CRC, Gainesville, FL. Program Started January 1995.

Child-Lift 3. Nerve Reconstructive Microsurgery Program. Dr. Terzis, Microsurgery Specialist. Easter Virginia Medical School, Norfolk, VA. Program Started December 1996.

Special Lift 45. Denver Children's Hospital. Transport of Children with Pulmonary Hypertension. Started March 2001.

Special-Lift 52. University of Utah Medical Center. Transport Children with Spinal Muscular Atrophy. Started August 2001.

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special-Lift 56. Duchenne Muscular Dystrophy. Children's National Medical Center, Washington, DC. Transport Children with Muscular Dystrophy. Started May 2002.

Special-Lift 60. Pectus. Children's Hospital of the Kings Daughters. Norfolk, VA. Transport of children with Pectus. Started September 2002.

Special-Lift 93. Cleft/Craniofacial Study. Children's Hospital of the Kings Daughters, Norfolk, VA. Transport of Children with either Cleft Palate or in need of Craniofacial Surgery. Started August 2003.

Special-Lift 97. Noonan Syndrome. Boston Children's Hospital, Boston, MA. Transport Children for Treatment of Noonan Syndrome. Started December 2003.

Special-Lift 98. NIH Study. National Institutes of Health, Bethesda, MD. Transport patients to the National Institutes of Health to all Institutes for Treatment of Various Diseases. Started December 2003.

Special-Lift 102. Spinal Muscular Atrophy. Stanford University. Transport Children with Spinal Muscular Atrophy to Stanford University for a Clinical Trial. Started March 2004.

Special-Lift 103. AAV/AAT Vectors. University of Florida. Gainesville, FL. Transport Patients with a rare condition called AAV/AAT for a clinical Trial. Started March 2004.

Special-Lift 108. XXYY Syndrome. Sacramento, CA. Transport of Patients with XXYY Syndrome for a Clinical Trial. Started June 2004.

Special-Lift 110. Spinal Muscular Atrophy. Ohio State University, Columbus, OH. Transport of Children with Spinal Muscular Atrophy for a Clinical Trial. Started July 2005.

Special-Lift 111. Hypoparathyroidism. Columbia University, New York, NY Transport of Adults with Hypoparathyroidism for a Clinical Trial. Started January 2007

Special Lift 113. Tay Sachs. Children's National Medical Center, Washington, DC. Transport of Children with Tay Sachs Disease for a Clinical Trial. Started November 2005.

Special-Lift 115. Mucopolysaccharidosis. Greenwood, SC. Transport Children with Mucopolysaccharidosis for a Clinical Trial. Started June 2006.

Special-Lift 116. MUSD. Texas Children's Hospital. Transport Children with MUSD for a Clinical Trial. Started June 2006.

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special-Lift 117. Spinal Muscular Atrophy. Children's Hospital of Michigan, Detroit, MI. Transport children with Spinal Muscular Atrophy for a clinical trial. Started June 2006.

Special Lift 118. Spinal Muscular Atrophy. University of Wisconsin Hospital. Madison, WI. Transport Children with Spinal Muscular Atrophy for a Clinical Trial. Started June 2006.

Special-Lift 119. Idiopathic Osteoporosis. Columbia University, New York, NY. Transport of adults with Idiopathic Osteoporosis for a Clinical Trial. Started October 2006.

Special Lift 121. Marfan Syndrome. Trials occurring in New York City, Houston, San Jose, Charleston and St. Louis. Transport of children and adults for a Clinical Trial. Started August 2007.

Special Lift 122. Optic Nerve Hypoplasia (ONH). Trial occurring in Los Angeles. Transport of children for a Clinical Trial. Started November 2007.

Special Lift 123. Duchenne's Muscular Dystrophy. Trial occurring at University of Florida. Transport of children for a Clinical Trial. Started November 2007.

Special Lift 124. Stem Cell Transplant and Activated T Cells for Stage IV Breast Cancer. Trial occurring at Hope Hematology Oncology Patient Enterprises, P.C., Charlottesville, VA and Detroit, MI. Transport of Stem Cell Transplant and Activated T Cells for Stage IV Breast Cancer for a Clinical Trial. Started January 2009.

Special Lift 125. Tumor Vaccine and Immune Therapy for Breast and Ovarian Cancer. Trial occurring at University of Washington, Division of Oncology, Seattle, WA. Transport of adults with Breast Cancer or Ovarian Cancer. Started April 2009.

Special Lift 126. Osteoporosis. Trial occurring at Osteoporosis Research Center, Omaha, NE. Transport of adults with Osteoporosis for a Clinical Trial. Started June 2009.

Special Lift Child 128. The Thymus Transplantation Program for Patient born with Complete DiGeorge Anomaly. Trial occurring at Duke Children's Hospital & Health Center; Division of Pediatric Allergy & Immunology, Durham, NC. Transport of children. Started March 2010.

Special Lift 129. Mucopolysaccharidosis I-129. Clinical Trial occurring at Los Angeles Biomedical Research Institute at Harbor-UCLA Medical Center, Los Angeles, CA. Transport of adults. Started February 2010.

Special Lift 129(b) Mucopolysaccharidosis II. Clinical Trial occurring at Los Biomedical Research Institute at Harbor – UCLA Medical Center and Mayo Clinic Rochester, MN. Transport of adults. Started June 2010.

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Lift Patient. Schwachman-Diamond (Myelodysplastic) Syndrome. Clinical Trial occurring at Seattle Children's Hospital, Seattle, WA. Transport of children and adults. Started January 2010.

Barth Syndrome (Rare Disease Trial). Clinical Trial occurring at the Congenital Heart Center College of Medicine Health Science, Gainesville, FL. Transport of children. Started June 2010.

Cancer Clinical Trial. Myelofibrosis. Trial occurring at the Mayo Clinic Hematology Department, Rochester, MN. Transport of adults with Myelofibrosis (Cancer). Started January 2010.

Cancer Clinical Trial. Ewing's Sarcoma. Clinical Trial occurring at The University of Texas MD Anderson Cancer Center, Houston, TX. Transport of children and adult for the study of Ewing Sarcoma identifying patients at high risk for metastasis for a Clinical Trial. Started April 2010.

Cancer Clinical Trial. BRCA Mutated Cancer. Clinical Trial occurring at the Penn State Hershey Medical Center, Hershey, PA. Transport of adult women with Mutated Cancer, Platinum-Refractory Ovarian, Fallopian Tube, or Primary Peritoneal Cancer; or Basal-Like Breast Cancer for a Clinical Trial. Started January 2010.

Cancer Clinical Trial. Diffuse Intrinsic Pontine Glioma and Brainstem Glioma. Clinical Trial occurring at Children's Hospital Pittsburg (UPMC), Pittsburg, PA. Transport of adults. Started May 2010.

Cancer Clinical Trial. Metastatic Adrenocortical Carcinoma. Clinical Trial occurring at Scottsdale Healthcare, Scottsdale, AZ. Transport of adult cancer patient. Started May 2010.

Cancer Clinical Trial. Brain Cancer Peptide Vaccine Trial. Clinical Trial occurring at Dana-Farber Cancer Institute, Boston, MA. Transport of children and adult with Brain Cancer. Started July 2010.

Cancer Clinical Trial. Pancreatic Cancer Cell Vaccine Trial. Clinical Trial occurring at John Hopkins, Baltimore, MD. Transport of adult cancer patient. Started April 2011.

Cancer Clinical Trial. Advanced GPNMD Breast Cancer CDX011-03. Clinical Trial occurring at Long Island Jewish Medical Center, NY and MD Anderson, Houston, TX. Transport of adult female cancer patient. Started May 2011.

Cancer Clinical Trial. Infiltrating Astrocytoma (Brain Trial) Vaccine Trial. Clinical Trial occurring at UPMC, Pittsburgh, PA. Transport of adult cancer patient. Started May 2011.

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Angelman Syndrome. Three research studies. Transport patients to Texas Children's Hospital in Houston, Baylor College of Medicine; and Greenwood Genetic Center, Greenwood, SC. Started May 2011. NIH Rare Diseases Clinical Research Network (RDCRN)

Urea Cycle Disorders. Two research studies. Transport patients to Texas Children's Hospital in Houston, Baylor College of Medicine. Started March 2011. RDCRN

Primary Ciliary Dyskinesia (PCD). Three clinical studies. Transport patients to UNC Chapel Hill, NC. Started April 2011. RDCRN

Cancer Clinical Trial. AIDS-related Kaposi sarcoma (KS). Virginia Mason Medical Center, Seattle, Washington. Started June 2011.

C. ENDOWMENT FUND

The Organization established a perpetual endowment fund with the Norfolk Foundation in 2003 with an original investment of \$25,000. The Organization invested an additional \$136,100 since that time. The purpose of the fund is to provide support for the Organization. The Organization can receive annual cash distributions from the fund equal to five percent of the average market value of the fund over the previous 12 quarters. If the Organization chooses to withdrawal more than that amount it needs an affirmative vote of three-fourths of its governing body and the approval of the Norfolk Foundation's board of directors. The Endowment Fund is recorded at its fair market value on the statement of financial position.

D. NOTES RECEIVABLE

On October 18, 2008 the Organization made loans of \$45,000 each to Air Compassion Veterans, Airlift Hope of America, and National Patient Travel Center. The loans carry an interest rate of 4% annually and there is no due date. The purpose of the loans was for these three organizations to make matching grants, through Prince William County United Way, to other organizations. The Organization is one of the recipients of the matching grants. During the year ended June 30, 2010 Air Compassions Veterans repaid the loan in full and the Organization forgave the loans to Airlift Hope of American and National Patient Travel Center.

E. GRANTS AND PLEDGES RECEIVABLE

The organization provides management and program services to various organizations.

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

E. GRANTS AND PLEDGES RECEIVABLE (continued)

The following operational grants were pledged from these organizations to help defray Mercy Medical Airlift's cost for these services:

	<u>2011</u>	<u>2010</u>
Angel Airlines for Veterans	\$ 141,439	\$ 177,926
Air Compassion Veterans	88,036	65,242
Angel Airlift Mid-Atlantic	81,345	210,358
Children's Angel Airlines	61,932	79,978
Angel Airlines for Cancer Patients	59,039	114,003
Hospice Angel Airlines	36,419	31,279
Angel Airlines Samaritans	36,180	51,131
Air Compassion America	15,213	37,534
Air Compassion East	1,489	23,910
Others	<u>53,251</u>	<u>74,575</u>
Total	<u>\$ 574,343</u>	<u>\$ 865,936</u>

Other grants and pledges receivable consist of the following:

CFC/United Way pledges	\$ 21,010	\$ 44,874
Less: Allowance	<u>(3,755)</u>	<u>(3,984)</u>
Total Pledges receivable	17,255	40,890
NIH Subcontract	23,709	33,132
Other Grant receivables	27,071	70,850
Accounts receivable	<u>2,801</u>	<u>18,822</u>
Total Receivables	<u>\$ 645,179</u>	<u>\$1,029,630</u>

F. PROPERTY AND EQUIPMENT

The Organization had the following assets and accumulated depreciation as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
<u>Furniture and Equipment</u>		
Equipment purchased with		
Federal grant money	\$ 22,525	\$ 26,980
Aircraft Equipment	81,495	81,495
Furniture	41,211	41,211
Office Equipment	74,062	74,062
Computer Equipment	<u>34,049</u>	<u>32,899</u>
Total Furniture & Equipment, cost	253,342	256,647
Less Accumulated Depreciation	<u>(226,516)</u>	<u>(204,657)</u>
Total Furniture & Equipment, net	26,826	51,990

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

F. PROPERTY AND EQUIPMENT (continued)

	<u>2011</u>	<u>2010</u>
Building Improvements	94,966	79,152
Less Amortization	<u>(18,864)</u>	<u>(16,039)</u>
Total Building Improvements, net	76,102	63,113
Building	333,523	333,523
Less Depreciation	<u>(37,073)</u>	<u>(25,955)</u>
Total Building, net	296,450	307,568
Construction In Process	14,400	-
Land	<u>391,500</u>	<u>391,500</u>
Total Property and Equipment	<u>\$805,278</u>	<u>\$814,171</u>

G. NOTES PAYABLE

In May 2008, the Organization secured a note payable in the amount of \$375,000 through Towne Bank, bearing an interest rate of 6.80%. The note is payable in consecutive monthly payments of \$2,612. Interest paid on this note was \$24,654 and \$25,212 in the years ended June 30, 2011 and 2010, respectively.

Loan maturities for each of the five years following June 30, 2011 are as follows:

2012	\$ 7,303
2013	7,815
2014	8,364
2015	8,950
2016	9,578
Thereafter	<u>315,158</u>
Total	<u>\$357,168</u>

H. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of the Organization consisted of the following at June 30, 2011:

- \$571,302 representing grants receivable from affiliated organizations for fiscal year 2012 (time restriction)
- \$561,387 in donated airfare inventory
- \$24,015 for flights
- \$8,910 for building renovations
- \$700 for child health program information dissemination

**MERCY MEDICAL AIRLIFT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010**

H. TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets of the Organization consisted of the following at June 30, 2010:

- \$865,137 representing grants receivable from affiliated organizations for fiscal year 2011 (time restriction)
- \$15,806 for NIH subcontract (time restriction)
- \$70,572 for ACV technical assistance
- \$25,670 for child health program information dissemination
- \$22,033 in donated airfare inventory
- \$23,310 for building renovations

I. DONATED SERVICES

During the years ended June 30, 2011 and 2010 the following types of professionals donated their services:

	<u>2011</u>	<u>2010</u>
Flights and Donated Airfare Inventory	\$2,137,645	\$1,070,066
Professional Services	<u>279,744</u>	<u>273,201</u>
Total Donated Services	<u>\$2,417,389</u>	<u>\$1,343,267</u>

J. RELATED PARTIES

For maximum efficiency and to eliminate duplication of costs or services, the Organization provides “association management” services for program operations and administrative services for affiliated not-for-profit 501(c)(3) organizations that provide services similar to that of the Organization in accordance with an annual board-level management agreement. In return for these services, these organizations reimburse or provide grants to the Organization for the costs of said services.

For the years ended June 30, 2011 and 2010, those amount totaled \$1,198,626 and \$1,519,087, respectively.