

**MIRACLEFEET**

**Carrboro, North Carolina**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

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**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
miraclefeet  
Carrboro, North Carolina

We have audited the accompanying statement of financial position of miraclefeet, (the "Organization"), as of June 30, 2012, and the related statement of activities and changes in net assets, cash flows, and functional expenses for the year 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 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 miraclefeet, as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Chapel Hill, North Carolina  
September 24, 2012

## MIRACLEFEET

## STATEMENT OF FINANCIAL POSITION

EXHIBIT A

June 30, 2012

ASSETS**CURRENT ASSETS:**

Cash and cash equivalents	\$ 1,840,603
Accounts receivable	5,314
Promises to give	167,933
Prepaid expenses	1,921

**TOTAL CURRENT ASSETS**2,015,771**PROPERTY AND EQUIPMENT:**

Property and equipment, net of accumulated depreciation	1,415
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**TOTAL ASSETS**\$ 2,017,186LIABILITIES AND NET ASSETS**CURRENT LIABILITIES:**

Accounts payable	\$ 10,094
Grants payable	92,193

**TOTAL CURRENT LIABILITIES**102,287**LONG-TERM LIABILITIES:**

Grants payable, net of current maturities	93,662
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**TOTAL LIABILITIES**195,949**NET ASSETS:**

Unrestricted	1,646,721
Temporarily restricted	174,516

**TOTAL NET ASSETS**1,821,237**TOTAL LIABILITIES AND NET ASSETS**\$ 2,017,186

The accompanying Notes to Financial Statements are an integral part of these statements.

## MIRACLEFEET

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

EXHIBIT B

For the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>SUPPORT AND REVENUE:</b>			
<b>SUPPORT:</b>			
Contract and grant revenue	\$ 1,898,549	\$ 142,933	\$ 2,041,482
Contributions	105,156	75,500	180,656
In-kind contributions	30,131	-	30,131
	<hr/>	<hr/>	<hr/>
<b>TOTAL SUPPORT</b>	2,033,836	218,433	2,252,269
 <b>REVENUE:</b>			
Interest income	461	-	461
	<hr/>	<hr/>	<hr/>
<b>SUBTOTAL SUPPORT AND REVENUE</b>	2,034,297	218,433	2,252,730
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	43,917	(43,917)	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL SUPPORT AND REVENUE</b>	2,078,214	174,516	2,252,730
	<hr/>	<hr/>	<hr/>
<b>EXPENSES:</b>			
Program services	432,229	-	432,229
Management and general	61,563	-	61,563
Fundraising	101,361	-	101,361
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	595,153	-	595,153
	<hr/>	<hr/>	<hr/>
<b>CHANGES IN NET ASSETS</b>	1,483,061	174,516	1,657,577
	<hr/>	<hr/>	<hr/>
<b>TRANSFER FROM COMMUNITY FOUNDATION OF NEW JERSEY</b>	163,660	-	163,660
	<hr/>	<hr/>	<hr/>
<b>BEGINNING NET ASSETS</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,646,721</u>	<u>\$ 174,516</u>	<u>\$ 1,821,237</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

## MIRACLEFEET

## STATEMENT OF CASH FLOWS

EXHIBIT C

For the Year Ended June 30, 2012

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in net assets	\$ 1,657,577
Adjustments to reconcile changes in net assets to cash provided by operating activities:	
Depreciation	129
Increase (decrease) in cash arising from changes in assets and liabilities:	
Accounts receivable	(5,314)
Promises to give	(167,933)
Prepaid expenses	(1,921)
Accounts payable	10,094
Grants payable	185,855

**NET CASH PROVIDED BY OPERATING ACTIVITIES**1,678,487**CASH FLOWS USED IN INVESTING ACTIVITIES:**

Purchase of property and equipment	<u>(1,544)</u>
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Transfer from Community Foundation of New Jersey	<u>163,660</u>
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**NET INCREASE IN CASH**

1,840,603

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR**-**CASH AND CASH EQUIVALENTS - END OF YEAR**\$ 1,840,603**SUPPLEMENTAL CASH FLOW INFORMATION:**

Non-cash activity:	
In-kind contributions	<u><u>\$ 30,131</u></u>

The accompanying Notes to Financial Statements are an integral part of these statements.

## MIRACLEFEET

## STATEMENT OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Year Ended June 30, 2012

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Totals</b>
Program treatment and training	\$ 287,685	\$ -	\$ -	\$ 287,685
Salaries	57,222	30,556	30,555	118,333
Outreach and Education	10,912	-	42,162	53,074
Travel	31,263	986	4,013	36,262
Contract services	13,173	15,981	5,774	34,928
Accounting	6,396	6,396	6,396	19,188
Facilities and equipment	5,178	2,590	2,588	10,356
Payroll taxes	5,546	1,754	1,753	9,053
Special events	4,496	-	4,495	8,991
Supplies	2,684	573	573	3,830
Telecommunications	1,838	680	680	3,198
Miscellaneous	1,354	1,128	25	2,507
Website	1,538	-	512	2,050
Insurance	857	427	429	1,713
Printing and copying	986	-	694	1,680
Employee benefits	722	361	361	1,444
Postage	336	88	308	732
Depreciation	43	43	43	129
	<u>\$ 432,229</u>	<u>\$ 61,563</u>	<u>\$ 101,361</u>	<u>\$ 595,153</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**MIRACLEFEET****NOTES TO FINANCIAL STATEMENTS**

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**NATURE OF ACTIVITIES**

miraclefeet (the "Organization") is dedicated to providing proper treatment for children born with clubfoot in developing countries. The Organization partners with local orthopedic surgeons working in public hospitals to establish and support clubfoot clinics within the existing public health system. The Organization believes this is the most effective, efficient and sustainable approach to prevent the significant disability caused by untreated clubfoot around the world.

The Organization was created in 2008 by a group of concerned parents of clubfoot children and orthopedic surgeons who wanted to ensure that all children born with clubfoot had access to proper treatment. The Organization operated under the fiscal sponsorship of the Community Foundation of New Jersey until October 2011.

**SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****A. Basis of Accounting.**

The Organization's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**B. Cash and Cash Equivalents.**

Cash and cash equivalents consists of monies on deposit at a financial institution. At times, the Organization places deposits with high-quality financial institutions that may be in excess of federally insured amounts. The Organization has not experienced any financial loss related to such deposits.

The Organization also maintains deposits in a money market account at a financial institution totaling approximately \$1.8M at June 30, 2012. These funds are not FDIC insured.



## MIRACLEFEET

## NOTES TO FINANCIAL STATEMENTS

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**SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

## C. Accounts and Contribution Receivable.

Accounts and contribution receivable are recorded at their net realizable value. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing receivables. As of June 30, 2012, management deemed all receivables fully collectible.

## D. Promises to Give.

Unconditional promises to give are recognized as support in the period received. Conditional promises to give are recognized when conditions upon which they depend are substantially met. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in their collection. The allowance is based on historical collection experience and a review by management of the current status of the existing promises to give. No allowance is deemed necessary at June 30, 2012.

## E. Property and Equipment.

Property and equipment are stated at cost for purchased assets and at market value on the date of the gift for donated assets. Property and equipment are capitalized if their life is expected to be greater than one year and if their cost exceeds \$750. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets of three to seven years. Maintenance, repairs, and small equipment purchases are charged to expense when incurred.

## F. Net Assets.

Unrestricted - Resources of the Organization that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.

Temporarily Restricted - Resources that carry a donor-imposed restriction that permits the Organization to use or expend the donated assets for a specific purpose. The restrictions are satisfied by the passage of time or by actions of the Organization.

Permanently Restricted - Resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets.

## MIRACLEFEET

## NOTES TO FINANCIAL STATEMENTS

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**SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

## G. Fair Value of Financial Instruments.

U.S. GAAP requires the Organization to disclose estimated fair values for its financial instruments. The carrying amount of financial instruments approximates fair value because of the short maturities of the instruments held.

## H. Estimates.

The preparation of financial statements in conformity with U.S. GAAP 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.

## I. Tax Status.

miraclefeet is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation. It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act.

**PROMISES TO GIVE**

Unconditional promises to give totaled \$167,933 at June 30, 2012. The carrying value approximates fair value and is considered to be collectible. Therefore, no allowance is deemed necessary. No discount is considered necessary as the unconditional promises to give are to be collected in less than one year.

**PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2012, consists of:

Computer equipment	\$ 1,544
Less accumulated depreciation	<u>(129)</u>
Net property and equipment	<u>\$ 1,415</u>

## MIRACLEFEET

## NOTES TO FINANCIAL STATEMENTS

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**GRANTS**

Grants made by the Organization are fully expensed at the time they are awarded and executed. During 2012, the Organization awarded \$281,185 in new grants to various international clinics to provide treatment for individuals with clubfoot.

Grants payable consist of the following at June 30, 2012:

	<u>2012</u>
Payable in less than one year	\$ 92,193
Payable in one to five years	<u>96,808</u>
Total gross grants payable	189,001
Discount at a rate of 3.25%	<u>(3,146)</u>
Net present value of grants payable	<u><u>\$ 185,855</u></u>

**OPERATING LEASE**

The Organization entered into a new lease agreement for office space beginning on January 7, 2012, and expiring on January 30, 2013. Monthly rent expense is \$1,200. Rental expense for the year ended June 30, 2012, was \$6,963. Minimum future rental payments for the year ending June 30, 2013, are \$7,200.

**TRANSFER FROM COMMUNITY FOUNDATION OF NEW JERSEY**

The Organization operated under the fiscal sponsorship of the Community Foundation of New Jersey until October 2011. In October 2011, the Community Foundation transferred to the Organization the cumulative net earnings from inception totaling \$163,660. Management determined the cumulative net earnings are unrestricted and the transfer has been reflected as such in the statement of changes in net assets at June 30, 2012.

**TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2012:

Purpose restricted:	
Maharashtra State Clubfoot Program in India	\$ 40,000
Mexico National Clubfoot Program	<u>6,583</u>
	46,583
Time restricted:	
Unconditional promise to give	<u>127,933</u>
	<u><u>\$ 174,516</u></u>

## MIRACLEFEET

## NOTES TO FINANCIAL STATEMENTS

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**NET ASSETS RELEASED FROM RESTRICTIONS**

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The amounts released during the year ended June 30, 2012, were as follows:

Purpose restricted:	
Mexico National Clubfoot Program	\$ 28,917
Maharashtra State Clubfoot Program in India	<u>15,000</u>
	<u>\$ 43,917</u>

**CONCENTRATIONS**

Support from one donor constitutes 74% of the total support and revenue received during the year ended June 30, 2012. A loss of or significant decline in funding from this donor could have a detrimental impact on the operations of the Organization.

**INCOME TAXES**

In accordance with FASB Accounting Standards Codification ("ASC") 740-10 *Accounting for Income Taxes*, the Organization reflects in the financial statements the benefit of positions taken in a previously filed tax return or expected to be taken in a future tax return only when it is considered 'more-likely-than-not' that the position taken will be sustained by a taxing authority. The Organization evaluates its uncertain tax positions using provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

If applicable, penalties and interest assessed by income taxing authorities are included in management and general expenses. Under the statute of limitations, the tax returns of the Organization for 2010 and 2011 are subject to examination by taxing authorities. Management evaluated tax positions for the 2010 and 2011 returns, and concluded that there are no uncertain tax positions and believes there is no income tax effect on the financial statements.

**MIRACLEFEET****NOTES TO FINANCIAL STATEMENTS**

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**DONATED SERVICES**

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by donation. Donated services related to website maintenance, legal services, and administrative services were provided totaling \$17,596 for the year-ended June 30, 2012. The remaining in-kind donations received totaling \$12,535 represent donated braces, shoes, and airline tickets.

**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 based on specific identification of expenditures and management estimates of time and resources devoted to those functions.

**SUBSEQUENT EVENTS**

In September 2012, the Organization entered into a grant agreement to fund clubfoot programs for nine new states in India totaling \$643,181 over a three year period. \$208,948 is to be paid in full by March 31, 2013, \$204,386 in year two and \$231,847 in year three. Payments will be made in quarterly installments.

Management has evaluated subsequent events for recognition or disclosure through September 24, 2012, which is the date that the financial statements were available to be issued. Management did not identify any events that occurred subsequent to year-end that require disclosure in the financial statements other than the item noted above.