

**CONSOLIDATED FINANCIAL STATEMENTS**



**MIRACLEFEET AND MIRACLEFEET UK**

**FOR THE YEAR ENDED JUNE 30, 2020  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2019**

# MIRACLEFEET AND MIRACLEFEET UK

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
MiracleFeet  
MiracleFeet UK  
Chapel Hill, North Carolina

We have audited the accompanying consolidated financial statements of MiracleFeet and MiracleFeet UK (collectively MiracleFeet), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MiracleFeet as of June 30, 2020, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited MiracleFeet's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

October 16, 2020

**MIRACLEFEET AND MIRACLEFEET UK**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

<b>ASSETS</b>		<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	4,459,953	\$ 3,294,608
Advances to partners		67,553	83,222
Promises to give		3,038,783	1,626,776
Inventory		227,575	76,861
Prepaid expenses and other assets		<u>52,745</u>	<u>190,844</u>
Total current assets		<u>7,846,609</u>	<u>5,272,311</u>
<b>FIXED ASSETS</b>			
Property and equipment, net of accumulated depreciation and amortization of \$93,486		<u>118,329</u>	<u>94,988</u>
<b>NONCURRENT ASSETS</b>			
Intangible assets, net of accumulated amortization		95,165	226,630
Promises to give, net of current portion and present value discount		<u>3,036,966</u>	<u>1,915,457</u>
Total noncurrent assets		<u>3,132,131</u>	<u>2,142,087</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 11,097,069</u></b>	<b><u>\$ 7,509,386</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Loan payable	\$	94,208	\$ -
Accounts payable		41,258	27,920
Accrued vacation		<u>40,482</u>	<u>15,494</u>
Total current liabilities		<u>175,948</u>	<u>43,414</u>
<b>NONCURRENT LIABILITIES</b>			
Loan payable, net of current position		<u>120,377</u>	<u>-</u>
Total liabilities		<u>296,325</u>	<u>43,414</u>
<b>NET ASSETS</b>			
Without donor restrictions		3,965,825	3,397,996
With donor restrictions		<u>6,834,919</u>	<u>4,067,976</u>
Total net assets		<u>10,800,744</u>	<u>7,465,972</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 11,097,069</u></b>	<b><u>\$ 7,509,386</u></b>

See accompanying notes to consolidated financial statements.

## MIRACLEFEET AND MIRACLEFEET UK

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions - nonprofits, foundations, trusts	\$ 1,425,355	\$ 6,224,275	\$ 7,649,630	\$ 4,283,586
Contributions - individuals	567,829	138,563	706,392	3,248,727
Contributions - businesses	51,772	98,280	150,052	102,053
Interest and other	5,804	-	5,804	17,994
In-kind contributions	148,296	-	148,296	100,047
Net assets released from donor restrictions	<u>3,694,175</u>	<u>(3,694,175)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,893,231</u>	<u>2,766,943</u>	<u>8,660,174</u>	<u>7,752,407</u>
<b>EXPENSES</b>				
Program Services	<u>4,229,683</u>	<u>-</u>	<u>4,229,683</u>	<u>4,017,286</u>
Supporting Services:				
Management and General	417,059	-	417,059	374,993
Development and Fundraising	<u>602,787</u>	<u>-</u>	<u>602,787</u>	<u>600,955</u>
Total supporting services	<u>1,019,846</u>	<u>-</u>	<u>1,019,846</u>	<u>975,948</u>
Total expenses	<u>5,249,529</u>	<u>-</u>	<u>5,249,529</u>	<u>4,993,234</u>
Change in net assets before other items	643,702	2,766,943	3,410,645	2,759,173
<b>OTHER ITEMS</b>				
Foreign currency exchange losses	(72,135)	-	(72,135)	(2,234)
Loss on disposal of fixed assets	<u>(3,738)</u>	<u>-</u>	<u>(3,738)</u>	<u>-</u>
Change in net assets	567,829	2,766,943	3,334,772	2,756,939
Net assets at beginning of year	<u>3,397,996</u>	<u>4,067,976</u>	<u>7,465,972</u>	<u>4,709,033</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,965,825</u></b>	<b><u>\$ 6,834,919</u></b>	<b><u>\$ 10,800,744</u></b>	<b><u>\$ 7,465,972</u></b>

## MIRACLEFEET AND MIRACLEFEET UK

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019		
	Program Services	Supporting Services		Total Expenses	Total Expenses	
		Management and General	Development and Fundraising			Total Supporting Services
Treatment and training	\$ 2,463,317	\$ -	\$ -	\$ -	\$ 2,463,317	\$ 2,090,870
Salaries	710,888	200,722	332,604	533,326	1,244,214	987,768
Payroll taxes	50,326	13,268	23,324	36,592	86,918	72,759
Employee benefits	55,491	19,452	27,350	46,802	102,293	69,190
Depreciation and amortization	107,673	30,548	23,791	54,339	162,012	645,915
International consultants	269,058	-	-	-	269,058	198,529
Translation, research and association dues	13,446	-	-	-	13,446	37,705
Travel	96,843	11,371	15,796	27,167	124,010	208,725
Contract services	114,900	41,201	46,419	87,620	202,520	164,109
Digital tools and technology	156,518	-	-	-	156,518	150,070
Printing and copying	2,393	549	7,936	8,485	10,878	82,833
Facilities and equipment	41,288	14,473	20,350	34,823	76,111	70,487
Miscellaneous	26,452	8,165	53,311	61,476	87,928	67,613
Accounting	19,826	49,803	9,913	59,716	79,542	64,533
Insurance	20,208	9,061	4,417	13,478	33,686	30,452
Outreach and education	24,217	-	10,829	10,829	35,046	22,330
Staff development and conferences	47,524	17,376	23,420	40,796	88,320	12,973
Telecommunications	6,236	662	735	1,397	7,633	8,683
Supplies	2,722	288	1,062	1,350	4,072	5,145
Postage	357	120	1,530	1,650	2,007	2,545
<b>TOTAL</b>	<b>\$ 4,229,683</b>	<b>\$ 417,059</b>	<b>\$ 602,787</b>	<b>\$ 1,019,846</b>	<b>\$ 5,249,529</b>	<b>\$ 4,993,234</b>

See accompanying notes to consolidated financial statements.

**MIRACLEFEET AND MIRACLEFEET UK**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,334,772	\$ 2,756,939
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	162,012	645,915
Loss on disposal of fixed assets	3,738	-
(Decrease) increase in discount on noncurrent receivables	(90,585)	98,807
Receipt of contributed securities	(110,057)	(148,323)
Proceeds from sale of contributed securities	110,057	148,323
Decrease (increase):		
Advances to partners	15,669	(83,222)
Promises to give	(2,442,931)	(557,869)
Inventory	(150,714)	(29,926)
Prepaid expenses and other assets	138,099	(166,107)
Increase (decrease) in:		
Accounts payable	13,338	(27,892)
Grants payable	-	(189,728)
Accrued vacation	<u>24,988</u>	<u>(280)</u>
Net cash provided by operating activities	<u>1,008,386</u>	<u>2,446,637</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(57,626)	(2,990)
Purchase of intangible assets	<u>-</u>	<u>(845,509)</u>
Net cash used by investing activities	<u>(57,626)</u>	<u>(848,499)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds received	<u>214,585</u>	<u>-</u>
Net cash provided by financing activities	<u>214,585</u>	<u>-</u>
Net increase in cash and cash equivalents	1,165,345	1,598,138
Cash and cash equivalents at beginning of year	<u>3,294,608</u>	<u>1,696,470</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 4,459,953</u></b>	<b><u>\$ 3,294,608</u></b>



# MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

MiracleFeet is a non-profit organization, incorporated and located in the State of North Carolina. MiracleFeet is dedicated to providing proper treatment for children born with clubfoot in developing countries. MiracleFeet partners with local orthopedic surgeons working in public hospitals to establish and support clubfoot clinics within the existing public health system. MiracleFeet believes this is the most effective, efficient, and sustainable approach to prevent the significant disability caused by untreated clubfoot around the world.

MiracleFeet's affiliate, MiracleFeet UK, is a charitable organization incorporated in the United Kingdom. Its purpose is to assist in the treatment of children who are born with clubfoot by providing grants to support programs in low and middle-income countries and to educate the public about untreated clubfoot in children.

#### Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MiracleFeet and MiracleFeet UK's consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

#### Principles of consolidation -

The accompanying financial statements represent the activity of MiracleFeet and MiracleFeet UK (together, "MiracleFeet"). For the year ended June 30, 2020, the financial statements of MiracleFeet UK have been consolidated with MiracleFeet in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*, as MiracleFeet exercises significant influence and control over MiracleFeet UK.

# MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements adopted -

During 2019, MiracleFeet early adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way MiracleFeet recognized revenue; however, the presentation and disclosures of revenue have been enhanced. MiracleFeet has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, MiracleFeet adopted ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. MiracleFeet adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

MiracleFeet considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000.

At times during the year, MiracleFeet maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

MiracleFeet maintained \$41,102 of cash and cash equivalents in financial institutions in the United Kingdom as of June 30, 2020. The majority of funds invested in foreign bank accounts are uninsured.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Advances to partners -

Advances to partners represent project funds provided to partners that have not been liquidated as of the Consolidated Statement of Financial Position date. All amounts are considered current and collectible (if reimbursement was sought by MiracleFeet).

Promises to give -

Promises to give are recorded at their net realizable value, which approximates fair value. Promises to give that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using a risk-adjusted interest rate. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All amounts are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

# MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### Inventory -

Inventory consists of finished MiracleFeet clubfoot abduction braces and is measured at the lower of cost or net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11, *Simplifying the Measurement of Inventory*. Braced are distributed to partner organizations and are recorded as a grant expense at the time of distribution.

#### Fixed assets -

Fixed assets acquisitions in excess of \$750 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

#### Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

#### Income taxes -

MiracleFeet is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. MiracleFeet is not a private foundation.

MiracleFeet UK is a charitable incorporated organization governed under the laws of the United Kingdom.

#### Uncertain tax positions -

For the year ended June 30, 2020, MiracleFeet has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

#### Risk and uncertainties -

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. Potential negative financial or operational impacts from COVID-19 (and its uncertain future in the second half of the 2020 calendar year) are unknown at this time.

#### Revenue recognition -

The majority of MiracleFeet's revenue is received through contributions from nonprofits, foundations, trusts and other entities.

Contributions recognized in the appropriate category of net assets in the period received. MiracleFeet performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

# MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### Revenue recognition (continued) -

For contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most conditional awards require MiracleFeet to meet specific barriers in addition to incurring qualifying direct and indirect program costs; these transactions are nonreciprocal and classified as conditional, and are therefore recognized as contributions when a barrier is lifted and the revenue becomes unconditional.

#### In-kind contributions -

In-kind contributions consist of professional services including legal, consulting, engineering and advertising. In-kind contributions are recorded at their fair value as of the date of the gift.

In addition, volunteers have donated significant amounts of their time to MiracleFeet; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

#### Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Accordingly, actual results could differ from those estimates.

#### Functional allocation of expenses -

The costs of providing MiracleFeet's programs and other activities have been summarized on a functional basis in the accompanying Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among program services and supporting services benefited.

MiracleFeet defines its Program Services expenses as direct costs specifically attributable to enhancing its program activities and ultimately furthering the organization's mission. Supporting Services expenses include the following categories: Management and General, and Development and Fundraising. Management and General expenses are costs which the organization incurs in connection with carrying out its mission-related programs but cannot be specifically identified or directly allocated to a specific program or project.

# MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses (continued) -

Development expenses are costs which the organization incurs in support of its fundraising function but cannot be specifically identified or directly allocated to a specific fundraising activity. Fundraising expenses are specifically attributable to the activities related to raising funds. For the purposes of the consolidated financial statements (as well as for IRS Form 990), Development and Fundraising expenses have been combined into a single category.

Directly identifiable expenses are charged to their applicable functional category. Expenses attributable to various functions are allocated in reasonable ratios determined by management. Salaries, employee benefits, and other payroll-related expenses are allocated based on estimates of time and effort. Other expenses, unless directly allocated, are allocated to functional categories based on the same rationale as personnel or other reasonable basis.

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

MiracleFeet plans to adopt the new ASU at the required implementation date, and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

### 2. PROMISES TO GIVE

As of June 30, 2020, MiracleFeet has received commitments for support from donors of which \$6,107,386 remained due and outstanding. Promises to give beyond one year of the Consolidated Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 0.60%.

Promises to give are due as follows as of June 30, 2020:

Less than one year	\$ 3,038,783
One to five years	<u>3,068,603</u>
Total	6,107,386
Less: Current portion	(3,038,783)
Less: Present value discount (0.60%)	<u>(31,637)</u>
<b>NONCURRENT PROMISES TO GIVE</b>	<b><u>\$ 3,036,966</u></b>

In April 2017, MiracleFeet received a \$5,000,000 award from a foundation, payable over five equal annual payments. Under the terms of the award, the first three years represented an unconditional promise to give (and without restrictions), while the final two years, totaling \$2,000,000 were subject to substantial uncertainty and were consequently conditional promises to give.

# MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

### 2. PROMISES TO GIVE (Continued)

As of June 30, 2020, MiracleFeet had met the conditions for the final \$2,000,000 and therefore, has recognized the revenue during this year.

### 3. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2020:

Machinery and equipment	\$	107,898
Website		14,529
Computer equipment		15,681
Computer software		1,253
Office equipment		<u>72,454</u>
Subtotal		211,815
Less: Accumulated depreciation and amortization		<u>(93,486)</u>
<b>NET FIXED ASSETS</b>	<b>\$</b>	<b><u>118,329</u></b>

Depreciation expense for the year ended June 30, 2019 totaled \$30,547.

### 4. INTANGIBLE ASSETS

In 2018, MiracleFeet completed a purchase agreement with a Chapter 11 Trustee of WonderWork, Inc., a nonprofit organization that had filed for bankruptcy. As part of the agreement, MiracleFeet received a program-restricted grant totaling \$2,562,148, as well as mission-related assets, including a list of potential donors. The total purchase price of \$845,509 was capitalized, with \$145,391 of the purchase price attributed to the donor list, and the remaining \$700,118 assigned to the grant funds. Amortization related to the intangible asset totaled \$131,465 for the year ended June 30, 2020. The unamortized intangible asset is included in the accompanying Consolidated Statement of Financial Position, with a net value aggregating \$95,165 as of June 30, 2020.

### 5. LOAN PAYABLE

On April 21, 2020, MiracleFeet entered into a two-year promissory note agreement in the amount of \$214,585 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. MiracleFeet intends to apply for forgiveness after completing the 24 week period. If forgiveness is granted, MiracleFeet will record revenue from debt extinguishments during the period that forgiveness was approved. Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

#### Year Ending June 30,

2021	\$	94,208
2022		<u>120,377</u>
	<b>\$</b>	<b><u>214,585</u></b>

# MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2020:

Subject to expenditure for specified purpose:	
Tanzania, Uganda, and Madagascar clubfoot programs	\$ 716,532
Cambodia clubfoot program	26,000
Zimbabwe clubfoot program	12,637
Professional development	<u>4,000</u>
Total purpose restricted net assets	759,169
Time restricted	<u>6,075,750</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ <u>6,834,919</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
WonderWork grant	\$ 460,718
Tanzania, Uganda, and Madagascar clubfoot programs	317,989
Africa clubfoot programs	250,000
Zimbabwe clubfoot program	136,159
Mali and Nigeria clubfoot programs	100,000
Sri Lanka clubfoot program	60,000
Google technology grant	55,005
Paraguay clubfoot program	50,000
Nicaragua clubfoot program	35,000
Nepal clubfoot program	30,000
Madagascar clubfoot program	20,000
Uganda clubfoot program	18,119
Morocco clubfoot program	12,030
Infant brace	12,000
Guinea clubfoot program	10,000
Cambodia clubfoot program	9,750
Senegal clubfoot program	6,326
Professional development	4,000
Apples service learning internship	600
India clubfoot program	550
General program costs	500
Passage of time	<u>2,105,429</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ <u>3,694,175</u></b>

### 7. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2020, MiracleFeet was the beneficiary of donated goods and services which allowed MiracleFeet to provide greater resources toward its programs.

## MIRACLEFEET AND MIRACLEFEET UK

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

#### 7. IN-KIND CONTRIBUTIONS (Continued)

Following is a schedule of contributions, presented by natural expense category, which have been recorded as revenue and expense in the accompanying Consolidated Statement of Activities and Change in Net Assets during the year ended June 30, 2020.

Donated legal services	\$	79,433
Donated advertising		216
Donated furniture		150
Donated brace design and inventory management		41,270
Donated consulting		<u>27,227</u>
<b>TOTAL</b>	<b>\$</b>	<b><u>148,296</u></b>

During the year ended June 30, 2020, MiracleFeet also received donated advertising services (through magazine advertisements) with a total fair value of \$1,022,304. In the ordinary course of business, the aforementioned services would not have been procured by MiracleFeet, and accordingly management is of the opinion that including these amounts in its consolidated financial statements would distort MiracleFeet's actual mission-related activities, and potentially be misleading to the readers of the statements. Accordingly, the aforementioned contributions have not been included in the accompanying consolidated financial statements.

#### 8. LIQUIDITY AND AVAILABILITY

Financial assets available for use within one year of the Consolidated Statement of Financial Position, comprise the following:

Cash and cash equivalents	\$	4,459,953
Promises to give		<u>3,038,783</u>
Subtotal financial assets available within one year		7,498,736
Less: Donor restricted funds		<u>(759,169)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$</b>	<b><u>6,739,567</u></b>

MiracleFeet has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2020, MiracleFeet has financial assets equal to approximately fifteen months of operating expenses.

#### 9. LEASE COMMITMENTS

During the year ended June 30, 2020, MiracleFeet signed a lease agreement for additional office space beginning on November 1, 2019 and expiring on June 30, 2020. MiracleFeet renewed that agreement and the lease for their main office space for another three-year term starting July 1, 2020. Base rent for both spaces is \$6,503 per month, increasing by a factor of 2% per year.



# MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2020

### 9. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

<u>Year Ending June 30,</u>	
2021	\$ 78,034
2022	79,595
2023	<u>81,187</u>
	<u>\$ 238,816</u>

Rent expense for the year ended June 30, 2020 was \$72,820.

### 10. RETIREMENT PLAN

Effective January 1, 2020, MiracleFeet provides retirement benefits to its employees through a defined contribution plan covering all employees. MiracleFeet provides a 100% match of each eligible employee's contribution, up to 4% of covered compensation. Contributions to the Plan during the year ended June 30, 2020 totaled \$21,592.

### 11. RELATED PARTIES

During the year ended June 30, 2020, MiracleFeet received contributions from members of the Board of Directors totaling \$636,437.

MiracleFeet's partner in India, the MiracleFeet Foundation for Eliminating Clubfoot (MiracleFeet India), is a nonprofit also focused on eliminating the disability caused by clubfoot. Both organizations have aligned missions, as well as one common Board member. MiracleFeet does not exercise control over MiracleFeet India, nor does it have voting power. Additionally, MiracleFeet does not provide substantive economic support to MiracleFeet India. Accordingly, MiracleFeet India's financials have not been included in the accompanying consolidated financial statements.

### 12. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, MiracleFeet has evaluated events and transactions for potential recognition or disclosure through October 16, 2020, the date the consolidated financial statements were issued.