

miraclefeet

Carrboro, North Carolina

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE
YEAR ENDED JUNE 30, 2012)**



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MEMBERS:

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INDEPENDENT AUDITOR'S REPORT

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The Board of Directors
miraclefeet
Carrboro, North Carolina

We have audited the accompanying financial statements of miraclefeet (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

BLACKMAN & SLOOP, CPAs, P.A.

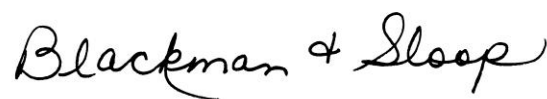
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of miraclefeet as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited miraclefeet's 2012 financial statements, and our report dated September 24, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Blackman & Sloop".

Chapel Hill, North Carolina
September 23, 2013

MIRACLEFEET

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2013 and 2012

	<u>ASSETS</u>	
	2013	2012
CURRENT ASSETS:		
Cash and equivalents	\$ 1,635,208	\$ 1,840,603
Accounts receivable	67,790	5,314
Promises to give	103,500	167,933
Prepaid expenses	4,171	1,921
TOTAL CURRENT ASSETS	<u>1,810,669</u>	<u>2,015,771</u>
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation	<u>5,324</u>	<u>1,415</u>
OTHER ASSETS:		
Promises to give, net of current maturities	<u>144,655</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,960,648</u></u>	<u><u>\$ 2,017,186</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 16,000	\$ 10,094
Grants payable	<u>424,008</u>	<u>92,193</u>
TOTAL CURRENT LIABILITIES	<u>440,008</u>	<u>102,287</u>
LONG-TERM LIABILITIES:		
Grants payable, net of current maturities	<u>230,108</u>	<u>93,662</u>
TOTAL LIABILITIES	<u>670,116</u>	<u>195,949</u>
NET ASSETS:		
Unrestricted	961,686	1,646,721
Temporarily restricted	<u>328,846</u>	<u>174,516</u>
TOTAL NET ASSETS	<u>1,290,532</u>	<u>1,821,237</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,960,648</u></u>	<u><u>\$ 2,017,186</u></u>

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, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
SUPPORT AND REVENUE:				
SUPPORT:				
Grants	\$ 182,790	\$ 497,700	\$ 680,490	\$ 2,041,482
Contributions	225,738	27,503	253,241	180,656
In-kind contributions	39,776	4,006	43,782	30,131
TOTAL SUPPORT	448,304	529,209	977,513	2,252,269
REVENUE:				
Interest income	1,065	-	1,065	461
SUBTOTAL SUPPORT AND REVENUE	449,369	529,209	978,578	2,252,730
Net assets released from restrictions	374,879	(374,879)	-	-
TOTAL SUPPORT AND REVENUE	824,248	154,330	978,578	2,252,730
EXPENSES:				
Program services	1,299,460	-	1,299,460	432,229
Management and general	93,651	-	93,651	61,563
Fundraising	116,172	-	116,172	101,361
TOTAL EXPENSES	1,509,283	-	1,509,283	595,153
CHANGES IN NET ASSETS	(685,035)	154,330	(530,705)	1,657,577
TRANSFER FROM COMMUNITY FOUNDATION OF NEW JERSEY	-	-	-	163,660
NET ASSETS - BEGINNING NET ASSETS	1,646,721	174,516	1,821,237	-
NET ASSETS - END OF YEAR	<u>\$ 961,686</u>	<u>\$ 328,846</u>	<u>\$ 1,290,532</u>	<u>\$ 1,821,237</u>

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

MIRACLEFEET

STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ending June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (530,705)	\$ 1,657,577
Adjustments to reconcile changes in net assets to cash (used in) provided by operating activities:		
Depreciation	1,366	129
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	(62,476)	(5,314)
Promises to give	(80,222)	(167,933)
Prepaid expenses	(2,250)	(1,921)
Accounts payable	5,906	10,094
Grants payable	468,261	185,855
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(200,120)</u>	<u>1,678,487</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(5,275)</u>	<u>(1,544)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer from Community Foundation of New Jersey	<u>-</u>	<u>163,660</u>
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(205,395)	1,840,603
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>1,840,603</u>	<u>-</u>
CASH AND EQUIVALENTS - END OF YEAR	<u><u>\$ 1,635,208</u></u>	<u><u>\$ 1,840,603</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash activity:		
In-kind contributions	<u><u>\$ 43,782</u></u>	<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, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Program Services	Management and General	Fundraising	2013 Totals	2012 Totals
Program treatment and training	\$ 994,411	\$ -	\$ -	\$ 994,411	\$ 287,685
Salaries	143,828	45,085	45,083	233,996	118,333
Contract services	35,841	26,193	27,730	89,764	34,928
Travel	73,381	708	4,555	78,644	36,262
Accounting	8,764	8,765	8,764	26,293	19,188
Outreach and education	2,895	-	15,219	18,114	53,074
Facilities and equipment	10,427	3,478	3,475	17,380	10,356
Payroll taxes	10,189	3,397	3,396	16,982	9,053
Miscellaneous	5,542	1,552	68	7,162	2,507
Printing and copying	2,673	103	2,797	5,573	1,680
Telecommunications	3,223	878	877	4,978	3,198
Employee benefits	2,157	718	719	3,594	1,444
Insurance	676	1,958	225	2,859	1,713
Website	2,068	-	690	2,758	2,050
Special events	907	-	1,361	2,268	8,991
Postage	947	149	546	1,642	732
Supplies	1,076	211	212	1,499	3,830
Depreciation	455	456	455	1,366	129
	<u>\$ 1,299,460</u>	<u>\$ 93,651</u>	<u>\$ 116,172</u>	<u>\$ 1,509,283</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 conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the use of certain estimates made by the Organization’s management. Accordingly, revenue and support 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 Equivalents.

Cash and equivalents consist of monies on deposit at a financial institution and other highly liquid investments with maturities of three months or less. 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.

C. Accounts Receivable.

Accounts receivable are recorded at net realizable value. The Organization provides an allowance for doubtful accounts equal to the estimated losses that are expected to be incurred in 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, 2013 and 2012, all receivables were deemed collectible by management.

MIRACLEFEET

NOTES TO FINANCIAL STATEMENTS

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SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

D. Promises to Give.

Unconditional promises to give are recorded at net realizable value and are recognized as support and assets in the period received. Conditional promises to give are recognized when the 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. As of June 30, 2013 and 2012, all promises to give were deemed collectible by management.

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 the life is expected to be greater than one year and if the 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.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

F. Net Assets.

Net assets are classified as follows:

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, undesigned 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.

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.

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

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SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**H. Estimates.**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect 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. Accordingly, 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

Promises to give consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 103,500	\$ 167,933
Receivable in one to five years	<u>146,798</u>	<u>-</u>
Total gross promises to give	250,298	167,933
Discount at a rate of 1.20%	<u>(2,143)</u>	<u>-</u>
Net present value of promises to give	<u>\$ 248,155</u>	<u>\$ 167,933</u>

PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 6,818	\$ 1,544
Less accumulated depreciation	<u>(1,494)</u>	<u>(129)</u>
Net property and equipment	<u>\$ 5,324</u>	<u>\$ 1,415</u>

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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 2013 and 2012, the Organization awarded \$922,754 and \$281,185, respectively, in new grants to various international clinics to provide treatment for individuals with clubfoot.

Grants payable consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Payable in less than one year	\$ 424,008	\$ 92,193
Payable in one to five years	<u>231,847</u>	<u>96,808</u>
Total gross grants payable	655,855	189,001
Discount at a rate of 0.75% and 3.25%	<u>(1,739)</u>	<u>(3,146)</u>
Net present value of grants payable	<u><u>\$ 654,116</u></u>	<u><u>\$ 185,855</u></u>

OPERATING LEASE

The Organization renewed a new lease agreement for office space beginning on January 1, 2013, and expiring on December 31, 2013. Monthly rent expense is \$1,200. Rental expense for the year ended June 30, 2013, was \$14,472. Minimum future rental payments for the year ending June 30, 2014, 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.

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NOTES TO FINANCIAL STATEMENTS

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TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Purpose restricted:		
South Africa Clubfoot Program	\$ 147,000	\$ -
Ecuador Clubfoot Program	126,933	-
Nicaragua Clubfoot Program	38,697	-
Stanford Clubfoot Connect Program	16,116	-
Peru Clubfoot Treatment	100	-
Maharashtra State Clubfoot Program in India	-	40,000
Mexico Clubfoot Program	-	6,583
	<u>328,846</u>	<u>46,583</u>
Time restricted:		
Unconditional promise to give	-	127,933
	<u>\$ 328,846</u>	<u>\$ 174,516</u>

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, 2013 and 2012, were as follows:

	2013	2012
Purpose restricted:		
South Africa Clubfoot Program	\$ 96,294	\$ -
Maharashtra State Clubfoot Program in India	82,556	15,000
Nicaragua Clubfoot Program	26,353	-
Zimbabwe Clubfoot Program	12,731	-
Ecuador Clubfoot Program	11,147	-
Mexico Clubfoot Program	6,583	28,917
Liberia Clubfoot Program	5,130	-
Stanford Clubfoot Connect Program	3,885	-
Peru Clubfoot Treatment	2,267	-
	<u>246,946</u>	<u>43,917</u>
Time restricted:		
Unconditional promise to give	127,933	-
	<u>\$ 374,879</u>	<u>\$ 43,917</u>

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

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RELATED PARTY TRANSACTIONS

During the years ended June 30, 2013 and 2012, the Organization received contributions from current board of director members totaling \$47,507 and \$41,315, respectively, for support of general operations.

CONCENTRATIONS

Support from one donor constitutes 74% of the total support and revenue received during the year ended June 30, 2012. There were no concentrations during the year ended June 30, 2013.

INCOME TAXES

Under the statute of limitations, the federal informational tax returns of the Organization for the years ended June 30, 2011 through 2013 are subject to examination by the U.S. Internal Revenue Service. Management evaluated tax positions for the years ended June 30, 2011 through 2013 tax returns, and concluded that there are no uncertain tax positions, and believes there is no income tax effect on the financial statements.

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, brace prototype design services, and administrative services were provided totaling \$34,282 and \$17,596, for the years ended June 30, 2013 and 2012, respectively. The remaining in-kind donations received totaling \$9,500 and \$12,535 for the years ended June 30, 2013 and 2012, respectively, 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 management's estimates.

PRIOR YEAR INFORMATION

The statements of activities and changes in net assets, and functional expenses include certain prior-year summarized comparative information in total but not by net asset class and functional category, respectively. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

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SUBSEQUENT EVENTS

In July 2013, the Organization entered into a grant agreement to fund clubfoot care programs in Tanzania totaling \$57,444 over a one-year period. Payments will be made in quarterly installments.

In August 2013, the Organization entered into a grant agreement to fund clubfoot care programs in Zimbabwe totaling \$57,835 over a one-year period. Payments will be made in quarterly installments.

Management has evaluated subsequent events for recognition or disclosure through September 23, 2013, which was 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 items noted above.