

miraclefeet

Carrboro, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the
Year Ended June 30, 2013)



CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	2-3
Exhibits:	
"A" Statements of Financial Position	4
"B" Statement of Activities and Changes in Net Assets	5
"C" Statements of Cash Flows	6
"D" Statement of Functional Expenses	7
Notes to Financial Statements	8-14

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MEMBERS:

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INDEPENDENT AUDITOR'S REPORT

Page 1 of 2

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, 2014, 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.

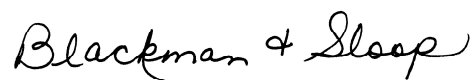
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of miraclefeet as of June 30, 2014, 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 2013 financial statements, and our report dated September 23, 2013 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, 2013, 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
November 11, 2014

MIRACLEFEET

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2014 and 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and equivalents	\$ 1,209,364	\$ 1,635,208
Promises to give	388,922	171,290
Prepaid expenses	44,891	4,171
TOTAL CURRENT ASSETS	<u>1,643,177</u>	<u>1,810,669</u>
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation	<u>6,022</u>	<u>5,324</u>
OTHER ASSETS:		
Promises to give, net of current maturities	<u>33,559</u>	<u>144,655</u>
TOTAL ASSETS	<u>\$ 1,682,758</u>	<u>\$ 1,960,648</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 25,548	\$ 16,000
Grants payable	<u>549,685</u>	<u>424,008</u>
TOTAL CURRENT LIABILITIES	<u>575,233</u>	<u>440,008</u>
LONG-TERM LIABILITIES:		
Grants payable, net of current maturities	<u>131,407</u>	<u>230,108</u>
TOTAL LIABILITIES	<u>706,640</u>	<u>670,116</u>
NET ASSETS:		
Unrestricted	576,989	961,686
Temporarily restricted	<u>399,129</u>	<u>328,846</u>
TOTAL NET ASSETS	<u>976,118</u>	<u>1,290,532</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,682,758</u>	<u>\$ 1,960,648</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, 2014

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
SUPPORT AND REVENUE:				
SUPPORT:				
Grants	\$ 403,031	\$ 245,566	\$ 648,597	\$ 680,490
Contributions	466,240	306,218	772,458	253,241
In-kind contributions	19,017	84,783	103,800	43,782
TOTAL SUPPORT	<u>888,288</u>	<u>636,567</u>	<u>1,524,855</u>	<u>977,513</u>
REVENUE:				
Interest income	<u>2,553</u>	<u>-</u>	<u>2,553</u>	<u>1,065</u>
SUBTOTAL SUPPORT AND REVENUE	<u>890,841</u>	<u>636,567</u>	<u>1,527,408</u>	<u>978,578</u>
Net assets released from restrictions	<u>566,284</u>	<u>(566,284)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,457,125</u>	<u>70,283</u>	<u>1,527,408</u>	<u>978,578</u>
EXPENSES:				
Program services	1,501,642	-	1,501,642	1,299,460
Management and general	75,053	-	75,053	93,651
Fundraising	265,127	-	265,127	116,172
TOTAL EXPENSES	<u>1,841,822</u>	<u>-</u>	<u>1,841,822</u>	<u>1,509,283</u>
CHANGES IN NET ASSETS	<u>(384,697)</u>	<u>70,283</u>	<u>(314,414)</u>	<u>(530,705)</u>
NET ASSETS - BEGINNING NET ASSETS	<u>961,686</u>	<u>328,846</u>	<u>1,290,532</u>	<u>1,821,237</u>
NET ASSETS - END OF YEAR	<u>\$ 576,989</u>	<u>\$ 399,129</u>	<u>\$ 976,118</u>	<u>\$ 1,290,532</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (314,414)	\$ (530,705)
Adjustments to reconcile changes in net assets to cash used in operating activities:		
Depreciation	2,970	1,366
Increase (decrease) in cash arising from changes in assets and liabilities:		
Promises to give	(106,536)	(142,698)
Prepaid expenses	(40,720)	(2,250)
Accounts payable	9,548	5,906
Grants payable	<u>26,976</u>	<u>468,261</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(422,176)</u>	<u>(200,120)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(3,668)</u>	<u>(5,275)</u>
NET DECREASE IN CASH AND EQUIVALENTS	(425,844)	(205,395)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>1,635,208</u>	<u>1,840,603</u>
CASH AND EQUIVALENTS - END OF YEAR	<u><u>\$ 1,209,364</u></u>	<u><u>\$ 1,635,208</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash activity:		
In-kind contributions	<u><u>\$ 103,800</u></u>	<u><u>\$ 43,782</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, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Program Services	Management and General	Fundraising	2014 Totals	2013 Totals
Program treatment and training	\$ 923,818	\$ -	\$ -	\$ 923,818	\$ 994,411
Salaries	302,340	36,475	122,780	461,595	233,996
Travel	115,494	1,080	15,239	131,813	78,644
Contract services	58,454	19,838	52,998	131,290	89,764
Accounting	18,543	5,819	10,060	34,422	26,293
Outreach and education	7,801	-	26,234	34,035	18,114
Payroll taxes	21,021	2,587	8,732	32,340	16,982
Facilities and equipment	15,760	1,940	6,545	24,245	17,380
Miscellaneous	8,379	1,813	3,261	13,453	7,162
Employee benefits	8,047	991	3,343	12,381	3,594
Special events	4,504	-	6,756	11,260	2,268
Telecommunications	6,745	514	1,739	8,998	4,978
Insurance	1,890	2,660	1,199	5,749	2,859
Supplies	3,631	225	901	4,757	1,499
Printing and copying	1,708	66	2,531	4,305	5,573
Depreciation	990	990	990	2,970	1,366
Postage	1,346	55	1,039	2,440	1,642
Website	1,171	-	780	1,951	2,758
	<u>\$ 1,501,642</u>	<u>\$ 75,053</u>	<u>\$ 265,127</u>	<u>\$ 1,841,822</u>	<u>\$ 1,509,283</u>

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

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

Page 1 of 7

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**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. 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, 2014 and 2013, all promise to give were deemed collectible by management.

MIRACLEFEET

NOTES TO FINANCIAL STATEMENTS

Page 2 of 7

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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 expensed as incurred.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts on 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.

E. 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, 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.

F. Fair Value of Financial Instruments.

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

MIRACLEFEET

NOTES TO FINANCIAL STATEMENTS

Page 3 of 7

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. 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:

	2014	2013
Receivable in less than one year	\$ 388,922	\$ 171,290
Receivable in one to five years	34,298	146,798
Total gross promises to give	423,220	318,088
Discount at a rate of 2.2% and 1.2%	(739)	(2,143)
Net present value of promises to give	<u>\$ 422,481</u>	<u>\$ 315,945</u>

PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2014	2013
Computer equipment	\$ 9,486	\$ 6,818
Office equipment	1,000	-
	10,486	6,818
Less accumulated depreciation	(4,464)	(1,494)
Net property and equipment	<u>\$ 6,022</u>	<u>\$ 5,324</u>

MIRACLEFEET

NOTES TO FINANCIAL STATEMENTS

Page 4 of 7

GRANTS

Grants made by the Organization are fully expensed at the time they are awarded and executed. During 2014 and 2013, the Organization awarded \$787,277 and \$922,754, 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>2014</u>	<u>2013</u>
Payable in less than one year	\$ 549,685	\$ 424,008
Payable in one to five years	<u>131,852</u>	<u>231,847</u>
Total gross grants payable	681,537	655,855
Discount at a rate of 0.25% and 0.75%	<u>(445)</u>	<u>(1,739)</u>
Net present value of grants payable	<u><u>\$ 681,092</u></u>	<u><u>\$ 654,116</u></u>

OPERATING LEASES

During the year ended June 30, 2013, the Organization renewed a new lease agreement for office space beginning on January 1, 2013, and expiring on December 31, 2013. Once the agreement expired, the Organization continued to rent the space on a month-to-month basis through April 2014. Monthly rent expense was \$1,200. In April 2014, the Organization moved into new office space, and a new rental agreement was signed. This agreement expires April 2017. Monthly rent for year 1 totaled \$2,600 and increases \$200 per month in year 2 and year 3. Rental expense for the years ended June 30, 2014 and 2013, totaled \$20,085 and \$14,472, respectively. Minimum future rental payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 31,600
2016	34,000
2017	<u>30,000</u>
Total required payments	<u><u>\$ 95,600</u></u>

CONDITIONAL PROMISE TO GIVE

A foundation has promised to give the Organization \$300,000 in unrestricted funds conditional upon the foundation obtaining an independent evaluation study of the Organization in the year ending June 30, 2016. If the foundation's conditions are met by the Organization, the contribution will be recorded at that time.

MIRACLEFEET

NOTES TO FINANCIAL STATEMENTS

Page 5 of 7

TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Purpose restricted:		
Ecuador Clubfoot Program	\$ 93,755	\$ 126,933
South Africa Clubfoot Program	78,000	147,000
Stanford Clubfoot Connect Program	12,875	16,116
Brazil Clubfoot Program	12,375	-
Nicaragua Clubfoot Program	2,124	38,697
Peru Clubfoot Treatment	-	100
	<u>199,129</u>	<u>328,846</u>
Time restricted:		
Unconditional promise to give	<u>200,000</u>	<u>-</u>
	<u>\$ 399,129</u>	<u>\$ 328,846</u>

NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. The amounts released during the year ended June 30, 2014 and 2013, are as follows:

	2014	2013
Purpose restricted:		
India Clubfoot Program	\$ 219,965	\$ -
South Africa Clubfoot Program	93,726	96,294
Brace Project	85,983	-
Philippines Clubfoot Program	41,000	-
Nicaragua Clubfoot Program	36,572	26,353
Ecuador Clubfoot Program	33,658	11,147
Tanzania Clubfoot Program	22,224	-
Brazil Clubfoot Program	17,625	-
Liberia Clubfoot Program	12,083	5,130
Stanford Clubfoot Connect Program	3,240	3,885
Peru Clubfoot Treatment	208	2,267
Maharashtra State Clubfoot Program in India	-	82,556
Zimbabwe Clubfoot Program	-	12,731
Mexico Clubfoot Program	-	6,583
	<u>566,284</u>	<u>246,946</u>
Time restricted:		
Unconditional promise to give	<u>-</u>	<u>127,933</u>
	<u>\$ 566,284</u>	<u>\$ 374,879</u>

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

Page 6 of 7

RELATED PARTY TRANSACTIONS

During the years ended June 30, 2014 and 2013, the Organization received contributions from current board of directors members totaling \$41,142 and \$47,507, respectively, for support of general operations.

INCOME TAXES

Under the statute of limitations, the federal informational tax returns of the Organization for the years ended June 30, 2012 through 2014 are subject to examination by the U.S. Internal Revenue Service. Management evaluated tax positions for the years ended June 30, 2012 through 2014 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 total \$86,446 and \$34,282 for the years ending June 30, 2014 and 2013, respectively. The remaining in-kind donations received, totaling \$17,354 and \$9,500 for the years ended June 30, 2014 and 2013, 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, 2013, from which the summarized information was derived.

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

Page 7 of 7

SUBSEQUENT EVENTS

In July 2014, the Organization entered into a grant agreement to fund clubfoot care programs in Nicaragua totaling \$51,827 over a twelve-month period. Payments will be made in quarterly installments.

In September 2014, the Organization entered into a grant agreement to fund clubfoot care programs in Liberia totaling \$86,878 over a ten-month period. Payments will be made in quarterly installments.

In September 2014, the Organization entered into a grant agreement to fund clubfoot care programs in Zimbabwe totaling \$113,527 over a ten-month period. Payments will be made in quarterly installments.

In September 2014, the Organization entered into a grant agreement to fund clubfoot care programs in the Philippines totaling \$29,646 over a nine-month period. Payments will be made in quarterly installments.

In October 2014, the Organization entered into a grant agreement to fund clubfoot care programs in Tanzania totaling \$67,198 over a fifteen-month period. Payments will be made in quarterly installments.

Management has evaluated subsequent events for recognition or disclosure through November 11, 2014, 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 items noted above.