

MIRACLEFEET

Carrboro, North Carolina

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Totals for the
Year Ended June 30, 2014)



BLACKMAN
 **& SLOOP**
CERTIFIED PUBLIC ACCOUNTANTS

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Carla G. Daniel, EA
Andrea Woodell Eason, CPA
Robin H. McDuffie, CPA
M. Neely McLaughlin, CPA, MBA
Joan C. Pharr, CPA



MEMBERS:

American Institute of
Certified Public Accountants

North Carolina Association of
Certified Public Accountants

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, 2015, 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.

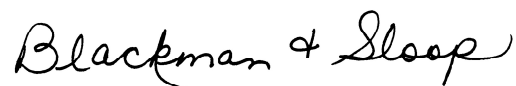
Phone/919.942.8700 • Fax/919.968.4766 • Toll Free/877.854.7530
The Exchange West at Meadowmont • 1414 Raleigh Road, Suite 300 • Chapel Hill, North Carolina 27517
www.blackmansloop.com • email: cpa@blackmansloop.com

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, 2015, 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 2014 financial statements, and our report dated November 11, 2014 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Blackman & Sloop". The script is cursive and fluid, with the ampersand clearly visible.

Chapel Hill, North Carolina
October 16, 2015

MIRACLEFEET

STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2015 and 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and equivalents	\$ 769,710	\$ 1,209,364
Promises to give	692,032	388,922
Inventory	28,778	-
Prepaid expenses	11,669	44,891
TOTAL CURRENT ASSETS	<u>1,502,189</u>	<u>1,643,177</u>
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation	<u>129,774</u>	<u>6,022</u>
OTHER ASSETS:		
Promises to give, net	<u>172,014</u>	<u>33,559</u>
TOTAL ASSETS	<u><u>\$ 1,803,977</u></u>	<u><u>\$ 1,682,758</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 17,998	\$ 25,548
Grants payable	559,339	549,685
Accrued vacation	<u>9,162</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>586,499</u>	<u>575,233</u>
LONG-TERM LIABILITIES:		
Grants payable, net	<u>193,375</u>	<u>131,407</u>
TOTAL LIABILITIES	<u>779,874</u>	<u>706,640</u>
NET ASSETS:		
Unrestricted	169,511	576,989
Temporarily restricted	<u>854,592</u>	<u>399,129</u>
TOTAL NET ASSETS	<u>1,024,103</u>	<u>976,118</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,803,977</u></u>	<u><u>\$ 1,682,758</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, 2015

(With Comparative Totals for the Year Ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Totals</u>	<u>2014 Totals</u>
SUPPORT AND REVENUE:				
SUPPORT:				
Contributions - nonprofits, foundations, trusts	\$ 986,825	\$ 841,046	\$ 1,827,871	\$ 648,597
Contributions - individuals	196,834	124,700	321,534	476,406
Contributions - businesses	28,831	160,000	188,831	296,052
In-kind contributions	96,117	2,959	99,076	103,800
TOTAL SUPPORT	<u>1,308,607</u>	<u>1,128,705</u>	<u>2,437,312</u>	<u>1,524,855</u>
REVENUE:				
Interest income	<u>2,297</u>	<u>-</u>	<u>2,297</u>	<u>2,553</u>
SUBTOTAL SUPPORT AND REVENUE	<u>1,310,904</u>	<u>1,128,705</u>	<u>2,439,609</u>	<u>1,527,408</u>
Net assets released from restrictions	<u>673,242</u>	<u>(673,242)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,984,146</u>	<u>455,463</u>	<u>2,439,609</u>	<u>1,527,408</u>
EXPENSES:				
Program services	1,875,995	-	1,875,995	1,501,642
Management and general	54,824	-	54,824	75,053
Fundraising	460,805	-	460,805	265,127
TOTAL EXPENSES	<u>2,391,624</u>	<u>-</u>	<u>2,391,624</u>	<u>1,841,822</u>
CHANGES IN NET ASSETS	<u>(407,478)</u>	<u>455,463</u>	<u>47,985</u>	<u>(314,414)</u>
NET ASSETS - BEGINNING NET ASSETS	<u>576,989</u>	<u>399,129</u>	<u>976,118</u>	<u>1,290,532</u>
NET ASSETS - END OF YEAR	<u>\$ 169,511</u>	<u>\$ 854,592</u>	<u>\$ 1,024,103</u>	<u>\$ 976,118</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 47,985	\$ (314,414)
Adjustments to reconcile changes in net assets to cash used in operating activities:		
Depreciation	18,350	2,970
Increase (decrease) in cash arising from changes in assets and liabilities:		
Promises to give	(441,565)	(106,536)
Inventory	(28,778)	-
Prepaid expenses	33,222	(40,720)
Accounts payable	(7,550)	9,548
Grants payable	71,622	26,976
Accrued vacation	9,162	-
	<u>(297,552)</u>	<u>(422,176)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(142,102)</u>	<u>(3,668)</u>
NET DECREASE IN CASH AND EQUIVALENTS	(439,654)	(425,844)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>1,209,364</u>	<u>1,635,208</u>
CASH AND EQUIVALENTS - END OF YEAR	<u><u>\$ 769,710</u></u>	<u><u>\$ 1,209,364</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash activity:		
In-kind contributions	<u><u>\$ 99,076</u></u>	<u><u>\$ 103,800</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, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Program Services	Management and General	Fundraising	2015 Totals	2014 Totals
Program treatment and training	\$ 1,157,176	\$ -	\$ -	\$ 1,157,176	\$ 923,818
Salaries	414,922	28,302	219,591	662,815	461,595
Contract services	43,452	8,722	55,909	108,083	131,290
Advertising and social media	39,774	-	62,762	102,536	-
Travel	77,052	307	18,830	96,189	131,813
Payroll taxes	29,673	1,071	19,349	50,093	32,340
Facilities and equipment	27,150	2,858	17,624	47,632	24,245
Accounting	22,544	4,457	16,486	43,487	34,422
Outreach and education	12,469	-	17,345	29,814	34,035
Miscellaneous	13,528	754	9,398	23,680	13,453
Depreciation	7,340	3,670	7,340	18,350	2,970
Employee benefits	9,878	1,040	6,412	17,330	12,381
Supplies	6,980	226	1,495	8,701	4,757
Insurance	2,175	2,971	1,660	6,806	5,749
Printing and copying	4,216	146	2,179	6,541	4,305
Telecommunications	4,234	274	1,689	6,197	8,998
Postage	1,342	26	1,840	3,208	2,440
Special events	1,385	-	594	1,979	11,260
Website	705	-	302	1,007	1,951
	<u>\$ 1,875,995</u>	<u>\$ 54,824</u>	<u>\$ 460,805</u>	<u>\$ 2,391,624</u>	<u>\$ 1,841,822</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**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, 2015 and 2014, all promises to give were deemed collectible by management.

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**D. Inventory.**

Inventory consists of brace materials. Inventory is stated based on lower of cost or market using the first-in, first-out method.

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 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.

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, 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.

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NOTES TO FINANCIAL STATEMENTS

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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:

	2015	2014
Receivable in less than one year	\$ 692,032	\$ 388,922
Receivable in one to five years	175,944	34,500
Total gross promises to give	867,976	423,422
Discount at a rate of 2.0% and 2.2%	(3,930)	(941)
Net present value of promises to give	<u>\$ 864,046</u>	<u>\$ 422,481</u>

PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2015	2014
Machinery and equipment	\$ 70,648	\$ -
Website	68,900	-
Computer equipment	10,786	9,486
Computer software	1,253	-
Office equipment	1,000	1,000
	152,587	10,486
Less accumulated depreciation	(22,813)	(4,464)
Net property and equipment	<u>\$ 129,774</u>	<u>\$ 6,022</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 2015 and 2014, the Organization awarded \$1,052,917 and \$787,277, respectively, in new grants to various international clinics to provide treatment for individuals with clubfoot.

Grants payable consist of the following at June 30:

	2015	2014
Payable in less than one year	\$ 559,339	\$ 549,685
Payable in one to five years	198,333	131,852
Total gross grants payable	757,672	681,537
Discount at a rate of 2.5% and 0.25%	(4,958)	(445)
Net present value of grants payable	<u>\$ 752,714</u>	<u>\$ 681,092</u>

OPERATING LEASES

During the year ended June 30, 2013, the Organization renewed a 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 one totaled \$2,600 and increases \$200 per month in year two and year three. Rental expense for the years ended June 30, 2015 and 2014, totaled \$31,700 and \$20,085, respectively. Minimum future rental payments are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 34,000
2017	30,000
Total required payments	<u>\$ 64,000</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.

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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:

	2015	2014
Purpose restricted:		
Ecuador Clubfoot Program	\$ 57,033	\$ 93,755
Tanzania Clubfoot Program	26,488	78,000
Process Evaluation	15,119	-
Stanford Clubfoot Connect Program	7,815	12,875
Fundraising strategy	2,184	-
Brazil Clubfoot Program	-	12,375
Nicaragua Clubfoot Program	-	2,124
	<u>108,639</u>	<u>199,129</u>
Time restricted:		
Unconditional promises to give	<u>745,953</u>	<u>200,000</u>
	<u>\$ 854,592</u>	<u>\$ 399,129</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, 2015 and 2014, are as follows:

	2015	2014
Purpose restricted:		
India Clubfoot Program	\$ 125,511	\$ 219,965
Tanzania Clubfoot Program	124,335	22,224
Brace Project	51,207	85,983
Nicaragua Clubfoot Program	42,174	36,572
Ecuador Clubfoot Program	37,662	33,658
Philippines Clubfoot Program	30,000	41,000
Nepal Clubfoot Program	28,000	-
Brazil Clubfoot Program	12,375	17,625
Process Evaluation	9,881	-
Stanford Clubfoot Connect Program	5,060	3,240
Liberia Clubfoot Program	4,221	12,083
Fundraising strategy	2,816	-
South Africa Clubfoot Program	-	93,726
Peru Clubfoot Treatment	-	208
	<u>473,242</u>	<u>566,284</u>
Time restricted:		
Unconditional promise to give	<u>200,000</u>	<u>-</u>
	<u>\$ 673,242</u>	<u>\$ 566,284</u>

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

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RELATED PARTY TRANSACTIONS

During the years ended June 30, 2015 and 2014, the Organization received contributions from current board of directors' members totaling \$69,321 and \$41,142, respectively, for support of general operations.

CONCENTRATION

Contributions from two nonprofit organizations represent approximately 50% of total contributions for the year ending June 30, 2015. A promise to give from one nonprofit organization represents approximately 73% of the balance in promises to give at June 30, 2015.

INCOME TAXES

The Organization recognizes the tax benefit from a tax position only if it is more likely than not the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any tax assets or liabilities, or related accruals for interest and penalties, for uncertain income tax positions for the years ended June 30, 2015 and 2014.

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 advertising, website maintenance, legal services, brace prototype design services, and administrative services total \$88,030 and \$86,446 for the years ending June 30, 2015 and 2014, respectively. The remaining in-kind donations received, totaling \$11,046 and \$17,354, for the years ended June 30, 2015 and 2014, respectively, represent donated braces, shoes, and supplies.

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, 2014, from which the summarized information was derived.

MIRACLEFEET**NOTES TO FINANCIAL STATEMENTS**

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SUBSEQUENT EVENTS

In August 2015, the Organization entered into four grant agreements to fund clubfoot care programs in India totaling \$313,312 over a twelve-month period. Payments will be made in quarterly installments.

In August 2015, the Organization entered into a grant agreement to fund clubfoot care programs in Liberia totaling \$98,962 over a twelve-month period. Payments will be made in quarterly installments.

In August 2015, the Organization entered into a grant agreement to fund clubfoot care programs in South Africa totaling \$59,267 over a twelve-month period. Payments will be made in quarterly installments.

In September 2015, the Organization entered into a grant agreement to fund clubfoot care programs in Zimbabwe totaling \$115,882 over a twelve-month period. Payments will be made in quarterly installments.

Management has evaluated subsequent events for recognition or disclosure through October 16, 2015, 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.