

**MIRACLEFEET
AND MIRACLEFEET UK**

Chapel Hill, North Carolina

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017



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INDEPENDENT AUDITOR'S REPORT

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The Board of Directors
MiracleFeet
Chapel Hill, North Carolina

We have audited the accompanying consolidated financial statements of MiracleFeet (a nonprofit organization) and MiracleFeet UK, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years 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 audits. We conducted our audits 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.

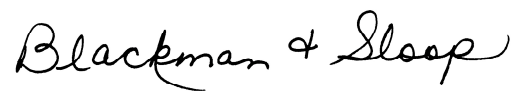
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MiracleFeet and MiracleFeet UK as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 9, 2018

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

EXHIBIT A

June 30, 2018 and 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and equivalents	\$ 1,696,470	\$ 1,329,693
Accounts receivable	940	-
Promises to give	2,401,792	2,145,313
Inventory	46,935	31,934
Prepaid expenses	23,797	27,588
TOTAL CURRENT ASSETS	<u>4,169,934</u>	<u>3,534,528</u>
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation	<u>119,035</u>	<u>77,880</u>
OTHER ASSETS:		
Promises to give, net	<u>681,379</u>	<u>1,399,917</u>
TOTAL ASSETS	<u><u>\$ 4,970,348</u></u>	<u><u>\$ 5,012,325</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 55,813	\$ 22,545
Grants payable	189,728	329,639
Accrued vacation	<u>15,774</u>	<u>12,589</u>
TOTAL CURRENT LIABILITIES	<u>261,315</u>	<u>364,773</u>
NET ASSETS:		
Unrestricted	1,201,928	645,568
Temporarily restricted	<u>3,507,105</u>	<u>4,001,984</u>
TOTAL NET ASSETS	<u>4,709,033</u>	<u>4,647,552</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,970,348</u></u>	<u><u>\$ 5,012,325</u></u>

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

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2018 and 2017

Page 1 of 2

	2018		
	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE:			
SUPPORT:			
Contributions - nonprofits, foundations, trusts	\$ 169,011	\$ 2,372,749	\$ 2,541,760
Contributions - individuals	641,977	104,751	746,728
Contributions - businesses	35,554	72,410	107,964
In-kind contributions	103,115	-	103,115
TOTAL SUPPORT	949,657	2,549,910	3,499,567
REVENUE:			
Interest and realized gains	7,767	-	7,767
SUBTOTAL SUPPORT AND REVENUE	957,424	2,549,910	3,507,334
Net assets released from restrictions	3,044,789	(3,044,789)	-
TOTAL SUPPORT AND REVENUE	4,002,213	(494,879)	3,507,334
EXPENSES:			
Program services	2,568,824	-	2,568,824
Management and general	319,611	-	319,611
Fundraising	556,657	-	556,657
FUNCTIONAL EXPENSES	3,445,092	-	3,445,092
Foreign currency exchange losses	347	-	347
Loss on disposal of fixed assets	414	-	414
TOTAL EXPENSES	3,445,853	-	3,445,853
CHANGES IN NET ASSETS	556,360	(494,879)	61,481
NET ASSETS - BEGINNING NET ASSETS	645,568	4,001,984	4,647,552
NET ASSETS - END OF YEAR	\$ 1,201,928	\$ 3,507,105	\$ 4,709,033

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

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS

EXHIBIT B

For the Years Ended June 30, 2018 and 2017

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	2017		
	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE:			
SUPPORT:			
Contributions - nonprofits, foundations, trusts	\$ 1,182,515	\$ 2,802,238	\$ 3,984,753
Contributions - individuals	197,347	215,564	412,911
Contributions - businesses	108,843	30,000	138,843
In-kind contributions	506,080	7,591	513,671
TOTAL SUPPORT	1,994,785	3,055,393	5,050,178
REVENUE:			
Interest and realized losses	(224)	-	(224)
SUBTOTAL SUPPORT AND REVENUE	1,994,561	3,055,393	5,049,954
Net assets released from restrictions	1,905,867	(1,905,867)	-
TOTAL SUPPORT AND REVENUE	3,900,428	1,149,526	5,049,954
EXPENSES:			
Program services	2,827,389	-	2,827,389
Management and general	133,729	-	133,729
Fundraising	585,883	-	585,883
FUNCTIONAL EXPENSES	3,547,001	-	3,547,001
Foreign currency exchange losses	6,548	-	6,548
Loss on disposal of fixed assets	8,669	-	8,669
TOTAL EXPENSES	3,562,218	-	3,562,218
CHANGES IN NET ASSETS	338,210	1,149,526	1,487,736
NET ASSETS - BEGINNING NET ASSETS	307,358	2,852,458	3,159,816
NET ASSETS - END OF YEAR	\$ 645,568	\$ 4,001,984	\$ 4,647,552

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

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENTS OF CASH FLOWS

EXHIBIT C

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 61,481	\$ 1,487,736
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	25,693	39,234
Loss on disposal of fixed assets	414	8,669
Donated furniture	(53,992)	-
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	(940)	-
Promises to give	462,059	(1,260,664)
Inventory	(15,001)	10,060
Prepaid expenses	3,791	(14,105)
Accounts payable	33,268	5,985
Grants payable	(139,911)	(58,889)
Accrued vacation	3,185	1,863
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>380,047</u>	<u>219,889</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(13,270)</u>	<u>(17,164)</u>
NET INCREASE IN CASH AND EQUIVALENTS	366,777	202,725
CASH AND EQUIVALENTS - BEGINNING OF YEAR	<u>1,329,693</u>	<u>1,126,968</u>
CASH AND EQUIVALENTS - END OF YEAR	<u><u>\$ 1,696,470</u></u>	<u><u>\$ 1,329,693</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash activity:		
In-kind contributions	<u><u>\$ 103,115</u></u>	<u><u>\$ 513,671</u></u>

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

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended June 30, 2018 and 2017

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	2018			
	Program Services	Management and General	Fundraising	Totals
Program - treatment and training	\$ 1,180,560	\$ -	\$ -	\$ 1,180,560
Salaries	558,346	98,314	285,488	942,148
Contract services	40,698	166,794	27,122	234,614
Travel	178,544	4,540	26,323	209,407
Program - technology	177,059	-	-	177,059
Program - other	125,277	-	-	125,277
Miscellaneous	38,947	1,610	59,393	99,950
Outreach and education	41,691	-	38,915	80,606
Facilities and equipment	45,824	7,638	22,913	76,375
Employee benefits	42,219	7,036	21,109	70,364
Payroll taxes	41,455	7,312	21,246	70,013
Accounting	23,757	11,879	23,757	59,393
Staff development and conferences	23,551	669	4,599	28,819
Depreciation	10,277	5,139	10,277	25,693
Insurance	14,394	5,914	4,248	24,556
Printing and copying	13,360	1,050	5,740	20,150
Supplies	6,365	611	2,527	9,503
Telecommunications	6,061	869	2,241	9,171
Postage	439	236	759	1,434
Loss on disposal of fixed assets	-	414	-	414
Foreign currency exchange losses	-	347	-	347
Total expenses	2,568,824	320,372	556,657	3,445,853
Less other expenses	-	(761)	-	(761)
Total functional expenses	<u>\$ 2,568,824</u>	<u>\$ 319,611</u>	<u>\$ 556,657</u>	<u>\$ 3,445,092</u>

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

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

EXHIBIT D

For the Years Ended June 30, 2018 and 2017

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	2017			
	Program Services	Management and General	Fundraising	Totals
Program - treatment and training	\$ 1,281,488	\$ -	\$ -	\$ 1,281,488
Salaries	623,322	84,528	224,811	932,661
Outreach and education	372,997	-	189,996	562,993
Program - technology	130,372	-	-	130,372
Travel	115,090	450	12,259	127,799
Payroll taxes	40,360	7,017	21,344	68,721
Program - other	67,870	-	-	67,870
Contract services	39,036	4,518	21,418	64,972
Employee benefits	38,559	5,829	17,093	61,481
Accounting	22,207	11,104	22,207	55,518
Facilities and equipment	26,427	4,716	13,828	44,971
Depreciation	15,693	7,848	15,693	39,234
Miscellaneous	15,492	1,040	21,764	38,296
Staff development and conferences	9,548	1,081	10,618	21,247
Insurance	9,348	3,609	5,113	18,070
Printing and copying	9,603	733	4,269	14,605
Loss on disposal of fixed assets	-	8,669	-	8,669
Telecommunications	4,170	883	2,260	7,313
Supplies	4,370	270	2,208	6,848
Foreign currency exchange losses	-	6,548	-	6,548
Postage	1,437	103	1,002	2,542
Total expenses	2,827,389	148,946	585,883	3,562,218
Less other expenses	-	(15,217)	-	(15,217)
Total functional expenses	<u>\$ 2,827,389</u>	<u>\$ 133,729</u>	<u>\$ 585,883</u>	<u>\$ 3,547,001</u>

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

MIRACLEFEET AND MIRACLEFEET UK**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NATURE OF ACTIVITIES

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.

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

MiracleFeet and MiracleFeet UK (hereafter, the "Organization") prepare their financial statements 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 statements of activities as net assets released from restrictions.

B. Principles of Consolidation.

The consolidated financial statements include the accounts of MiracleFeet and MiracleFeet UK, after elimination of all intercompany accounts and transactions. Consolidation is performed due to MiracleFeet exercising effective control over MiracleFeet UK. All significant intercompany accounts and transactions have been eliminated in the consolidation.

C. 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.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SIGNIFICANT ACCOUNTING POLICIES (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, 2018 and 2017, all promises to give were deemed collectible by management.

E. Inventory.

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

F. 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 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.

G. 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 donated assets be maintained in perpetuity, but may permit the Organization to use or expend part or all of the income derived from the donated assets.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Grant Expenditures.

Grants made by the Organization are fully expensed at the time they are awarded and executed, provided they are not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. Grants are included in "Program – treatment and training" on the statements of functional expenses.

I. 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.

J. 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.

MiracleFeet UK is a charitable incorporated organization and is registered with the Charity Commission of the United Kingdom.

If applicable, the Organization reports interest and penalties related to unrecognized tax positions as interest expense under management and general expenses.

PROMISES TO GIVE

Promises to give consist of the following at June 30:

	2018	2017
Receivable in less than one year	\$ 2,401,792	\$ 2,145,313
Receivable in one to five years	704,793	1,435,000
Total gross promises to give	3,106,585	3,580,313
Discount at a rate of 3.4% and 2.4%, respectively	(23,414)	(35,083)
Net present value of promises to give	<u>\$ 3,083,171</u>	<u>\$ 3,545,230</u>

The Organization has been named as a beneficiary in a number of wills. Amounts are not recorded as promises to give until they become unconditional.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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CONDITIONAL PROMISES TO GIVE

In December 2015, a foundation promised to give the Organization \$1,000,000 in funds restricted for technology development. Under the terms of the award, \$500,000 was an unconditional promise to give, while the remainder was conditional upon the Organization meeting certain project milestones in the years ending June 30, 2017 and 2018. During the year ended June 30, 2017, the Organization met certain milestones and received the first \$300,000 of this conditional funding. The remaining \$200,000 of conditional funding was received during the year ended June 30, 2018.

In April 2017, a foundation promised to give the Organization \$5,000,000 in unrestricted funds in five equal annual payments. Under the terms of the award, the first three years represent an unconditional promise to give, while the final two years, totaling \$2,000,000, are subject to substantial uncertainty and are consequently conditional promises to give. Therefore, as of June 30, 2018, only \$3,000,000 of this grant has been recognized.

PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2018	2017
Machinery and equipment	\$ 70,648	\$ 70,648
Website	16,450	16,450
Computer equipment	16,210	19,481
Computer software	1,253	1,253
Office equipment	72,454	8,213
	177,015	116,045
Less accumulated depreciation	(57,980)	(38,165)
Net property and equipment	<u>\$ 119,035</u>	<u>\$ 77,880</u>

GRANTS

During 2018 and 2017, the Organization awarded \$1,190,369 and \$1,682,781, respectively, in new grants to various international clinics to provide treatment for individuals with clubfoot. Under the terms of the grant awards, funds not spent by the grantees by the end of the grant terms revert back to the Organization. However, the Organization traditionally grants clinics funding in the following year, and any unspent funds are applied as a payment on the new grant. As of June 30, 2018, no money is expected to be paid back from any of the grantees. However, approximately \$64,896 will be applied to grants as they are awarded in the next fiscal year. If grants are not made to clinics with unspent funds, the funds will be paid back to the Organization as described in the grant agreements. No unspent funds were paid back to the Organization during the year ended June 30, 2018, but approximately \$53,134 was applied to grant payments made during the year.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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OPERATING LEASES

In April 2014, the Organization signed a rental agreement for office space. The agreement expired in April 2017, and was extended through June 30, 2017. Rent expense under the agreement totaled \$33,000 for the year ended June 30, 2017.

In May 2017, the Organization signed a three-year lease for new office space, beginning July 1, 2017, and expiring on June 30, 2020. Under the terms of the agreement, rent payments begin at \$5,326 and rise 2% after the first and second years. Rent expense under the agreement totaled \$64,696 for the year ended June 30, 2018. Minimum future rental payments are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 65,194
2020	<u>66,498</u>
	<u>\$ 131,692</u>

TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Purpose restricted:		
Google technology grant	\$ 390,582	\$ 500,019
Zimbabwe clubfoot program	110,896	240,054
Innovation program	12,000	-
Sri Lanka clubfoot program	10,930	-
Ecuador clubfoot program	6,057	32,751
Vietnam clubfoot program	4,365	38,108
Madagascar clubfoot program	<u>-</u>	<u>960</u>
	534,830	811,892
Time restricted:		
Unconditional promises to give	<u>2,972,275</u>	<u>3,190,092</u>
	<u>\$ 3,507,105</u>	<u>\$ 4,001,984</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. The amounts released during the year ended June 30, 2018 and 2017, are as follows:

	2018	2017
Purpose restricted:		
Google technology grant	\$ 309,438	\$ 227,469
Zimbabwe clubfoot program	129,158	96,224
Various clubfoot programs	50,000	-
Sri Lanka clubfoot program	49,480	30,000
Nicaragua clubfoot program	35,885	100,903
Vietnam clubfoot program	33,743	16,892
Ecuador clubfoot program	26,694	14,146
Guatemala clubfoot program	21,416	-
Cambodia clubfoot program	14,666	-
Senegal clubfoot program	4,048	7,815
Tanzania clubfoot program	3,102	500
India clubfoot program	1,094	114,304
Madagascar clubfoot program	960	29,730
Liberia clubfoot program	555	-
Congo clubfoot program	250	-
Paraguay clubfoot program	100	-
Nepal clubfoot program	-	42,130
Philippines clubfoot program	-	27,608
In-kind goods for clubfoot programs	-	7,591
Conference expenses	-	2,500
South Africa clubfoot program	-	1,284
Bolivia clubfoot program	-	925
Botswana clubfoot program	-	250
	680,589	720,271
Time restricted:		
Unconditional promises to give	2,364,200	1,185,596
	<u>\$ 3,044,789</u>	<u>\$ 1,905,867</u>

MIRACLEFEET AND MIRACLEFEET UK**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Organization received contributions from members of the board of directors totaling \$773,132 and \$66,640, respectively, for support of general operations. At June 30, 2018 and 2017, related party promises to give totaled \$18,598 and \$77,634, respectively.

CONCENTRATIONS

Contributions from four nonprofit organizations represent approximately 67% and 75% of total contributions for the years ending June 30, 2018 and 2017, respectively. Promises to give from two nonprofit organizations represent approximately 83% of the balance in promises to give at June 30, 2018, and promises to give from three nonprofit organizations represent approximately 84% of the balance at June 30, 2017.

DONATED GOODS AND 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 primarily relate to public education and awareness, advertising, brace prototype design services, legal, and administrative services, and total \$26,451 and \$506,330, for the years ending June 30, 2018 and 2017, respectively. The remaining in-kind donations received, totaling \$76,664 and \$7,341, for the years ended June 30, 2018 and 2017, respectively, represent donated equipment and supplies.

The Organization also received in-kind advertising services through television and magazine ads with a total fair value of \$3,403,579 for the year ended June 30, 2018. These donated services are far more than the Organization would have purchased absent these donations, and management believes including them in the financial statements would obscure the Organization's true activities and potentially cause the financial statements to be misleading to users. As such, these donations have been excluded from the financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation. Such reclassifications had no effect on net assets.

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SUBSEQUENT EVENTS

Subsequent to year-end, the Organization made various commitments to partner programs totaling \$1,849,282. Additionally, the Organization completed a purchase agreement, paying \$845,509 for mission-related assets from a nonprofit organization. As a part of the agreement, they received a program-restricted grant totaling \$2,562,148.

Management has evaluated subsequent events for recognition or disclosure through October 9, 2018, which was the date that the financial statements were available to be issued. Other than the items previously noted, management did not identify any other events that occurred subsequent to year-end that require disclosure in the financial statements.