

**MIRACLEFEET  
AND MIRACLEFEET UK**

Carrboro, North Carolina

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**  
(With Comparative Totals for the  
Year Ended June 30, 2016)



**BLACKMAN  
& SLOOP**  
CERTIFIED PUBLIC ACCOUNTANTS

## CONTENTS

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

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## **INDEPENDENT AUDITOR'S REPORT**

Page 1 of 2

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 statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditor's Responsibility***

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

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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.

***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, 2017, and the changes in their net assets and their 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 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Chapel Hill, North Carolina  
November 13, 2017

*Blackman & Sloop*

## MIRACLEFEET AND MIRACLEFEET UK

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## EXHIBIT A

June 30, 2017 and 2016

|   | <u>ASSETS</u>              |                            |
|---|----------------------------|----------------------------|
|   | <u>2017</u>                | <u>2016</u>                |
| <b>CURRENT ASSETS:</b>                                  |                            |                            |
| Cash and equivalents                                    | \$ 1,329,693               | \$ 1,126,968               |
| Promises to give  | 2,145,313                  | 1,672,677                  |
| Inventory   | 31,934                     | 41,994                     |
| Prepaid expenses  | 27,588                     | 13,483                     |
| <b>TOTAL CURRENT ASSETS</b>                             | <u>3,534,528</u>           | <u>2,855,122</u>           |
| <b>PROPERTY AND EQUIPMENT:</b>                          |                            |                            |
| Property and equipment, net of accumulated depreciation | <u>77,880</u>              | <u>108,619</u>             |
| <b>OTHER ASSETS:</b>                                    |                            |                            |
| Promises to give, net                                   | <u>1,399,917</u>           | <u>611,889</u>             |
| <b>TOTAL ASSETS</b>                                     | <u><u>\$ 5,012,325</u></u> | <u><u>\$ 3,575,630</u></u> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>                |                            |                            |
| <b>CURRENT LIABILITIES:</b>                             |                            |                            |
| Accounts payable  | \$ 22,545                  | \$ 16,560                  |
| Grants payable  | 329,639                    | 388,528                    |
| Accrued vacation  | <u>12,589</u>              | <u>10,726</u>              |
| <b>TOTAL CURRENT LIABILITIES</b>                        | <u>364,773</u>             | <u>415,814</u>             |
| <b>NET ASSETS:</b>                                      |                            |                            |
| Unrestricted  | 645,568                    | 307,358                    |
| Temporarily restricted                                  | <u>4,001,984</u>           | <u>2,852,458</u>           |
| <b>TOTAL NET ASSETS</b>                                 | <u>4,647,552</u>           | <u>3,159,816</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                 | <u><u>\$ 5,012,325</u></u> | <u><u>\$ 3,575,630</u></u> |

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

## MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENT OF ACTIVITIES  
AND CHANGES IN NET ASSETS

EXHIBIT B

For the Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>2017<br/>Totals</u> | <u>2016<br/>Totals</u> |
|---|---------------------|-----------------------------------|------------------------|------------------------|
| <b>SUPPORT AND REVENUE:</b>                     |                     |                                   |                        |                        |
| <b>SUPPORT:</b>                                 |                     |                                   |                        |                        |
| Contributions - nonprofits, foundations, trusts | \$ 1,182,515        | \$ 2,802,238                      | \$ 3,984,753           | \$ 3,857,588           |
| Contributions - individuals                     | 197,347             | 215,564                           | 412,911                | 424,775                |
| Contributions - businesses                      | 108,843             | 30,000                            | 138,843                | 176,195                |
| In-kind contributions                           | 506,080             | 7,591                             | 513,671                | 141,170                |
| <b>TOTAL SUPPORT</b>                            | <b>1,994,785</b>    | <b>3,055,393</b>                  | <b>5,050,178</b>       | <b>4,599,728</b>       |
| <b>REVENUE:</b>                                 |                     |                                   |                        |                        |
| Interest and realized gains (losses)            | (224)               | -                                 | (224)                  | (459)                  |
| <b>SUBTOTAL SUPPORT AND REVENUE</b>             | <b>1,994,561</b>    | <b>3,055,393</b>                  | <b>5,049,954</b>       | <b>4,599,269</b>       |
| Net assets released from restrictions           | 1,905,867           | (1,905,867)                       | -                      | -                      |
| <b>TOTAL SUPPORT AND REVENUE</b>                | <b>3,900,428</b>    | <b>1,149,526</b>                  | <b>5,049,954</b>       | <b>4,599,269</b>       |
| <b>EXPENSES:</b>                                |                     |                                   |                        |                        |
| Program services                                | 2,827,389           | -                                 | 2,827,389              | 1,844,023              |
| Management and general                          | 133,729             | -                                 | 133,729                | 73,261                 |
| Fundraising                                     | 585,883             | -                                 | 585,883                | 546,272                |
| <b>SUBTOTAL EXPENSES</b>                        | <b>3,547,001</b>    | <b>-</b>                          | <b>3,547,001</b>       | <b>2,463,556</b>       |
| Foreign currency exchange losses                | 6,548               | -                                 | 6,548                  | -                      |
| Loss on disposal of fixed assets                | 8,669               | -                                 | 8,669                  | -                      |
| <b>TOTAL EXPENSES</b>                           | <b>3,562,218</b>    | <b>-</b>                          | <b>3,562,218</b>       | <b>2,463,556</b>       |
| <b>CHANGES IN NET ASSETS</b>                    | <b>338,210</b>      | <b>1,149,526</b>                  | <b>1,487,736</b>       | <b>2,135,713</b>       |
| <b>NET ASSETS - BEGINNING NET ASSETS</b>        | <b>307,358</b>      | <b>2,852,458</b>                  | <b>3,159,816</b>       | <b>1,024,103</b>       |
| <b>NET ASSETS - END OF YEAR</b>                 | <b>\$ 645,568</b>   | <b>\$ 4,001,984</b>               | <b>\$ 4,647,552</b>    | <b>\$ 3,159,816</b>    |

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 Ending June 30, 2017 and 2016

|  | <u>2017</u>                | <u>2016</u>                |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                            |                            |
| Changes in net assets  | \$ 1,487,736               | \$ 2,135,713               |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: |                            |                            |
| Depreciation   | 39,234                     | 37,049                     |
| Loss on disposal of fixed assets   | 8,669                      | -                          |
| Increase (decrease) in cash arising from changes in assets and liabilities:              |                            |                            |
| Promises to give   | (1,260,664)                | (1,420,520)                |
| Inventory  | 10,060                     | (13,216)                   |
| Prepaid expenses   | (14,105)                   | (1,814)                    |
| Accounts payable   | 5,985                      | (1,438)                    |
| Grants payable   | (58,889)                   | (364,186)                  |
| Accrued vacation   | 1,863                      | 1,564                      |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <u>219,889</u>             | <u>373,152</u>             |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>  |                            |                            |
| Purchase of property and equipment   | <u>(17,164)</u>            | <u>(15,894)</u>            |
| <b>NET INCREASE IN CASH AND EQUIVALENTS</b>  | 202,725                    | 357,258                    |
| <b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>  | <u>1,126,968</u>           | <u>769,710</u>             |
| <b>CASH AND EQUIVALENTS - END OF YEAR</b>  | <u><u>\$ 1,329,693</u></u> | <u><u>\$ 1,126,968</u></u> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>   |                            |                            |
| Non-cash activity:   |                            |                            |
| In-kind contributions  | <u><u>\$ 513,671</u></u>   | <u><u>\$ 141,170</u></u>   |

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

## MIRACLEFEET AND MIRACLEFEET UK

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

## EXHIBIT D

**For the Year Ended June 30, 2017**  
**(With Comparative Totals for the Year Ended June 30, 2016)**

|                                  | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>2017<br/>Totals</b> | <b>2016<br/>Totals</b> |
|----------------------------------|-----------------------------|-----------------------------------|--------------------|------------------------|------------------------|
| Program - treatment and training | \$ 1,180,270                | \$ -                              | \$ -               | \$ 1,180,270           | \$ 762,947             |
| Salaries                         | 623,322                     | 84,528                            | 224,811            | 932,661                | 866,979                |
| Outreach and education           | 372,997                     | -                                 | 189,996            | 562,993                | 120,962                |
| Program - other                  | 169,088                     | -                                 | -                  | 169,088                | 171,201                |
| Program - technology             | 130,372                     | -                                 | -                  | 130,372                | 12,500                 |
| Travel                           | 115,090                     | 450                               | 12,259             | 127,799                | 118,463                |
| Payroll taxes                    | 40,360                      | 7,017                             | 21,344             | 68,721                 | 71,114                 |
| Contract services                | 39,036                      | 4,518                             | 21,418             | 64,972                 | 73,075                 |
| Employee benefits                | 32,667                      | 5,829                             | 17,093             | 55,589                 | 47,108                 |
| Accounting                       | 22,207                      | 11,104                            | 22,207             | 55,518                 | 52,212                 |
| Facilities and equipment         | 26,427                      | 4,716                             | 13,828             | 44,971                 | 47,190                 |
| Miscellaneous                    | 15,492                      | 1,040                             | 21,764             | 38,296                 | 37,162                 |
| Depreciation                     | 15,693                      | 7,848                             | 15,693             | 39,234                 | 37,049                 |
| Insurance                        | 15,240                      | 3,609                             | 5,113              | 23,962                 | 13,138                 |
| Staff development and conference | 9,548                       | 1,081                             | 10,618             | 21,247                 | 11,711                 |
| Printing and copying             | 9,603                       | 733                               | 4,269              | 14,605                 | 6,745                  |
| Loss on disposal of fixed assets | -                           | 8,669                             | -                  | 8,669                  | -                      |
| Telecommunications               | 4,170                       | 883                               | 2,260              | 7,313                  | 7,445                  |
| Supplies                         | 4,370                       | 270                               | 2,208              | 6,848                  | 4,068                  |
| Foreign currency exchange losses | -                           | 6,548                             | -                  | 6,548                  | -                      |
| Postage                          | 1,437                       | 103                               | 1,002              | 2,542                  | 2,487                  |
| <b>Total expenses</b>            | <b>2,827,389</b>            | <b>148,946</b>                    | <b>585,883</b>     | <b>3,562,218</b>       | <b>2,463,556</b>       |
| <b>Less other expenses</b>       | <b>-</b>                    | <b>(15,217)</b>                   | <b>-</b>           | <b>(15,217)</b>        | <b>-</b>               |
| <b>Total functional expenses</b> | <b>\$ 2,827,389</b>         | <b>\$ 133,729</b>                 | <b>\$ 585,883</b>  | <b>\$ 3,547,001</b>    | <b>\$ 2,463,556</b>    |

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



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

Page 1 of 7

**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 statement 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**

Page 2 of 7

**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, 2017 and 2016, 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 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.

## MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Page 3 of 7

**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.

## 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 general and administrative expenses.

**PROMISES TO GIVE**

Promises to give consist of the following at June 30:

|   | <u>2017</u>                | <u>2016</u>                |
|---|----------------------------|----------------------------|
| Receivable in less than one year                  | \$ 2,145,313               | \$ 1,672,677               |
| Receivable in one to five years                   | <u>1,435,000</u>           | <u>623,927</u>             |
| Total gross promises to give                      | 3,580,313                  | 2,296,604                  |
| Discount at a rate of 2.4% and 1.8%, respectively | <u>(35,083)</u>            | <u>(12,038)</u>            |
| Net present value of promises to give             | <u><u>\$ 3,545,230</u></u> | <u><u>\$ 2,284,566</u></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

Page 4 of 7

**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.

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, 2017, only \$3,000,000 of this grant has been recognized.

**PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

|                               | 2017             | 2016              |
|-------------------------------|------------------|-------------------|
| Machinery and equipment       | \$ 70,648        | \$ 70,648         |
| Website                       | 16,450           | 77,100            |
| Computer equipment            | 19,481           | 18,480            |
| Computer software             | 1,253            | 1,253             |
| Office equipment              | 8,213            | 1,000             |
|                               | 116,045          | 168,481           |
| Less accumulated depreciation | (38,165)         | (59,862)          |
| Net property and equipment    | <u>\$ 77,880</u> | <u>\$ 108,619</u> |

**GRANTS**

During 2017 and 2016, the Organization awarded \$1,682,781 and \$1,018,210, 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.

## MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Page 5 of 7

**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 and \$37,000, for the years ended June 30, 2017 and 2016, respectively.

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. Minimum future rental payments are as follows:

| <u>Year Ending June 30,</u> |                   |
|-----------------------------|-------------------|
| 2018                        | \$ 63,916         |
| 2019                        | 65,194            |
| 2020                        | <u>66,498</u>     |
|                             | <u>\$ 195,608</u> |

**TEMPORARILY RESTRICTED NET ASSETS**

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

|                                   | <u>2017</u>         | <u>2016</u>         |
|-----------------------------------|---------------------|---------------------|
| Purpose restricted:               |                     |                     |
| Google technology grant           | \$ 500,019          | \$ 427,490          |
| Zimbabwe clubfoot program         | 240,054             | 332,785             |
| Vietnam clubfoot program          | 38,108              | -                   |
| Ecuador clubfoot program          | 32,751              | 46,896              |
| Madagascar clubfoot program       | 960                 | -                   |
| India clubfoot program            | -                   | 113,304             |
| Nicaragua clubfoot program        | -                   | 60,653              |
| Phillipines clubfoot program      | -                   | 27,608              |
| Nepal clubfoot program            | -                   | 17,105              |
| Stanford Clubfoot Connect program | -                   | 7,815               |
| Conference expenses               | <u>-</u>            | <u>2,500</u>        |
|                                   | 811,892             | 1,036,156           |
| Time restricted:                  |                     |                     |
| Unconditional promises to give    | <u>3,190,092</u>    | <u>1,816,302</u>    |
|                                   | <u>\$ 4,001,984</u> | <u>\$ 2,852,458</u> |

## MIRACLEFEET AND MIRACLEFEET UK

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Page 6 of 7

**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, 2017 and 2016, are as follows:

|                                     | 2017                | 2016              |
|-------------------------------------|---------------------|-------------------|
| Purpose restricted:                 |                     |                   |
| Google technology grant             | \$ 227,469          | \$ 72,510         |
| India clubfoot program              | 114,304             | 15,000            |
| Zimbabwe clubfoot program           | 96,224              | 117,111           |
| Nicaragua clubfoot program          | 100,903             | 448               |
| Nepal clubfoot program              | 42,130              | 18,801            |
| Sri Lanka clubfoot program          | 30,000              | -                 |
| Madagascar clubfoot program         | 29,730              | -                 |
| Philippines clubfoot program        | 27,608              | -                 |
| Vietnam clubfoot program            | 16,892              | -                 |
| Ecuador clubfoot program            | 14,146              | 10,137            |
| Stanford Clubfoot Connect program   | 7,815               | -                 |
| In-kind goods for clubfoot programs | 7,591               | -                 |
| Conference expenses                 | 2,500               | 2,500             |
| South Africa clubfoot program       | 1,284               | -                 |
| Bolivia clubfoot program            | 925                 | -                 |
| Tanzania clubfoot program           | 500                 | 53,428            |
| Botswana clubfoot program           | 250                 | -                 |
| Process evaluation                  | -                   | 15,119            |
| Brace project                       | -                   | 14,410            |
| Paraguay clubfoot program           | -                   | 3,381             |
| Fundraising strategy                | -                   | 2,184             |
| Liberia clubfoot program            | -                   | 639               |
|                                     | <u>720,271</u>      | <u>325,668</u>    |
| Time restricted:                    |                     |                   |
| Unconditional promise to give       | 1,185,596           | 315,661           |
|                                     | <u>\$ 1,905,867</u> | <u>\$ 641,329</u> |

**RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2017 and 2016, the Organization received contributions from members of the board of directors totaling \$66,640 and \$57,280, respectively, for support of general operations. At June 30, 2017 and 2016, related party promises to give totaled \$77,634 and \$102,000, respectively.

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

Page 7 of 7

**CONCENTRATIONS**

Contributions from four nonprofit organizations represent approximately 75% and 60% of total contributions for the years ending June 30, 2017 and 2016, respectively. Promises to give from three nonprofit organizations represent approximately 84% and 82% of the balance in promises to give at June 30, 2017 and 2016, respectively.

**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 primarily relate to public education and awareness, advertising, brace prototype design services, legal, and administrative services, and total \$506,330 and \$124,532, for the years ending June 30, 2017 and 2016, respectively. The remaining in-kind donations received, totaling \$7,341 and \$16,638, for the years ended June 30, 2017 and 2016, 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 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 2016 financial statements in order to conform to the 2017 presentation. Such reclassifications had no effect on net assets.

**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, 2016, from which the summarized information was derived.

**SUBSEQUENT EVENTS**

Subsequent to year-end, the Organization made various commitments to partner programs totaling \$903,142. The Organization also received a new \$1,500,000 pledge from a donor, to be paid in equal installments over three years. Management has evaluated subsequent events for recognition or disclosure through November 13, 2017, 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.