

CONSOLIDATED FINANCIAL STATEMENTS



MIRACLEFEET AND MIRACLEFEET UK

**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

MIRACLEFEET AND MIRACLEFEET UK

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MiracleFeet
MiracleFeet UK
Chapel Hill, North Carolina

We have audited the accompanying consolidated financial statements of MiracleFeet and MiracleFeet UK (collectively MiracleFeet), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and change 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 consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MiracleFeet as of June 30, 2021, and the consolidated change in their net assets, consolidated functional expenses and consolidated 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



October 8, 2021

MIRACLEFEET AND MIRACLEFEET UK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,253,040	\$ 4,459,953
Advances to partners	99,341	67,553
Promises to give	2,902,957	3,038,783
Grants receivable	57,124	-
Inventory	100,807	227,575
Prepaid expenses and other assets	253,046	52,745
Total current assets	<u>7,666,315</u>	<u>7,846,609</u>
FIXED ASSETS		
Property and equipment, net of accumulated depreciation and amortization of \$122,048	101,948	118,329
NONCURRENT ASSETS		
Intangible assets, net of accumulated amortization	74,017	95,165
Promises to give, net of current portion and present value discount	1,603,666	3,036,966
Total noncurrent assets	<u>1,677,683</u>	<u>3,132,131</u>
TOTAL ASSETS	\$ 9,445,946	\$ 11,097,069
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable	\$ 289,582	\$ 214,585
Accounts payable	111,004	41,258
Accrued vacation	26,371	40,482
Total liabilities	<u>426,957</u>	<u>296,325</u>
NET ASSETS		
Without donor restrictions	3,603,482	3,965,825
With donor restrictions	5,415,507	6,834,919
Total net assets	<u>9,018,989</u>	<u>10,800,744</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 9,445,946	\$ 11,097,069

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions - nonprofits, foundations, trusts	\$ 848,570	\$ 1,899,114	\$ 2,747,684	\$ 7,649,630
Contributions - individuals	821,033	20,253	841,286	706,392
Contributions - businesses	19,792	72,000	91,792	150,052
Government grants	387,903	-	387,903	-
Interest and other	5,667	-	5,667	5,804
In-kind contributions	130,416	-	130,416	148,296
Net assets released from donor restrictions	<u>3,410,779</u>	<u>(3,410,779)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,624,160</u>	<u>(1,419,412)</u>	<u>4,204,748</u>	<u>8,660,174</u>
EXPENSES				
Program Services	<u>4,768,957</u>	<u>-</u>	<u>4,768,957</u>	<u>4,229,683</u>
Supporting Services:				
Management and General	510,170	-	510,170	417,059
Development and Fundraising	<u>708,046</u>	<u>-</u>	<u>708,046</u>	<u>602,787</u>
Total supporting services	<u>1,218,216</u>	<u>-</u>	<u>1,218,216</u>	<u>1,019,846</u>
Total expenses	<u>5,987,173</u>	<u>-</u>	<u>5,987,173</u>	<u>5,249,529</u>
Change in net assets before other items	(363,013)	(1,419,412)	(1,782,425)	3,410,645
OTHER ITEMS				
Foreign currency exchange gain (loss)	2,720	-	2,720	(72,135)
Loss on disposal of fixed assets	<u>(2,050)</u>	<u>-</u>	<u>(2,050)</u>	<u>(3,738)</u>
Change in net assets	(362,343)	(1,419,412)	(1,781,755)	3,334,772
Net assets at beginning of year	<u>3,965,825</u>	<u>6,834,919</u>	<u>10,800,744</u>	<u>7,465,972</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,603,482</u>	<u>\$ 5,415,507</u>	<u>\$ 9,018,989</u>	<u>\$ 10,800,744</u>

MIRACLEFEET AND MIRACLEFEET UK

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021				2020	
	Program Services	Supporting Services			Total Expenses	Total Expenses
		Management and General	Development and Fundraising	Total Supporting Services		
Treatment and training, including partner grants	\$ 2,886,110	\$ -	\$ -	\$ -	\$ 2,886,110	\$ 2,463,317
Salaries	797,476	316,707	419,810	736,517	1,533,993	1,244,214
Payroll taxes	59,209	23,559	33,216	56,775	115,984	86,918
Employee benefits	79,747	27,955	39,304	67,259	147,006	102,293
Depreciation and amortization	22,850	5,713	21,148	26,861	49,711	162,012
International consultants	379,491	-	-	-	379,491	269,058
Translation, research and association dues	61,190	588	657	1,245	62,435	13,446
Travel	10,113	-	10	10	10,123	124,010
Contract services	95,288	29,475	36,964	66,439	161,727	202,520
Digital tools and technology	177,128	-	-	-	177,128	156,518
Printing and copying	2,094	63	8,032	8,095	10,189	10,878
Facilities and equipment	44,974	15,432	21,547	36,979	81,953	76,111
Subscriptions	3,841	30,731	32,317	63,048	66,889	34,770
Miscellaneous	8,611	2,579	19,438	22,017	30,628	53,158
Accounting	13,007	42,090	6,504	48,594	61,601	79,542
Insurance	25,884	9,930	3,504	13,434	39,318	33,686
Outreach and education	74,083	-	53,760	53,760	127,843	35,046
Staff development and conferences	17,281	4,055	5,003	9,058	26,339	88,320
Telecommunications	5,930	881	1,039	1,920	7,850	7,633
Supplies	4,022	306	1,371	1,677	5,699	4,072
Postage	628	106	4,422	4,528	5,156	2,007
TOTAL	\$ 4,768,957	\$ 510,170	\$ 708,046	\$ 1,218,216	\$ 5,987,173	\$ 5,249,529

See accompanying notes to consolidated financial statements.

MIRACLEFEET AND MIRACLEFEET UK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,781,755)	\$ 3,334,772
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	49,711	162,012
Loss on disposal of fixed assets	2,050	3,738
Forgiveness of debt	(214,585)	-
Change in discount on noncurrent receivables	(2,398)	(90,585)
Receipt of contributed securities	(56,884)	(110,057)
Proceeds from sale of contributed securities	56,884	110,057
(Increase) decrease in:		
Advances to partners	(31,788)	15,669
Promises to give	1,571,524	(2,442,931)
Grants receivable	(57,124)	-
Inventory	126,768	(150,714)
Prepaid expenses and other assets	(200,301)	138,099
Increase (decrease) in:		
Accounts payable	69,746	13,338
Accrued vacation	(14,111)	24,988
Net cash (used) provided by operating activities	<u>(482,263)</u>	<u>1,008,386</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(14,232)</u>	<u>(57,626)</u>
Net cash used by investing activities	<u>(14,232)</u>	<u>(57,626)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds received	<u>289,582</u>	<u>214,585</u>
Net cash provided by financing activities	<u>289,582</u>	<u>214,585</u>
Net (decrease) increase in cash and cash equivalents	(206,913)	1,165,345
Cash and cash equivalents at beginning of year	<u>4,459,953</u>	<u>3,294,608</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,253,040</u>	<u>\$ 4,459,953</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

MiracleFeet is a non-profit organization, incorporated and located in the State of North Carolina. MiracleFeet increases access to proper treatment for children born with clubfoot in low and middle-income countries through partnerships with local healthcare providers. 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 counties and to educate the public about untreated clubfoot in children.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MiracleFeet and MiracleFeet UK's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Principles of consolidation -

The accompanying financial statements represent the activity of MiracleFeet and MiracleFeet UK (together, "MiracleFeet").

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Principles of consolidation -

For the year ended June 30, 2021, the financial statements of MiracleFeet UK have been consolidated with MiracleFeet in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*, as MiracleFeet exercises significant influence and control over MiracleFeet UK.

Cash and cash equivalents -

MiracleFeet considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000.

At times during the year, MiracleFeet maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

MiracleFeet maintained \$47,682 of cash and cash equivalents in financial institutions in the United Kingdom as of June 30, 2021. The majority of funds invested in foreign bank accounts are uninsured.

Grants receivable -

Grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Advances to partners -

Advances to partners represent project funds provided to partners that have not been liquidated as of the Consolidated Statement of Financial Position date. All amounts are considered current and collectible (if reimbursement was sought by MiracleFeet).

Promises to give -

Promises to give are recorded at their net realizable value, which approximates fair value. Promises to give that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using a risk-adjusted interest rate. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All amounts are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Inventory -

Inventory consists of finished MiracleFeet clubfoot abduction braces and is measured at the lower of cost or net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11, *Simplifying the Measurement of Inventory*. Braces are distributed to partner organizations and are recorded as a grant expense at the time of distribution.

Fixed assets -

Fixed assets acquisitions in excess of \$750 are capitalized and stated at cost.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets -

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

MiracleFeet is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. MiracleFeet is not a private foundation.

MiracleFeet UK is a charitable incorporated organization governed under the laws of the United Kingdom.

Uncertain tax positions -

For the year ended June 30, 2021, MiracleFeet has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Risk and uncertainties -

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. Potential negative financial or operational impacts from COVID-19 are unknown at this time.

Revenue recognition -

The majority of MiracleFeet's revenue is received through contributions from nonprofits, foundations, trusts and other entities.

Contributions are recognized in the appropriate category of net assets in the period received. MiracleFeet performs an analysis of the individual awards to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

Contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision, and the recipient entity has limited discretion over how funds transferred should be spent (through donor imposed barriers). As such, MiracleFeet recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred).

Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of June 30, 2021, MiracleFeet had approximately \$180,855 in unrecognized revenue under conditional assistance awards.

In-kind contributions -

In-kind contributions consist of professional services including legal, engineering, consulting and advertising. In-kind contributions are recorded at their fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to MiracleFeet; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing MiracleFeet's programs and other activities have been summarized on a functional basis in the accompanying Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among program services and supporting services benefited.

MiracleFeet defines its Program Services expenses as direct costs specifically attributable to enhancing its program activities and ultimately furthering the organization's mission. Supporting Services expenses include the following categories: Management and General, and Development and Fundraising. Management and General expenses are costs which the organization incurs in connection with carrying out its mission-related programs but cannot be specifically identified or directly allocated to a specific program or project.

Development expenses are costs which the organization incurs in support of its fundraising function but cannot be specifically identified or directly allocated to a specific fundraising activity.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses (continued) -

Fundraising expenses are specifically attributable to the activities related to raising funds. For the purposes of the consolidated financial statements (as well as for IRS Form 990), Development and Fundraising expenses have been combined into a single category.

Directly identifiable expenses are charged to their applicable functional category. Expenses attributable to various functions are allocated in reasonable ratios determined by management. Salaries, employee benefits, and other payroll-related expenses are allocated based on estimates of time and effort. Other expenses, unless directly allocated, are allocated to functional categories based on the same percentage as personnel or other reasonable basis.

Reclassification -

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

MiracleFeet plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. PROMISES TO GIVE

As of June 30, 2021, MiracleFeet has received commitments for support from donors of which \$4,535,862 remained due and outstanding. Promises to give beyond one year of the Consolidated Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 1.20%. Promises to give are due as follows as of June 30, 2021:

Less than one year	\$ 2,902,957
One to five years	<u>1,632,905</u>
Total	4,535,862
Less: Current portion	(2,902,957)
Less: Present value discount (1.20%)	<u>(29,239)</u>
NONCURRENT PROMISES TO GIVE	<u>\$ 1,603,666</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

3. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2021:

Machinery and equipment	\$ 107,898
Website	14,529
Computer equipment	27,862
Computer software	1,253
Office equipment	<u>72,454</u>
Subtotal	223,996
Less: Accumulated depreciation and amortization	<u>(122,048)</u>
NET FIXED ASSETS	<u>\$ 101,948</u>

Depreciation expense for the year ended June 30, 2021 totaled \$28,563.

4. INTANGIBLE ASSETS

In 2018, MiracleFeet completed a purchase agreement with a Chapter 11 Trustee of WonderWork, Inc., a nonprofit organization that had filed for bankruptcy. As part of the agreement, MiracleFeet received a program-restricted grant totaling \$2,562,148, as well as mission-related assets, including a list of potential donors. The total purchase price of \$845,509 was capitalized, with \$145,391 of the purchase price attributed to the donor list, and the remaining \$700,118 assigned to the grant funds. Amortization related to the intangible asset totaled \$21,148 for the year ended June 30, 2021. The unamortized intangible asset is included in the accompanying Consolidated Statement of Financial Position, with a net value aggregating \$74,017 as of June 30, 2021.

5. PPP LOANS

On April 21, 2020, MiracleFeet entered into a two-year promissory note agreement in the amount of \$214,585 with a 1% fixed interest rate under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met.

MiracleFeet applied for forgiveness on March 24, 2021, and received forgiveness of \$214,585 in principal and \$1,969 in interest from the Small Business Administration on April 15, 2021. The amount of loan forgiveness is included in Government grants in the accompanying Consolidated Statement of Activities and Change in Net Assets.

On March 30, 2021, MiracleFeet entered into a five-year promissory note agreement in the amount of \$289,582 with a 1% fixed interest rate under the Paycheck Protection Program (PPP). The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. MiracleFeet intends to apply for forgiveness after completing the 24 week period.

If forgiveness is granted, MiracleFeet will record Government grant revenue during the period that forgiveness was approved. Management expects forgiveness to be granted prior to June 30, 2022, accordingly, the loan liability has been presented as a current liability in the accompanying Consolidated Statement of Financial Position.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2021:

Subject to expenditure for specified purpose:	
Tanzania, Uganda, and Madagascar clubfoot programs	\$ 777,477
Zimbabwe clubfoot program	53,876
Paraguay clubfoot program	49,827
Peru clubfoot program	17,032
Guatemala clubfoot program	6,333
Morocco clubfoot program	<u>4,339</u>
Total purpose restricted net assets	908,884
Time restricted	<u>4,506,623</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 5,415,507</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Tanzania, Uganda, and Madagascar clubfoot programs	\$ 782,007
Africa clubfoot programs	250,000
Zimbabwe clubfoot program	130,699
Mali and Nigeria clubfoot programs	100,000
Paraguay clubfoot program	56,683
Nicaragua clubfoot program	35,000
Sri Lanka clubfoot program	30,000
Madagascar clubfoot program	30,000
Cambodia clubfoot program	26,000
Guatemala clubfoot program	21,967
Nigeria clubfoot program	10,000
Peru clubfoot program	8,968
Morocco clubfoot program	7,661
Uganda clubfoot program	4,026
Professional development	4,000
Senegal clubfoot program	596
Nigeria clubfoot program	200
Liberia clubfoot program	130
Passage of time	<u>1,912,842</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,410,779</u>

7. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2021, MiracleFeet was the beneficiary of donated goods and services which allowed MiracleFeet to provide greater resources toward its programs.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

7. IN-KIND CONTRIBUTIONS (Continued)

Following is a schedule of contributions, presented by natural expense category, which have been recorded as revenue and expense in the accompanying Consolidated Statement of Activities and Change in Net Assets during the year ended June 30, 2021.

Donated legal services	\$ 45,661
Donated advertising	135
Donated furniture	625
Donated brace design and inventory management	61,328
Donated consulting	19,672
Donated supplies (masks and gift card)	<u>2,995</u>
TOTAL	<u>\$ 130,416</u>

During the year ended June 30, 2021, MiracleFeet also received donated advertising services (through magazine advertisements) with a total fair value of \$563,456. In the ordinary course of business, the aforementioned services would not have been procured by MiracleFeet, and accordingly management is of the opinion that including these amounts in its consolidated financial statements would distort MiracleFeet's actual mission-related activities, and potentially be misleading to the readers of the statements. Accordingly, the aforementioned contributions have not been included in the accompanying consolidated financial statements.

8. LIQUIDITY AND AVAILABILITY

Financial assets available for use within one year of the Consolidated Statement of Financial Position, comprise the following:

Cash and cash equivalents	\$ 4,253,040
Grants receivable	57,124
Promises to give	<u>2,902,957</u>
Subtotal financial assets available within one year	7,213,121
Less: Donor purpose restricted funds	<u>(908,884)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 6,304,237</u>

MiracleFeet has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2021, MiracleFeet has financial assets equal to approximately thirteen months of operating expenses.

9. LEASE COMMITMENTS

During the year ended June 30, 2021, MiracleFeet signed a lease agreement for office space beginning on July 1, 2020 and expiring on June 30, 2023. Base rent is \$6,503 per month, increasing by a factor of 2% per year.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

9. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending June 30,

2022	\$	79,595
2023		<u>81,187</u>
	\$	<u><u>160,782</u></u>

Rent expense for the year ended June 30, 2021 was \$78,034, and is in Facilities and equipment on the Consolidated Statement of Functional Expenses.

10. RETIREMENT PLAN

MiracleFeet provides retirement benefits to its employees through a defined contribution plan covering all employees. MiracleFeet provides a 100% match of each eligible employee's contribution, up to 4% of covered compensation. Contributions to the Plan during the year ended June 30, 2021 totaled \$57,347.

11. RELATED PARTIES

During the year ended June 30, 2021, MiracleFeet received contributions from members of the Board of Directors totaling \$479,397.

MiracleFeet's partner in India, the MiracleFeet Foundation for Eliminating Clubfoot (MiracleFeet India), is a nonprofit also focused on eliminating the disability caused by clubfoot. Both organizations have aligned missions, as well as one common Board member. MiracleFeet does not exercise control over MiracleFeet India, nor does it have voting power. Accordingly, MiracleFeet India's financials have not been included in the accompanying consolidated financial statements.

During the year ended June 30, 2021, MiracleFeet entered into a Memorandum of Understanding with MiracleFeet Switzerland, a fund operating under the Kyria Foundation based in Zurich, Switzerland. The Kyria Foundation, through MiracleFeet Switzerland, accepts funds from donors in Switzerland wishing to support MiracleFeet's work. The funds are collected by Kyria and distributed to MiracleFeet's Cambodia partner upon request of funds. During the year ended June 30, 2021, \$21,643 was collected and distributed from Kyria, through MiracleFeet Switzerland, to NextSteps, MiracleFeet's Cambodia partner. MiracleFeet does not exercise control over MiracleFeet Switzerland, nor does it have voting power with respect to its governing Board. Additionally, MiracleFeet does not provide substantive economic support to MiracleFeet Switzerland. Accordingly, MiracleFeet Switzerland's financial statements have not been consolidated with the accompanying consolidated financial statements.

12. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, MiracleFeet has evaluated events and transactions for potential recognition or disclosure through October 8, 2021, the date the consolidated financial statements were issued.