

CONSOLIDATED FINANCIAL STATEMENTS



MIRACLEFEET AND MIRACLEFEET UK

**FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

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

Opinion

We have audited the accompanying consolidated financial statements of MiracleFeet and MiracleFeet UK (together, "MiracleFeet"), which comprise the consolidated statement of financial position as of June 30, 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MiracleFeet as of June 30, 2022, and the consolidated change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of MiracleFeet and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MiracleFeet's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MiracleFeet's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MiracleFeet's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited MiracleFeet's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



October 7, 2022

MIRACLEFEET AND MIRACLEFEET UK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	4,558,416	\$ 4,253,040
Accounts receivable		9,220	1,747
Advances to partners		143,501	99,341
Promises to give		4,435,701	2,902,957
Grants receivable		221,538	57,124
Inventory		147,136	100,807
Prepaid expenses and other assets		<u>100,451</u>	<u>251,299</u>
Total current assets		<u>9,615,963</u>	<u>7,666,315</u>
FIXED ASSETS			
Property and equipment, net of accumulated depreciation and amortization of \$159,683		<u>80,082</u>	<u>101,948</u>
NONCURRENT ASSETS			
Intangible assets, net of accumulated amortization		55,513	74,017
Promises to give, net of current portion and present value discount		<u>2,657,210</u>	<u>1,603,666</u>
Total noncurrent assets		<u>2,712,723</u>	<u>1,677,683</u>
TOTAL ASSETS		<u>\$ 12,408,768</u>	<u>\$ 9,445,946</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Loan payable	\$	-	\$ 289,582
Accounts payable		103,888	111,004
Accrued vacation		<u>23,226</u>	<u>26,371</u>
Total liabilities		<u>127,114</u>	<u>426,957</u>
NET ASSETS			
Without donor restrictions		4,582,890	3,603,482
With donor restrictions		<u>7,698,764</u>	<u>5,415,507</u>
Total net assets		<u>12,281,654</u>	<u>9,018,989</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 12,408,768</u>	<u>\$ 9,445,946</u>

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions - nonprofits, foundations, trusts	\$ 912,616	\$ 6,411,887	\$ 7,324,503	\$ 2,747,684
Contributions - individuals	1,082,968	1,005,676	2,088,644	841,286
Contributions - businesses	170,528	194,868	365,396	91,792
Government grants	801,603	-	801,603	387,903
Interest and other	14,339	-	14,339	5,667
In-kind contributions	142,835	-	142,835	130,416
Net assets released from donor restrictions	<u>5,329,174</u>	<u>(5,329,174)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,454,063</u>	<u>2,283,257</u>	<u>10,737,320</u>	<u>4,204,748</u>
EXPENSES				
Program Services	<u>6,005,608</u>	<u>-</u>	<u>6,005,608</u>	<u>4,768,957</u>
Supporting Services:				
Management and General	616,316	-	616,316	510,170
Development and Fundraising	<u>836,526</u>	<u>-</u>	<u>836,526</u>	<u>708,046</u>
Total supporting services	<u>1,452,842</u>	<u>-</u>	<u>1,452,842</u>	<u>1,218,216</u>
Total expenses	<u>7,458,450</u>	<u>-</u>	<u>7,458,450</u>	<u>5,987,173</u>
Change in net assets before other items	995,613	2,283,257	3,278,870	(1,782,425)
OTHER ITEMS				
Foreign currency exchange (loss) gain	(15,291)	-	(15,291)	2,720
Loss on disposal of fixed assets	<u>(914)</u>	<u>-</u>	<u>(914)</u>	<u>(2,050)</u>
Change in net assets	979,408	2,283,257	3,262,665	(1,781,755)
Net assets at beginning of year	<u>3,603,482</u>	<u>5,415,507</u>	<u>9,018,989</u>	<u>10,800,744</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,582,890</u>	<u>\$ 7,698,764</u>	<u>\$ 12,281,654</u>	<u>\$ 9,018,989</u>

MIRACLEFEET AND MIRACLEFEET UK
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022			2021		
	Supporting Services			Total Expenses	Total Expenses	
	Program Services	Management and General	Development and Fundraising			Total Supporting Services
Treatment and training, including partner grants	\$ 3,555,458	\$ -	\$ -	\$ -	\$ 3,555,458	\$ 2,886,110
Salaries	782,431	420,486	492,343	912,829	1,695,260	1,533,993
Payroll taxes	57,516	29,857	37,594	67,451	124,967	115,984
Employee benefits	71,962	37,912	40,613	78,525	150,487	147,006
Depreciation and amortization	32,522	8,131	18,504	26,635	59,157	49,711
International consultants	774,928	-	-	-	774,928	379,491
Translation, research and association dues	59,942	510	716	1,226	61,168	62,435
Travel	137,442	4,161	9,326	13,487	150,929	10,123
Contract services	82,748	15,512	95,702	111,214	193,962	161,727
Digital tools and technology	220,042	-	-	-	220,042	177,128
Printing and copying	2,991	119	11,307	11,426	14,417	10,189
Facilities and equipment	41,364	21,113	23,644	44,757	86,121	81,953
Subscriptions	3,675	24,527	29,840	54,367	58,042	66,889
Miscellaneous	6,769	2,313	24,954	27,267	34,036	30,628
Accounting	2,724	33,371	1,362	34,733	37,457	61,601
Insurance	24,856	10,499	3,843	14,342	39,198	39,318
Outreach and education	112,114	-	31,129	31,129	143,243	127,843
Staff development and conferences	20,758	4,966	5,705	10,671	31,429	26,339
Telecommunications	10,001	1,174	1,399	2,573	12,574	7,850
Supplies	5,221	119	4,203	4,322	9,543	5,699
Postage	144	1,546	4,342	5,888	6,032	5,156
TOTAL	\$ 6,005,608	\$ 616,316	\$ 836,526	\$ 1,452,842	\$ 7,458,450	\$ 5,987,173

See accompanying notes to consolidated financial statements.

MIRACLEFEET AND MIRACLEFEET UK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,262,665	\$ (1,781,755)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	59,157	49,711
Loss on disposal of fixed assets	914	2,050
Forgiveness of debt	(289,582)	(214,585)
Change in discount on noncurrent receivables	98,167	(2,398)
Receipt of contributed securities	(39,731)	(56,884)
Proceeds from sale of contributed securities	39,731	56,884
(Increase) decrease in:		
Accounts receivable	(7,473)	-
Advances to partners	(44,160)	(31,788)
Promises to give	(2,684,455)	1,571,524
Grants receivable	(164,414)	(57,124)
Inventory	(46,329)	126,768
Prepaid expenses and other assets	150,848	(200,301)
(Decrease) increase in:		
Accounts payable	(7,116)	69,746
Accrued vacation	(3,145)	(14,111)
Net cash provided (used) by operating activities	<u>325,077</u>	<u>(482,263)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(19,701)</u>	<u>(14,232)</u>
Net cash used by investing activities	<u>(19,701)</u>	<u>(14,232)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds received	<u>-</u>	<u>289,582</u>
Net cash provided by financing activities	<u>-</u>	<u>289,582</u>
Net increase (decrease) in cash and cash equivalents	305,376	(206,913)
Cash and cash equivalents at beginning of year	<u>4,253,040</u>	<u>4,459,953</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,558,416</u>	<u>\$ 4,253,040</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

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 on April 30, 2014. 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.

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, 2021, from which the summarized information was derived.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

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

Principles of consolidation -

The accompanying financial statements represent the activity of MiracleFeet and MiracleFeet UK (together, "MiracleFeet"). For the year ended June 30, 2022, 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 \$49,413 of cash and cash equivalents in financial institutions in the United Kingdom as of June 30, 2022. Bank deposits are insured by the Financial Services Compensation Scheme (FSCS) up to a limit of GBP 85,000 (approximately \$100,000 as of the date of this report) per eligible entity.

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.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

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

Fixed assets -

Fixed assets acquisitions in excess of \$750 are capitalized and stated at cost. 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, 2022, 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.

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.

Contributions qualifying as unconditional assistance (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.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

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

Revenue recognition (continued) -

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, 2022, MiracleFeet did not have any funds recognized as refundable advances in the accompanying Consolidated Statement of Financial Position. Additionally, as of June 30, 2022, MiracleFeet had \$2,043,816 in unrecognized revenue under conditional assistance awards (not included in the accompanying consolidated financial statements).

In-kind contributions -

In-kind contributions consist of professional services including legal, engineering and supply distribution, medical device design and 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, 2022

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.

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing 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 with 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.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

MiracleFeet plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying consolidated financial statements. MiracleFeet will apply ASU 2019-01, *Leases* (Topic 842) as required, if and when a new lease is executed.

2. PROMISES TO GIVE

As of June 30, 2022, MiracleFeet has received commitments for support from donors of which \$7,220,317 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 3.60%.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

2. PROMISES TO GIVE (Continued)

Promises to give are due as follows as of June 30, 2022:

Less than one year	\$ 4,435,701
One to five years	<u>2,784,616</u>
Total	7,220,317
Less: Current portion	(4,435,701)
Less: Present value discount (3.60%)	<u>(127,406)</u>
NONCURRENT PROMISES TO GIVE	<u>\$ 2,657,210</u>

3. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2022:

Machinery and equipment	\$ 107,898
Website	14,529
Computer equipment	44,884
Office equipment	<u>72,454</u>
Subtotal	239,765
Less: Accumulated depreciation and amortization	<u>(159,683)</u>
NET FIXED ASSETS	<u>\$ 80,082</u>

Depreciation expense for the year ended June 30, 2022 totaled \$40,653.

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 \$18,504 for the year ended June 30, 2022. The unamortized intangible asset is included in the accompanying Consolidated Statement of Financial Position, with a net value aggregating \$55,513 as of June 30, 2022.

5. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

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 required monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the requirements of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note qualified for forgiveness by the Small Business Administration (SBA) in whole or in part. MiracleFeet applied for forgiveness on December 8, 2021, and received forgiveness of \$289,582 in principal and \$2,976 in interest from the SBA on April 5, 2022. The amount of loan forgiveness is included in Government grants in the accompanying Consolidated Statement of Activities and Change in Net Assets.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2022:

Subject to expenditure for specified purpose:	
Tanzania, Uganda, and Madagascar clubfoot programs	\$ 396,888
Nigeria clubfoot program	50,000
Mobile vans for Paraguay and Nepal clubfoot programs	54,448
Zimbabwe clubfoot program	40,879
Brace Mold	35,000
Indonesia clubfoot program	25,749
Sierra Leone clubfoot program	<u>2,890</u>
Total purpose restricted net assets	605,854
Time restricted	<u>7,092,910</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 7,698,764</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	\$ 777,477
Africa clubfoot programs	300,000
Zimbabwe clubfoot program	178,174
Mali and Nigeria clubfoot programs	100,000
Indonesia clubfoot program	84,251
Brace Pilot Strategy	76,944
Sierra Leone clubfoot program	75,661
Parent Education	75,000
Sri Lanka clubfoot program	60,000
Peru clubfoot program	57,032
Mobile van for Nepal clubfoot program	45,552
Paraguay clubfoot program	49,827
Cambodia clubfoot program	42,498
Ecuador clubfoot program	25,000
Madagascar clubfoot program	30,000
Guatemala clubfoot program	26,333
Clubfoot Braces	17,000
Morocco clubfoot program	4,339
Clubfoot training	1,100
Myanmar clubfoot program	180
Republic of the Congo clubfoot program	30
Passage of time	<u>3,302,776</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 5,329,174</u>

7. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2022, 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, 2022

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, 2022.

Donated legal services	\$ 9,045
Donated advertising (Outreach and education expense)	1,022
Donated inventory management	1,560
Donated medical device design	131,178
Donated supplies (gift cards)	<u>30</u>
TOTAL	<u>\$ 142,835</u>

During the year ended June 30, 2022, MiracleFeet also received donated advertising services (through magazine advertisements) with a total fair value of \$166,724. 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	\$ 4,558,416
Accounts receivable	9,220
Grants receivable	221,538
Promises to give	<u>4,435,701</u>
Subtotal financial assets available within one year	9,224,875
Less: Donor purpose restricted funds	<u>(605,854)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 8,619,021</u>

MiracleFeet has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2022, MiracleFeet has financial assets equal to approximately ten months of operating expenses.

9. LEASE COMMITMENT

MiracleFeet maintains office space in Chapel Hill, North Carolina under a three-year lease agreement set to expire on June 30, 2023. Base rent was \$6,503 per month, increasing by a factor of 2% per year. Future minimum lease payments required during the year ended June 30, 2023 total \$81,187.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022

9. LEASE COMMITMENT (Continued)

Rent expense for the year ended June 30, 2022 was \$79,595, and is included in "Facilities and Equipment" in the accompanying 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, 2022 totaled \$55,322.

11. RELATED PARTIES

During the year ended June 30, 2022, MiracleFeet received contributions from members of the Board of Directors totaling \$445,200.

MiracleFeet Switzerland, a fund operating under the Kyria Foundation based in Zurich, 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, 2022, \$19,144 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 any economic support to MiracleFeet Switzerland. Accordingly, MiracleFeet Switzerland's financial statements have not been consolidated with the accompanying consolidated financial statements. During the year ended June 30, 2022, this relationship changed mid-year with the signing of a grant agreement with UBS Optimus Foundation. The funds from MiracleFeet Switzerland are now granted directly to MiracleFeet through UBS Optimus Foundation and restricted for Cambodia.

12. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, MiracleFeet has evaluated events and transactions for potential recognition or disclosure through October 7, 2022, the date the consolidated financial statements were issued.

During the year ended June 30, 2023, MiracleFeet signed a modification for its USAID pass-through award which increased obligated funding by \$187,548.