

CONSOLIDATED FINANCIAL STATEMENTS



MIRACLEFEET AND MIRACLEFEET UK

**FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

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, 2023, 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 consolidated financial position of MiracleFeet as of June 30, 2023, 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 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



October 18, 2023

MIRACLEFEET AND MIRACLEFEET UK

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

ASSETS		<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	5,622,708	\$ 4,558,416
Accounts receivable		40,001	9,220
Advances to partners		186,602	143,501
Promises to give		4,846,956	4,435,701
Grants receivable		99,719	221,538
Inventory		323,289	147,136
Prepaid expenses and other assets		<u>81,207</u>	<u>100,451</u>
Total current assets		<u>11,200,482</u>	<u>9,615,963</u>
FIXED ASSETS			
Property and equipment, net of accumulated depreciation and amortization of \$130,303		<u>78,806</u>	<u>80,082</u>
NONCURRENT ASSETS			
Intangible assets, net of accumulated amortization		39,652	55,513
Promises to give, net of current portion and present value discount		<u>6,917,096</u>	<u>2,657,210</u>
Total noncurrent assets		<u>6,956,748</u>	<u>2,712,723</u>
TOTAL ASSETS		<u>\$ 18,236,036</u>	<u>\$ 12,408,768</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	118,801	\$ 103,888
Accrued vacation		<u>24,820</u>	<u>23,226</u>
Total liabilities		<u>143,621</u>	<u>127,114</u>
NET ASSETS			
Without donor restrictions		4,956,099	4,582,890
With donor restrictions		<u>13,136,316</u>	<u>7,698,764</u>
Total net assets		<u>18,092,415</u>	<u>12,281,654</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 18,236,036</u>	<u>\$ 12,408,768</u>

MIRACLEFEET AND MIRACLEFEET UK

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions - nonprofits, foundations, trusts	\$ 1,586,686	\$ 9,934,495	\$ 11,521,181	\$ 7,324,503
Contributions - individuals	786,170	1,511,786	2,297,956	2,088,644
Contributions - businesses	10,696	72,417	83,113	365,396
Government grants	335,989	-	335,989	801,603
Interest and other	45,827	-	45,827	14,339
In-kind contributions	46,865	-	46,865	142,835
Net assets released from donor restrictions	<u>6,081,146</u>	<u>(6,081,146)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,893,379</u>	<u>5,437,552</u>	<u>14,330,931</u>	<u>10,737,320</u>
EXPENSES				
Program Services	<u>6,673,817</u>	<u>-</u>	<u>6,673,817</u>	<u>6,005,608</u>
Supporting Services:				
Management and General	695,077	-	695,077	616,316
Development and Fundraising	<u>1,024,033</u>	<u>-</u>	<u>1,024,033</u>	<u>836,526</u>
Total supporting services	<u>1,719,110</u>	<u>-</u>	<u>1,719,110</u>	<u>1,452,842</u>
Total expenses	<u>8,392,927</u>	<u>-</u>	<u>8,392,927</u>	<u>7,458,450</u>
Change in net assets before other items	500,452	5,437,552	5,938,004	3,278,870
OTHER ITEMS				
Foreign currency exchange loss	(107,058)	-	(107,058)	(15,291)
Loss on disposal of fixed assets	<u>(20,185)</u>	<u>-</u>	<u>(20,185)</u>	<u>(914)</u>
Change in net assets	373,209	5,437,552	5,810,761	3,262,665
Net assets at beginning of year	<u>4,582,890</u>	<u>7,698,764</u>	<u>12,281,654</u>	<u>9,018,989</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,956,099</u>	<u>\$ 13,136,316</u>	<u>\$ 18,092,415</u>	<u>\$ 12,281,654</u>

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023			2022		
	Supporting Services			Total Expenses	Total Expenses	
	Program Services	Management and General	Development and Fundraising			Total Supporting Services
Treatment and training, including partner grants	\$ 4,158,413	\$ -	\$ -	\$ -	\$ 4,158,413	\$ 3,555,458
Salaries	771,789	470,768	532,866	1,003,634	1,775,423	1,695,260
Payroll taxes	57,923	35,229	41,470	76,699	134,622	124,967
Employee benefits	74,050	45,367	51,301	96,668	170,718	150,487
Depreciation and amortization	18,026	4,506	15,861	20,367	38,393	59,157
International consultants	841,382	-	-	-	841,382	774,928
Translation, research and association dues	84,977	779	889	1,668	86,645	61,168
Travel	208,577	8,707	38,714	47,421	255,998	150,929
Contract services	83,989	10,503	79,906	90,409	174,398	193,962
Digital tools and technology	44,715	-	-	-	44,715	220,042
Printing and copying	5,152	530	17,569	18,099	23,251	14,417
Facilities and equipment	39,768	23,182	26,227	49,409	89,177	86,121
Subscriptions	3,044	21,866	43,919	65,785	68,829	58,042
Miscellaneous	13,032	2,537	32,252	34,789	47,821	34,036
Accounting	255	39,944	128	40,072	40,327	37,457
Insurance	29,888	13,148	5,271	18,419	48,307	39,198
Advocacy, outreach, and education	146,598	-	116,361	116,361	262,959	143,243
Staff development and conferences	75,558	11,845	15,661	27,506	103,064	31,429
Telecommunications	14,125	1,291	2,058	3,349	17,474	12,574
Supplies	2,524	169	440	609	3,133	9,543
Postage	32	4,706	3,140	7,846	7,878	6,032
TOTAL	\$ 6,673,817	\$ 695,077	\$ 1,024,033	\$ 1,719,110	\$ 8,392,927	\$ 7,458,450

See accompanying notes to consolidated financial statements.

MIRACLEFEET AND MIRACLEFEET UK

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,810,761	\$ 3,262,665
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	38,393	59,157
Loss on disposal of fixed assets	20,185	914
Contributed fixed asset	(37,400)	-
Forgiveness of debt	-	(289,582)
Change in discount on noncurrent receivables	362,383	98,167
Receipt of contributed securities	-	(39,731)
Proceeds from sale of contributed securities	-	39,731
(Increase) decrease in:		
Accounts receivable	(30,781)	(7,473)
Advances to partners	(43,101)	(44,160)
Promises to give	(5,033,524)	(2,684,455)
Grants receivable	121,819	(164,414)
Inventory	(176,153)	(46,329)
Prepaid expenses and other assets	19,244	150,848
Increase (decrease) in:		
Accounts payable	14,913	(7,116)
Accrued vacation	1,594	(3,145)
Net cash provided by operating activities	<u>1,068,333</u>	<u>325,077</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(4,041)</u>	<u>(19,701)</u>
Net cash used by investing activities	<u>(4,041)</u>	<u>(19,701)</u>
Net increase in cash and cash equivalents	1,064,292	305,376
Cash and cash equivalents at beginning of year	<u>4,558,416</u>	<u>4,253,040</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,622,708</u>	<u>\$ 4,558,416</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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, 2022, from which the summarized information was derived.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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, 2023, 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. All intercompany transactions and balances have been eliminated.

New accounting pronouncements adopted -

During 2023, MiracleFeet adopted ASU 2019-01, *Leases* (Topic 842), which changed 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 Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. MiracleFeet applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 8 for further details.

During the year ended June 30, 2023, MiracleFeet adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. 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 Update 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 was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 \$54,012 of cash and cash equivalents in financial institutions in the United Kingdom as of June 30, 2023. 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.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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

Advances to partners -

Advances to partners represents outgoing brace shipments not yet received by partners, as well as 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 receipt by the partner.

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, 2023, 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.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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

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.

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, 2023, MiracleFeet did not have any funds recognized as refundable advances in the accompanying Consolidated Statement of Financial Position. Additionally, as of June 30, 2023, MiracleFeet had \$2,000,000 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, 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.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

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

Functional allocation of expenses (continued) -

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.

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) -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for MiracleFeet for the year ending June 30, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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, 2023, MiracleFeet has received commitments for support from donors of which \$12,253,841 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 4.20%. Promises to give are due as follows as of June 30, 2023:

Less than one year	\$ 4,846,956
One to five years	<u>7,406,885</u>
Total	12,253,841
Less: Current portion	(4,846,956)
Less: Present value discount (4.20%)	<u>(489,789)</u>
NONCURRENT PROMISES TO GIVE	<u>\$ 6,917,096</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

3. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2023:

Machinery and equipment	\$ 145,298
Website	14,529
Computer equipment	45,247
Office equipment	<u>4,035</u>
Subtotal	209,109
Less: Accumulated depreciation and amortization	<u>(130,303)</u>
NET FIXED ASSETS	\$ <u>78,806</u>

Depreciation expense for the year ended June 30, 2023 totaled \$22,532.

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 \$15,861 for the year ended June 30, 2023. The unamortized intangible asset is included in the accompanying Consolidated Statement of Financial Position, with a net value aggregating \$39,652 as of June 30, 2023.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2023:

Subject to expenditure for specified purpose:	
Philippines, Chad, Cote d'Ivoire clubfoot programs	\$ 1,042,116
Zimbabwe clubfoot program	130,272
Clubfoot programs	100,000
Indonesia clubfoot program	71,249
Mobile vans for Nepal and Ecuador clubfoot programs	17,663
Sierra Leone clubfoot program	6,482
Clubfoot Braces	2,245
Mexico clubfoot program	<u>2,237</u>
Total purpose restricted net assets	1,372,264
Time restricted	<u>11,764,052</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>13,136,316</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	\$ 908,383
Africa clubfoot programs	263,100
Nepal clubfoot program	203,414
Zimbabwe clubfoot program	154,559
Clubfoot Braces	145,040
Indonesia clubfoot program	119,499
Sierra Leone clubfoot program	90,616
Parent Education	75,000
Cambodia and Ecuador clubfoot program	70,186
Sri Lanka clubfoot program	60,000
Peru clubfoot program	54,000
Paraguay clubfoot program	50,588
Nigeria clubfoot program	50,000
Guatemala clubfoot program	50,000
Special event	50,000
Mexico clubfoot program	47,763
Mobile Vans for Nepal and Ecuador clubfoot programs	36,785
Program Monitoring and Evaluation	34,611
South Sudan clubfoot program	1,482
Passage of time	<u>3,616,120</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>6,081,146</u>

6. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2023, MiracleFeet was the beneficiary of donated goods and services which allowed MiracleFeet to provide greater resources toward its activities. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended June 30, 2023. During the year ended June 30, 2023, MiracleFeet was the recipient of a donated clubfoot brace mold which has been capitalized as a fixed asset in the accompanying Consolidated Statement of Financial Position; the brace mold will be depreciated over a useful life of 7 years but the asset does not have an expressly stated (or implied) time restriction in connection with the donation. Following is a schedule of contributions, presented by natural expense category (or by capital asset classification), which have been recorded as revenue and expense (or as a capital asset) in the accompanying consolidated financial statements during the year ended June 30, 2023:

Donated legal services	\$ 3,185
Donated advertising (Outreach and education expense)	4,359
Donated brace mold (Capitalized)	37,400
Donated inventory management	<u>1,921</u>
TOTAL	\$ <u>46,865</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

6. IN-KIND CONTRIBUTIONS (Continued)

The aforementioned expenses (excluding the capital asset donation) have been reported in the following functional categories (in the accompanying Consolidated Statement of Functional Expenses):

Program Services	\$	6,565
Management and General		955
Development and Fundraising		<u>1,945</u>
TOTAL	\$	<u>9,465</u>

Depreciation expense related to the donated brace mold will benefit program services and management and general at a ratio of 80% and 20% respectively, over its 7 year useful life.

During the year ended June 30, 2023, MiracleFeet also received donated advertising services (through magazine advertisements) with a total fair value of \$582,757. 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.

7. 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	\$	5,622,708
Accounts receivable		40,001
Grants receivable		99,719
Promises to give		<u>4,846,956</u>
Subtotal financial assets available within one year		10,609,384
Less: Donor purpose restricted funds		<u>(1,372,264)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$	<u>9,237,120</u>

MiracleFeet has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2023, MiracleFeet has financial assets equal to approximately thirteen months of operating expenses.

8. LEASE COMMITMENT

MiracleFeet maintained office space in Chapel Hill, North Carolina under a three-year lease agreement that expired on June 30, 2023. Base rent was \$6,503 per month, increasing by a factor of 2% per year. Effective July 1, 2023, MiracleFeet executed a new lease agreement for office space in Chapel Hill, North Carolina under a three-year lease agreement that is set to expire on June 30, 2026. Base rent is \$2,958 per month, increasing by a factor of 1.3% per year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023

8. LEASE COMMITMENT (Continued)

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 Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. MiracleFeet elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. MiracleFeet also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. MiracleFeet adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, MiracleFeet will record a right-of-use asset and an operating lease liability at the commencement of the new lease during the year ended June 30, 2024.

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

Year Ending June 30,

2024	\$ 35,490
2025	35,945
2026	<u>36,400</u>
	<u>\$ 107,835</u>

Rent expense for the year ended June 30, 2023 was \$81,187, and is included in "Facilities and Equipment" in the accompanying Consolidated Statement of Functional Expenses.

9. 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, 2023 totaled \$51,533.

10. RELATED PARTIES

During the year ended June 30, 2023, MiracleFeet received contributions from members of the Board of Directors totaling \$431,928.

11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, MiracleFeet has evaluated events and transactions for potential recognition or disclosure through October 18, 2023, the date the consolidated financial statements were issued.