Consolidated Financial Statements

The Miracle Foundation, Inc.

For the years ended December 31, 2014 and 2013
with Report of Independent Auditors

The Miracle Foundation, Inc.

Consolidated Financial Statements

Years ended December 31, 2014 and 2013

Contents

Report of Independent Auditors

To the Board of Directors of
The Miracle Foundation, Inc.

We have audited the accompanying consolidated financial statements of The Miracle Foundation, Inc. and its subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Miracle Foundation, Inc. and its subsidiary as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Holtzman Partners, LLP

August 27, 2015

The Miracle Foundation, Inc.

Consolidated Statement of Financial Position

December 31, 2014

	Unrestricted	Donor Temporarily Restricted	Donor Permanently Restricted	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 964,456	$ 106,633	$ –	$ 1,071,089
Prepaid expenses and other	81,686	–	–	81,686
Total current assets	1,046,142	106,633	–	1,152,775
Investments	17,390	–	–	17,390
Austin Community Foundation Endowment	–	–	7,500	7,500
Property and equipment, net	429,850	–	–	429,850
Total assets	$ 1,493,382	$ 106,633	$ 7,500	$ 1,607,515
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 3,529	$ –	$ –	$ 3,529
Accrued liabilities	57,343	–	–	57,343
Notes payable, current portion	6,573	–	–	6,573
Total current liabilities	67,445	–	–	67,445
Notes payable, net of current	303,193	–	–	303,193
Total liabilities	370,638	–	–	370,638
Net assets:				
Unrestricted	1,122,744	–	–	1,122,744
Temporarily restricted	–	106,633	–	106,633
Permanently restricted	–	–	7,500	7,500
Total net assets	1,122,744	106,633	7,500	1,236,877
Total liabilities and net assets	$ 1,493,382	$ 106,633	$ 7,500	$ 1,607,515

See accompanying notes.

The Miracle Foundation, Inc.

Consolidated Statement of Financial Position

December 31, 2013

	Unrestricted	Donor Temporarily Restricted	Donor Permanently Restricted	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 979,050	$ 31,095	$ –	$ 1,010,145
Accounts receivable	2,000	–	–	2,000
Prepaid expenses and other	34,168	–	–	34,168
Total current assets	1,015,218	31,095	–	1,046,313
Investments	8,075	–	–	8,075
Austin Community Foundation Endowment	–	–	7,500	7,500
Property and equipment, net	436,710	–	–	436,710
Total assets	$ 1,460,003	$ 31,095	$ 7,500	$ 1,498,598
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 6,393	$ –	$ –	$ 6,393
Accrued liabilities	19,217	–	–	19,217
Notes payable, current portion	6,235	–	–	6,235
Total current liabilities	31,845	–	–	31,845
Notes payable, net of current	309,765	–	–	309,765
Total liabilities	341,610	–	–	341,610
Net assets:				
Unrestricted	1,118,393	–	–	1,118,393
Temporarily restricted	–	31,095	–	31,095
Permanently restricted	–	–	7,500	7,500
Total net assets	1,118,393	31,095	7,500	1,156,988
Total liabilities and net assets	$ 1,460,003	$ 31,095	$ 7,500	$ 1,498,598

See accompanying notes.

The Miracle Foundation, Inc.

Consolidated Statement of Activities

Year ended December 31, 2014

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and revenue:				
Contributions and support	$ 1,681,644	$ 125,253	$ –	$ 1,806,897
Miscellaneous income	3,155	–	–	3,155
Total support and revenue	1,684,799	125,253	–	1,810,052
Net assets released from restrictions:				
Satisfaction of restrictions	49,715	(49,715)	–	–
	1,734,514	75,538	–	1,810,052
Expenses:				
Orphanage program expenses	1,208,442	–	–	1,208,442
Ambassador program expenses	223,419	–	–	223,419
Management and general expenses	105,418	–	–	105,418
Fundraising expenses	176,247	–	–	176,247
Interest expenses	16,637	–	–	16,637
Total expenses	1,730,163	–	–	1,730,163
Change in net assets	4,351	75,538	–	79,889
Net assets at beginning of year	1,118,393	31,095	7,500	1,156,988
Net assets at end of year	$ 1,122,744	$ 106,633	$ 7,500	$ 1,236,877

See accompanying notes.

The Miracle Foundation, Inc.

Consolidated Statement of Activities

Year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions and support	$ 1,466,599	$ 23,219	$ –	$ 1,489,818
Miscellaneous income	2,190	–	–	2,190
Total support and revenue	1,468,789	23,219	–	1,492,008
Net assets released from restrictions:				
Satisfaction of restrictions	15,102	(15,102)	–	–
	1,483,891	8,117	–	1,492,008
Expenses:				
Orphanage program expenses	968,100	–	–	968,100
Ambassador program expenses	255,084	–	–	255,084
Management and general expenses	116,353	–	–	116,353
Fundraising expenses	107,955	–	–	107,955
Total expenses	1,447,492	–	–	1,447,492
Change in net assets	36,399	8,117	–	44,516
Net assets at beginning of year	1,081,994	22,978	7,500	1,112,472
Net assets at end of year	$ 1,118,393	$ 31,095	$ 7,500	$ 1,156,988

See accompanying notes.

The Miracle Foundation, Inc.

Consolidated Statements of Cash Flows

	Years ended December 31, 2014	2013
Cash flows from operating activities:		
Change in net assets	**$ 79,889**	$ 44,516
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	**20,894**	15,519
Changes in operating assets and liabilities:		
Accounts receivable	**2,000**	102,960
Prepaid expenses and other	**(47,518)**	55,233
Accounts payable	**(2,864)**	(13,721)
Accrued liabilities	**38,126**	(24,322)
Net cash provided by operating activities	**90,527**	180,185
Cash flows from investing activities:		
Purchases of property and equipment	**(14,034)**	(410,061)
Purchase of investment (India term deposits)	**(8,110)**	–
Net cash used in investing activities	**(22,144)**	(410,061)
Cash flows from financing activities:		
Payments and draws on notes payable	**(6,234)**	316,000
Net cash used in (provided by) financing activities	**(6,234)**	316,000
Effect of exchange rate fluctuations on investments	**(1,205)**	1,025
Net change in cash and cash equivalents	**60,944**	87,149
Cash and cash equivalents, beginning of year	**1,010,145**	922,996
Cash and cash equivalents, end of year	**$ 1,071,089**	$ 1,010,145
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 16,637**	$ –

See accompanying notes.

1. Organization

The Miracle Foundation (the “Organization”) is a non-profit organization that brings life-changing care to the world’s orphans. Helping people help themselves is the most sustainable way to affect real change. That’s why the Organization focuses on strengthening existing institutions and giving purposeful employment to local people in need of work. Together with the Organization’s sponsors, the Organization transforms local orphanages into homes, trains displaced women to become cherished mothers and funds scholarships for education. The Organization’s approach empowers donors, caregivers and children. It’s transforming. It’s measurable and proven. And it works miracles. The Organization is funded primarily through donor contributions and contributions from other organizations.

In 2011, the Organization formed its wholly-owned subsidiary, Miracle Foundation India (“Miracle India”), an Indian registered non-governmental organization, located in New Delhi, India dedicated to facilitating the Organization’s operations in India.

2. Summary of Significant Accounting Policies

Basis of Financial Presentation and Consolidation

The accompanying consolidated financial statements include the accounts of the Miracle Foundation, Inc. and its wholly-owned foreign subsidiary in New Delhi, India (collectively “the Organization”). The consolidated financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958-205, *Not-for-Profit Entities Presentation of Financial Statements*, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present the costs of providing various programs and other activities on a functional basis in the statement of activities or in the notes to the consolidated financial statements. Costs are allocated between management and general expenses, fundraising expenses or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of 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 and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support and expenses during the reporting period. On an ongoing basis, the Organization evaluates its estimates, including those related to the useful lives of property and equipment, and contingencies, among others. The Organization bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates made by management with respect to these items and other items that require management's estimates.

Foreign Currency Translation

The functional currency of the Organization's foreign subsidiary was determined to be the local currency; and therefore, assets and liabilities are translated at the current exchange rate at the balance sheet date and the income statement items are translated at the average exchange rates prevailing during the reporting period. The foreign currency translation adjustment and gains and losses from non-functional currency denominated transactions are included in management and general expenses in the consolidated statement of activities. The functional currency of the Organization's Indian subsidiary is the Indian Rupee. As of and for the years ended December 31, 2014 and 2013, the cumulative translation adjustment was as follows:

	Year ended December 31,	
	2014	**2013**
Balance at December 31, 2013	**$ 6,640**	$ 998
Translation Adjustment	**1,422**	5,642
Balance at December 31, 2014	**$ 8,062**	$ 6,640

Cash and Cash Equivalents

The Organization considers all highly liquid investments acquired with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value, because of the short maturity of these instruments.

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded at net realizable value. The Organization continuously assesses the collectability of outstanding balances; and in doing such, the Organization maintains an allowance for estimated losses resulting from the non-collection of balances. At December 31, 2014, the Organization did not have any amounts included in accounts receivable. At December 31, 2013, the Organization did not provide for an allowance for doubtful accounts, as all amounts outstanding were deemed collectible. If amounts become uncollectible, they will be charged to activities when that determination is made.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization's cash and cash equivalents are placed with high-credit-quality financial institutions and issuers, and at times may exceed federally insured limits or be held in foreign jurisdictions. The Organization has not experienced any loss relating to cash and cash equivalents in these accounts.

Grantors representing more than 10% of the Organization's total support for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Grantor A (an individual)	14%	17%

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of the donation less accumulated depreciation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets, generally three to 40 years. When depreciable assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts. Any gains or losses are included in the Organization's statements of activities. Major additions and betterments are capitalized. Maintenance and repairs which do not materially improve or extend the lives of the respective assets are charged to operations as incurred.

Long-Lived Assets

Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if impairment exists. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value. Assets to be disposed of are reported at the lower of carrying value or net realizable value. No indicators of impairment were identified during the years ended December 31, 2014 or 2013.

Fair Value of Financial Instruments

The Company groups its assets and liabilities measured at fair value in a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets, with valuations obtained from readily available pricing sources for market transactions involving identical assets or liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities; quoted prices in market that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

2. Summary of Significant Accounting Policies (continued)

The level of the fair value hierarchy in which the fair value measurement falls is determined by the lowest level input that is significant to the fair value measurement.

The Company's financial instruments consist principally of cash and cash equivalents, accounts payable, and accrued liabilities. The carrying amounts of cash and cash equivalents, accounts payable, and accrued liabilities are considered to approximate their respective fair values due to the short-term nature of such financial instruments. Cash equivalents, measured at fair value on a recurring basis, and are categorized as Level 1 based on quoted prices in active markets.

The Company recognizes transfers between levels at the end of the reporting period as if the transfers occurred on the last day of the reporting period. There were no transfers during 2014.

Contributions

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. A donor restriction expires when a stipulated time restriction ends or purpose restriction is accomplished, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor contributions with restrictions that are met in the same year are reported as unrestricted support.

Contributed services are recognized when measurable and if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts were reflected in the consolidated financial statements for donated services and donated use of facilities, since no objective basis was available to measure the value of such services and facilities. Nevertheless, a substantial number of donors have contributed significant amounts of time and resources in support of the Organization.

Conditional Promises to Give

Pursuant with the Organization's policy and in conformity with ASC Topic 958, *Not-for-Profit Entities*, the Organization does not recognize conditional promises as revenue until the condition is met or the pledges are received.

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Miracle India was incorporated as a not for profit under Section 25 of the India Companies Act, 1956. Therefore, the Organization has made no provision for federal income taxes in the accompanying consolidated financial statements. The Organization is a public charity under the Internal Revenue Code.

The Organization evaluates uncertain tax positions, if any exist, under ASC Topic 740, *Income Taxes*. The Organization accounts for uncertainty of income taxes based on a "more-likely-than-not" threshold for the recognition and de-recognition of tax positions, which includes the accounting for interest and penalties relating to tax positions. The Organization does not have any tax positions that it would consider uncertain at December 31, 2014 and 2013.

The Organization accrues interest and penalties related to unrecognized tax positions as a component of income tax expense. As of December 31, 2014 and 2013, there were no accrued interest and penalties.

Functional Allocation of Expenses

The direct and allocable costs are classified as program, administrative, and fundraising activities as follows:

	Years ended December 31,			
	2014		**2013**	
Program	**$ 1,431,861**	**83.5%**	$ 1,223,184	84.5%
Administrative	**105,418**	**6.2%**	116,353	8.0%
Fundraising activities	**176,247**	**10.3%**	107,955	7.5%
Total	**$ 1,713,526**	**100%**	$ 1,447,492	100%

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40)*. This ASU defines management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Prior to this ASU, U.S. generally accepted accounting principles lacked guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures and all guidance was included in generally accepted auditing standards ("GAAS"). This guidance is effective for annual periods ending after December 15, 2016. Early adoption is permitted. Management does not expect this provision to have an effect on the Organization's financial statement presentation.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates guidance for when revenue should be recognized from the exchange of goods or services. ASU No. 2015-14 was issued in August 2015 to defer the effective date of ASU 2014-09 for one year. For private companies, this standard is effective for annual reporting periods beginning after December 15, 2018. A nonpublic entity may elect to apply the guidance in this ASU early with certain restrictions. Management is currently evaluating the effect of these provisions on the Organization's financial position and results of operations.

3. Property and Equipment

Property and equipment, net consists of the following:

	December 31, 2014	December 31, 2013
Land	**$ 316,048**	$ 316,048
Building	**79,012**	79,012
Computers	**22,082**	20,843
Website and software development costs	**49,682**	49,682
Furniture and equipment	**14,573**	1,778
Total	**481,397**	467,363
Less: accumulated depreciation	**(51,547)**	(30,653)
Property and equipment, net	**$ 429,850**	$ 436,710

3. Property and Equipment (continued)

Depreciation relating to the Organization's property and equipment for the years ended December 31, 2014 and 2013 was $20,894 and $15,519, respectively.

4. Notes Payable

On December 16, 2013, the Organization entered into a promissory note (the "Note") for $316,000 with a third party banking institution in order to purchase its Austin, Texas administrative office building. The Note bears interest at 5.24% per annum with a maturity date of December 16, 2028. The Organization is required to make monthly payments of principal and interest of $1,906 beginning on January 16, 2014 and one last estimated payment of $179,020 on the maturity date. The Note is collateralized by the property purchased with the Note. As of December 31, 2014 and 2013, the Organization had $309,766 and $316,000 outstanding on this Note, respectively.

Scheduled payments for each of the five years subsequent to December 31, 2014 are as follows:

Year ending December 31,	Minimum Lease Payments
2015	$ 6,573
2016	6,886
2017	7,307
2018	7,705
2019 and thereafter	281,295
Total notes payable	$ 309,766
Less: current portion	(6,573)
Notes payable, net of current	$ 303,193

5. Operating Leases

The Organization leases administrative offices in New Delhi, India as well as a copier. The operating lease for the administrative office in Austin was cancelled when the Organization purchased the office building in December 2013. See additional information in Note 4. Rent expense under the office leases totaled approximately $8,000 and $30,000 for the years ended December 31, 2014 and 2013, respectively. Rent expense under the copier lease totaled approximately $6,000 for the years ended December 31, 2014 and 2013.

Future non-cancellable minimum lease payments under the operating leases are as follows:

Year ending December 31,	Minimum Lease Payments
2015	$ 10,715
2016	4,427
2017	4,427
2018	4,427
2019 and thereafter	5,903
Total minimum lease payments	$ 29,899

6. Related Parties

During the years ended December 31, 2014 and 2013, board members and affiliates of board members donated approximately $124,000 and $120,000, respectively, to the Organization. Additionally, members of management contributed approximately $9,000 and $6,000, respectively, to the Organization during the years ended December 31, 2014 and 2013.

7. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are designated for the following purposes as of December 31, 2014 and 2013, based on donor stipulations:

	December 31, 2014	December 31, 2013
NY Life Grant for Educational Activities	**$ 10,000**	$ 15,000
Palmer Grant for tutor training and computers	**36,000**	6,250
Little Hearts Grant for Anbarasi boys dorm	**50,000**	–
Vestige Fund for Anbarasi	**8,664**	–
Shamapant Scholarship	**1,969**	1,969
Bethel Orphanage	**–**	7,876
	$ 106,633	$ 31,095

During 2009, the Organization received a $7,500 endowment which is held by the Austin Community Foundation. The $7,500 donation is permanently restricted while the income earned on the donation is unrestricted. The income earned on the endowment was not significant for the years ended December 31, 2014 and 2013.

8. Pension Plan

Effective January 1, 2008, the Organization adopted the provisions of the Miracle Foundation 401(k) plan. For the years ended December 31, 2014 and 2013, the contributions from the Organization on behalf of its employees were insignificant.

9. Subsequent Events

The Organization has evaluated subsequent events up to August 27, 2015, the date the consolidated financial statements were available to be issued.