Consolidated Financial Statements

The Miracle Foundation, Inc.

For the years ended December 31, 2015 and 2014
with Report of Independent Auditors

The Miracle Foundation, Inc.

Consolidated Financial Statements

Years ended December 31, 2015 and 2014

Contents

AUDIT · TAX · ADVISORY

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, 2015 and 2014, 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, 2015 and 2014, 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

July 20, 2016

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The Miracle Foundation, Inc.

Consolidated Statement of Financial Position

December 31, 2015

	Unrestricted	Donor Temporarily Restricted	Donor Permanently Restricted	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 895,677	$ 105,635	$ –	$ 1,001,312
Prepaid expenses and other	47,714	–	–	47,714
Total current assets	943,391	105,635	–	1,049,026
Investments	247,842	–	–	247,842
Long-term term deposits	10,075	–	–	10,075
Austin Community Foundation Endowment	–	–	7,500	7,500
Property and equipment, net	509,718	–	–	509,718
Total assets	$ 1,711,026	$ 105,635	$ 7,500	$ 1,824,161
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 2,799	$ –	$ –	$ 2,799
Accrued liabilities	59,900	–	–	59,900
Notes payable, current portion	6,886	–	–	6,886
Total current liabilities	69,585	–	–	69,585
Notes payable, net of current	296,886	–	–	296,886
Total liabilities	366,471	–	–	366,471
Net assets:				
Unrestricted	1,344,555	–	–	1,344,555
Temporarily restricted	–	105,635	–	105,635
Permanently restricted	–	–	7,500	7,500
Total net assets	1,344,555	105,635	7,500	1,457,690
Total liabilities and net assets	$ 1,711,026	$ 105,635	$ 7,500	$ 1,824,161

See accompanying notes to the consolidated financial statements.

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
Long-term term deposits	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 to the consolidated financial statements.

The Miracle Foundation, Inc.

Consolidated Statement of Activities

Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions and support	$ 2,095,250	$ 146,367	$ –	$ 2,241,617
Miscellaneous income	9,026	–	–	9,026
Total support and revenue	2,104,276	146,367	–	2,250,643
Net assets released from restrictions:				
Satisfaction of restrictions	147,365	(147,365)	–	–
	2,251,641	(998)	–	2,250,643
Expenses:				
Orphanage program expenses	1,439,363	–	–	1,439,363
Ambassador program expenses	250,512	–	–	250,512
Management and general expenses	122,251	–	–	122,251
Fundraising expenses	187,646	–	–	187,646
Interest expenses	16,298	–	–	16,298
Change in fair value of investments	10,981	–	–	10,981
Total expenses	2,027,051	–	–	2,027,051
Change in net assets before foreign currency adjustment	224,590	(998)	–	223,592
Foreign currency adjustment	2,779	–	–	2,779
Change in net assets	221,811	(998)	–	220,813
Net assets at beginning of year	1,122,744	106,633	7,500	1,236,877
Net assets at end of year	$ 1,344,555	$ 105,635	$ 7,500	$ 1,457,690

See accompanying notes to the consolidated financial statements.

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	103,996	–	–	103,996
Fundraising expenses	176,247	–	–	176,247
Interest expenses	16,637	–	–	16,637
Total expenses	1,728,741	–	–	1,728,741
Change in net assets before foreign currency adjustment	5,773	75,538	–	81,311
Foreign currency adjustment	1,422	–	–	1,422
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 to the consolidated financial statements.

The Miracle Foundation, Inc.

Consolidated Statements of Cash Flows

	Years ended December 31, 2015	2014
Cash flows from operating activities:		
Change in net assets	$ 220,813	$ 79,889
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	29,284	20,894
Net realized/unrealized loss on investments	10,263	–
Changes in operating assets and liabilities:		
Accounts receivable	–	2,000
Prepaid expenses and other	33,972	(47,518)
Accounts payable	(730)	(2,864)
Accrued liabilities	2,557	38,126
Net cash provided by operating activities	296,159	90,527
Cash flows from investing activities:		
Purchases of property and equipment	(109,152)	(14,034)
Purchases of investment	(258,105)	–
Redemption of term deposit	7,850	(8,110)
Net cash used in investing activities	(359,407)	(22,144)
Cash flows from financing activities:		
Payments and draws on notes payable	(5,994)	(6,234)
Net cash used in financing activities	(5,994)	(6,234)
Effect of exchange rate fluctuations	(535)	(1,205)
Net change in cash and cash equivalents	(69,777)	60,944
Cash and cash equivalents, beginning of year	1,071,089	1,010,145
Cash and cash equivalents, end of year	$ 1,001,312	$ 1,071,089
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 16,298	$ 16,637

See accompanying notes to the consolidated financial statements.

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, 2015 and 2014, the cumulative translation adjustment was as follows:

	Year ended December 31, 2015	2014
Balance at December 31, 2014	**$ 8,062**	**$ 6,640**
Translation Adjustment	**2,779**	**1,422**
Balance at December 31, 2015	**$ 10,841**	**$ 8,062**

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)

Investments

Investments consist of marketable equity and debt securities. The Organization determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Marketable equity and marketable debt securities are carried at aggregate market value. The changes in the valuation of the marketable securities are shown on the statement of activities.

The cost of marketable equity securities sold is based on the first-in, first-out method. The cost of marketable debt securities sold is determined on the specific identification method. Realized gains and losses on security transactions are recognized on a trade-date basis and are shown on the statement of activities.

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, 2015 and 2014, the Organization did not have any amounts included in accounts receivable.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investments and long-term term deposits. The Organization's cash and cash equivalents and long-term term deposits 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 or long-term term deposits in these accounts.

The Organization places its investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification and by restricting its investments to highly rated securities. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in net values of investment securities will occur in the near term and that those changes could affect the amounts reported in the statement of financial position.

2. Summary of Significant Accounting Policies (continued)

Grantors representing more than 10% of the Organization's total support for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Grantor A (an individual)	20%	14%

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, 2015 or 2014.

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Organization 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.

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 Organization’s financial instruments consist principally of cash and cash equivalents, investments, long-term term deposits, accounts payable, and accrued liabilities. Excluding investments, the fair values of these financial instruments approximate their carrying amount primarily due to short maturities. Cash equivalents and investments, measured at fair value on a recurring basis, and are categorized as Level 1 based on quoted prices in active markets.

The Organization 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 2015.

2. Summary of Significant Accounting Policies (continued)

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, 2015 and 2014.

The Organization accrues interest and penalties related to unrecognized tax positions as a component of income tax expense. As of December 31, 2015 and 2014, 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,			
	2015		**2014**	
Program	**$ 1,689,875**	**83.4%**	$ 1,431,861	82.8%
Administrative	**122,251**	**6.0%**	103,996	6.0%
Fundraising activities	**187,646**	**9.3%**	176,247	10.2%
Interest expenses	**16,298**	**0.8%**	16,637	1.0%
Change in fair value of investments	**10,981**	**0.5%**	–	0%
Total	**$ 2,027,051**	**100%**	$ 1,728,741	100%

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("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. 2016-08 was issued in March 2016 to clarify the principal versus agent guidance in this new revenue recognition standard. ASU 2016-10 was issued in April 2016 to clarify the guidance on accounting for licenses of intellectual property and identifying performance obligations in the new revenue recognition standard. ASU 2016-12 was issued in May 2016 to clarify the guidance on transition, collectibility, noncash consideration and the presentation of sales and other similar taxes in the new revenue recognition standard. 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 Company's financial position and results of operations.

In January 2015, the FASB issued ASU No. 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. This standard eliminates from U.S. generally accepted accounting principles the concept of extraordinary items. This guidance is effective for annual periods beginning after December 15, 2015. Early adoption is permitted. An entity can elect to apply the guidance prospectively or retrospectively. Management does not expect this provision to have an effect on the Company's financial statement presentation.

2. Summary of Significant Accounting Policies (continued)

In April 2015, the FASB issued ASU No. 2015-03, *Interest — Imputation of Interest (Subtopic 835-30) — Simplifying the Presentation of Debt Issuance Costs.* This standard requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. This guidance was amended by ASU No. 2015-15, which was issued in August 2015. This amendment provides additional guidance related to the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. These updates are effective for annual periods beginning after December 15, 2015. Early adoption is permitted. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. Management is currently evaluating the effect of these provisions on the Company's financial position and results of operations.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"). ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under Accounting Standards Codification ("ASC") 820. ASU 2015-07 is effective for the Organization retrospectively for the year ending December 31, 2016, with early adoption permitted. Management does not believe the adoption of ASU 2015-07 will have an impact on the Organization's financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard changes how entities measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit in order to improve the recognition and measurement of financial instruments. This standard also changes certain disclosure requirements related to financial instruments. This guidance is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the effect of these provisions on the Company's financial position and results of operations.

2. Summary of Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The standard also expands the required quantitative and qualitative disclosures surrounding leases. This standard is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. This standard will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Management is currently evaluating the effect of these provisions on the Company's financial position and results of operations.

3. Property and Equipment

Property and equipment, net consists of the following:

	December 31,	
	2015	**2014**
Land	**$ 316,048**	$ 316,048
Building	**79,012**	79,012
Computers	**18,201**	22,082
Website and software development costs	**105,918**	49,682
Furniture and equipment	**63,624**	14,573
Total	**582,803**	481,397
Less: accumulated depreciation	**(73,085)**	(51,547)
Property and equipment, net	**$ 509,718**	$ 429,850

Depreciation relating to the Organization's property and equipment for the years ended December 31, 2015 and 2014 was $29,284 and $20,894, respectively.

4. Investments

The following table summarizes market value of marketable debt and equity securities held as of December 31, 2015.

		2015
Bond mutual funds	$	**173,768**
Equity mutual funds		**74,074**
Total investments	$	**247,842**

Realized and unrealized investment gains are as follows:

		2015
Realized gain	$	**–**
Unrealized loss		**10,981**
Total investment loss	$	**10,981**

5. 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, 2015 and 2014, the Organization had $303,772 and $309,766 outstanding on this Note, respectively.

5. Notes Payable (continued)

Scheduled payments for each of the five years subsequent to December 31, 2015 are as follows:

Year ending December 31,	
2016	$ 6,886
2017	7,307
2018	7,705
2019	8,124
2020 and thereafter	273,750
Total notes payable	$ 303,772
Less: current portion	(6,886)
Notes payable, net of current	$ 296,886

6. Operating Leases

The Organization leases administrative offices in New Delhi, India as well as equipment. Rent expense under the office leases totaled approximately $8,000 for the years ended December 31, 2015 and 2014. Rent expense under the equipment leases totaled approximately $8,000 and $6,000 for the years ended December 31, 2015 and 2014, respectively.

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

Year ending December 31,	Minimum Lease Payments
2016	$ 23,326
2017	24,755
2018	19,809
2019	9,086
2020 and thereafter	1,476
Total minimum lease payments	$ 78,452

7. Related Parties

During the years ended December 31, 2015 and 2014, board members and affiliates of board members donated approximately $122,000 and $124,000, respectively, to the Organization. Additionally, members of management contributed approximately $3,000 and $9,000, respectively, to the Organization during the years ended December 31, 2015 and 2014.

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are designated for the following purposes as of December 31, 2015 and 2014, based on donor stipulations:

	December 31, 2015	December 31, 2014
NY Life Grant for Educational Activities	**$ 10,000**	$ 10,000
Palmer Grant for tutor training and computers	**59,802**	36,000
Little Hearts Grant for Anbarasi boys dorm	**7,717**	50,000
Vestige Fund for Anbarasi	**12,533**	8,664
Shamapant Scholarship	**5,269**	1,969
Samarpan fund for Gokul	**5,996**	–
Jindal fund for Gokul and Erode	**3,417**	
HRTC fund for New Life	**901**	–
	$ 105,635	$ 106,633

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, 2015 and 2014.

9. Pension Plan

Effective January 1, 2008, the Organization adopted the provisions of the Miracle Foundation 401(k) plan. For the years ended December 31, 2015 and 2014, the contributions from the Organization on behalf of its employees were insignificant.

10. Subsequent Events

The Organization has evaluated subsequent events up to July 20, 2016, the date the consolidated financial statements were available to be issued.

In May 2016 the Company entered into new leases for office space in India. The leases have commencement dates in May 2016. These leases have been included in the minimum lease commitment schedule disclosed in Note 6.