Consolidated Financial Statements

The Miracle Foundation, Inc.

For the years ended December 31, 2016 and 2015
with Report of Independent Auditors

The Miracle Foundation, Inc.

Consolidated Financial Statements

Years ended December 31, 2016 and 2015

Contents

HOLTZMAN PARTNERS

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, 2016 and 2015, 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 audits 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, 2016 and 2015, 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 13, 2017

Holtzman Partners, LLP | 1710 West Sixth Street | Austin, Texas 78703 | phone 512.610.7200 | fax 512.610.7201 | www.holtzmanpartners.com

The Miracle Foundation, Inc.

Consolidated Statement of Financial Position

December 31, 2016

	Unrestricted	Donor Temporarily Restricted	Donor Permanently Restricted	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 1,061,673	$ 149,840	$ –	$ 1,211,513
Prepaid expenses and other	100,024	–	–	100,024
Total current assets	1,161,697	149,840	–	1,311,537
Investments	509,358	–	–	509,358
Long-term deposits	6,567	–	–	6,567
Austin Community Foundation Endowment	–	–	7,500	7,500
Property and equipment, net	498,208	–	–	498,208
Total assets	$ 2,175,830	$ 149,840	$ 7,500	$ 2,333,170
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 19,896	$ –	$ –	$ 19,896
Accrued liabilities	77,659	–	–	77,659
Notes payable, current portion	7,306	–	–	7,306
Total current liabilities	104,861	–	–	104,861
Notes payable, net of current	289,001	–	–	289,001
Total liabilities	393,862	–	–	393,862
Net assets:				
Unrestricted	1,781,968	–	–	1,781,968
Temporarily restricted	–	149,840	–	149,840
Permanently restricted	–	–	7,500	7,500
Total net assets	1,781,968	149,840	7,500	1,939,308
Total liabilities and net assets	$ 2,175,830	$ 149,840	$ 7,500	$ 2,333,170

See accompanying notes to the consolidated financial statements.

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	46,626	–	–	46,626
Total current assets	942,303	105,635	–	1,047,938
Investments	257,546		–	257,546
Long-term term deposits	1,459	–	–	1,459
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 Activities

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions and support	$ 2,410,973	$ 335,622	$ –	$ 2,746,595
Interest and other income	18,326	–	–	18,326
Changes in fair value of investments	8,292	–	–	8,292
Total support and revenue	2,437,591	335,622	–	2,773,213
Net assets released from restrictions:				
Satisfaction of restrictions	291,417	(291,417)	–	–
	2,729,008	44,205	–	2,773,213
Expenses:				
Orphanage program expenses	1,626,717	–	–	1,626,717
Ambassador program expenses	215,664	–	–	215,664
Management and general expenses	114,018	–	–	114,018
Fundraising expenses	298,257	–	–	298,257
Interest expenses	15,986	–	–	15,986
Total expenses	2,270,642	–	–	2,270,642
Change in net assets before foreign currency adjustment	458,366	44,205	–	502,571
Foreign currency adjustment	(20,953)	–	–	(20,953)
Change in net assets	437,413	44,205	–	481,618
Net assets at beginning of year	1,344,555	105,635	7,500	1,457,690
Net assets at end of year	$ 1,781,968	$ 149,840	$ 7,500	$ 1,939,308

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
Interest and other income	9,026	–	–	9,026
Change in fair value of investments	(10,981)	–	–	(10,981)
Total support and revenue	2,093,295	146,367	–	2,239,662
Net assets released from restrictions:				
Satisfaction of restrictions	147,365	(147,365)	–	–
	2,240,660	(998)	–	2,239,662
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
Total expenses	2,016,070	–	–	2,016,070
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 Statements of Cash Flows

	Year ended December 31, 2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 481,618**	$ 220,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	**36,664**	29,284
Net realized/unrealized (gain) loss on investments	**(8,292)**	10,263
Changes in operating assets and liabilities:		
Prepaid expenses and other	**(53,398)**	33,972
Long-term deposits	**(5,108)**	–
Accounts payable	**17,097**	(730)
Accrued liabilities	**17,759**	2,557
Net cash provided by operating activities	**486,340**	296,159
Cash flows from investing activities:		
Purchases of property and equipment	**(25,154)**	(109,152)
Purchases of investment	**(251,768)**	(258,105)
Redemption of term deposit	**9,704**	7,850
Net cash used in investing activities	**(267,218)**	(359,407)
Cash flows from financing activities:		
Payments and draws on notes payable	**(7,465)**	(5,994)
Net cash used in financing activities	**(7,465)**	(5,994)
Effect of exchange rate fluctuations	**(1,456)**	(535)
Net change in cash and cash equivalents	**210,201**	(69,777)
Cash and cash equivalents, beginning of year	**1,001,312**	1,071,089
Cash and cash equivalents, end of year	**$ 1,211,513**	$ 1,001,312
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 15,986**	$ 16,298

See accompanying notes to the consolidated financial statements.

1. Organization

The Miracle Foundation (the "Organization") is a non-profit organization whose mission is simple. The Organization stands for orphaned children and helps them thrive in real time. The Organization has created a measurable, repeatable and systematic method to ensure orphans are educated, fed, loved and safe. At the same time, the Organization explores every avenue to reunite the children with their parents or relatives, if possible. The method includes: (i) ensuring the organizations meet the 12 rights of the child and rises to international standards; (ii) guides leaders to resettle children with a caring, responsible relative or family – and help them stay together; (iii) helps organizations help themselves by improving their fund raising capacity; and (iv) transitions orphanages into Centers for Excellence where children thrive instead of reside. The Organization's goal is not only to break the cycle of poverty, but to have each child become a healthy, happy, income-producing person – and experience a true sense of belonging.

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, 2016 and 2015, the cumulative translation adjustment was as follows:

	Year ended December 31,	
	2016	**2015**
Balance at December 31, 2015	**$ 10,841**	$ 8,062
Translation Adjustment	**20,953**	2,779
Balance at December 31, 2016	**$ 31,794**	$ 10,841

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, 2016 and 2015, 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 and investments. 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 realized 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, 2016 and 2015 are as follows:

	2016	2015
Grantor A (an individual)	**13%**	20%

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, retired, or disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in other income (expense) in the Organization’s statement of activities in the period incurred. 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, 2016 or 2015.

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, 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 2016.

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.

2. Summary of Significant Accounting Policies (continued)

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.

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, 2016 and 2015.

The Organization accrues interest and penalties related to unrecognized tax positions as a component of income tax expense. As of December 31, 2016 and 2015, there were no accrued interest and penalties.

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

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

	Year ended December 31,			
	2016		**2015**	
Program	**$ 1,842,381**	**81.1%**	$ 1,689,875	83.8%
Administrative	**114,018**	**5.0%**	122,251	6.1%
Fundraising activities	**298,257**	**13.2%**	187,646	9.3%
Interest expenses	**15,986**	**0.7%**	16,298	0.8%
Total	**$ 2,270,642**	**100%**	$ 2,016,070	100%

Reclassifications

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

Recent Accounting Pronouncements

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. 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 2016-20 was issued in December 2016 to make technical corrections and improvements on narrow aspects of this guidance. ASU No. 2017-10 was issued in May 2017 to clarify that an operating entity in a service concession arrangement must consider the grantor the customer of the operation services it provides when it applies this revenue guidance in ASC 606. 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.

2. Summary of Significant Accounting Policies (continued)

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. This standard has been adopted beginning with the reporting period ended December 31, 2016. The adoption of ASU 2014-15 did not have a material effect on the Organization's consolidated financial statements and related disclosures, although it could have an impact on disclosures in future periods.

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 Organization's financial position and results of operations.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowances for losses. This guidance is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. This standard will be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The guidance is not expected to have a material impact on the Organization's consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

Subsequent events have been evaluated through July 13, 2017, which represents the date the financial statements were available to be issued. See specific subsequent events disclosed in Note 10.

3. Property and Equipment

Property and equipment, net consists of the following:

	December 31, 2016	December 31, 2015
Land	**$ 316,048**	$ 316,048
Building	**79,012**	79,012
Computers	**19,100**	18,201
Website and software development costs	**105,918**	105,918
Furniture and equipment	**85,255**	63,624
Total	**605,333**	582,803
Less: accumulated depreciation	**(107,125)**	(73,085)
Property and equipment, net	**$ 498,208**	$ 509,718

Depreciation relating to the Organization's property and equipment for the years ended December 31, 2016 and 2015 was $36,664 and $29,284, respectively.

4. Investments

At December 31, 2016 and 2015, the Organization's investments consist of the following:

	2016	2015
Cash and cash equivalents	**$ 208,291**	$ 51,846
Bond funds	**261,130**	173,768
Exchange traded funds	**111,718**	74,074
Fixed income	**136,510**	9,704
Total	**717,649**	309,392
Less: cash and cash equivalents	**(208,291)**	(51,846)
Total investments at fair value	**$ 509,358**	$ 257,546

4. Investments

Level 1 classifications consist of investments with observable market prices. Corporate bonds, exchange traded funds and fixed income securities have readily determinable fair market values based on quoted prices in active markets.

The Organization's policy related to fair value measurement hierarchy classification, including any level transfers, occurs at the end of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 for the years ended December 31, 2016 and 2015.

The following is a summary of the inputs used as of December 31, 2016 in valuing the Organization's investments carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Cash equivalents	**$ 208,291**	**$ –**	**$ –**	**$ 208,291**
Bond funds	**261,130**	**–**	**–**	**261,130**
Exchange traded funds	**111,718**	**–**	**–**	**111,718**
Fixed income	**136,510**	**–**	**–**	**136,510**
Totals	**$ 717,649**	**$ –**	**$ –**	**$ 717,649**

The following is a summary of the inputs used as of December 31, 2015 in valuing the Organization's investments carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Cash equivalents	$ 51,846	$ –	$ –	$ 51,846
Bond funds	173,768	–	–	173,768
Exchange traded funds	74,074	–	–	74,074
Fixed income	9,704	–	–	9,704
Totals	$ 309,392	$ –	$ –	$ 309,392

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 proceeds. As of December 31, 2016 and 2015, the Organization had $296,306 and $303,772 outstanding on the Note, respectively.

Scheduled payments for each of the five years are as follows at December 31:

2017	$ 7,307
2018	7,705
2019	8,124
2020	8,525
2021 and thereafter	264,646
Total notes payable	$ 296,307
Less: current portion	(7,306)
Notes payable, net of current	$ 289,001

6. Operating Leases

The Organization leases administrative offices in New Delhi, India as well as equipment. Rent expense under the office leases totaled approximately $15,000 and $8,000 for the years ended December 31, 2016 and 2015, respectively. Rent expense under the equipment leases totaled approximately $9,000 and $8,000 for the years ended December 31, 2016 and 2015, respectively.

6. Operating Leases (continued)

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

Year ending December 31,	Minimum Lease Payments
2017	$ 30,826
2018	29,967
2019	18,844
2020	2,187
2021 and thereafter	–
Total minimum lease payments	$ 81,824

7. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are designated for the following purposes as of December 31, 2016 and 2015, based on donor stipulations:

	December 31, 2016	2015
Palmer Grant for tutor training and computers	**$ 62,077**	$ 59,802
NY Life Grant for Educational Activities	**–**	10,000
Little Hearts Grant for Anbarasi boys dorm	**7,717**	7,717
Vestige Fund for Anbarasi	**18,365**	12,533
JJ Keller fund for Ashikiran	**10,854**	–
Strake Foundation fund for healthcare	**5,000**	–
Shamapant Scholarship	**5,269**	5,269
Samarpan fund for specified homes	**32,945**	5,996
Jindal fund for Gokul and Erode	**4,311**	3,417
V-Guard Industries fund for Marialaya	**3,302**	–
HRTC fund for New Life	**–**	901
	$ 149,840	$ 105,635

During 2009, the Organization received a $7,500 endowment gift 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, 2016 and 2015.

8. Related Parties

During the years ended December 31, 2016 and 2015, board members and affiliates of board members donated approximately $143,000 and $122,000, respectively, to the Organization. Additionally, members of management contributed approximately $2,000 and $3,000, respectively, to the Organization during the years ended December 31, 2016 and 2015.

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, 2016 and 2015, the contributions from the Organization on behalf of its employees were insignificant.

10. Subsequent Events

In February and May 2017 the Organization entered into new leases for office space in India. The leases have commencement dates in those respective months. These leases have been included in the minimum lease commitment schedule disclosed in Note 6.

On May 11, 2017, the Organization paid $198,094 of the outstanding note payable balance. After this payment, the outstanding balance was $95,792.