Consolidated Financial Statements

The Miracle Foundation, Inc.

As of and for the years ended December 31, 2019 and 2018
with Report of Independent Auditors

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, 2019 and 2018, 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 consolidated 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 consolidated 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 consolidated 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, 2019 and 2018, 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

June 22, 2020

The Miracle Foundation, Inc.

Consolidated Statement of Financial Position

December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 1,098,552	189,914	$ 1,288,466
Prepaid expenses and other	84,466	–	84,466
Total current assets	1,183,018	189,914	1,372,932
Investments	1,278,877	–	1,278,877
Long-term deposits	5,875	–	5,875
Austin Community Foundation Endowment	–	7,500	7,500
Property and equipment, net	576,710	–	576,710
Total assets	$ 3,044,480	$ 197,414	$ 3,241,894
Liabilities and net assets			
Current liabilities:			
Accounts payable	$ 62,483	$ –	$ 62,483
Accrued liabilities	82,719	–	82,719
Total current liabilities	145,202	–	145,202
Total liabilities	145,202	–	145,202
Net assets:			
Without donor restrictions	2,899,278	–	2,899,278
With donor restrictions	–	197,414	197,414
Total net assets	2,899,278	197,414	3,096,692
Total liabilities and net assets	$ 3,044,480	$ 197,414	$ 3,241,894

See accompanying notes to the consolidated financial statements.

The Miracle Foundation, Inc.

Consolidated Statement of Financial Position

December 31, 2018

	Without Donor Restrictions	With Donor Restriction	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 625,234	$ 163,094	$ 788,328
Prepaid expenses and other	147,918	–	147,918
Total current assets	773,152	163,094	936,246
Investments	850,272	–	850,272
Long-term deposits	4,482	–	4,482
Austin Community Foundation Endowment	–	7,500	7,500
Property and equipment, net	470,479	–	470,479
Total assets	$ 2,098,385	$ 170,594	$ 2,268,979
Liabilities and net assets			
Current liabilities:			
Accounts payable	$ 12,637	$ –	$ 12,637
Accrued liabilities	85,637	–	85,637
Total current liabilities	98,274	–	98,274
Total liabilities	98,274	–	98,274
Net assets:			
Without donor restrictions	2,000,111	–	2,000,111
With donor restrictions	–	170,594	170,594
Total net assets	2,000,111	170,594	2,170,705
Total liabilities and net assets	$ 2,098,385	$ 170,594	$ 2,268,979

See accompanying notes to the consolidated financial statements.

The Miracle Foundation, Inc.

Consolidated Statement of Activities

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and support	**$ 2,899,149**	**$ 817,944**	**$ 3,717,093**
Interest and other income	**41,740**	**–**	**41,740**
Changes in fair value of investments	**48,769**	**–**	**48,769**
Total support and revenue	**2,989,658**	**817,944**	**3,807,602**
Net assets released from restrictions:			
Satisfaction of restrictions	**791,124**	**(791,124)**	**–**
	3,780,782	**26,820**	**3,807,602**
Expenses:			
Orphanage program	**873,405**	**–**	**873,405**
Ambassador program	**–**	**–**	**–**
Center for excellence program	**238,797**	**–**	**238,797**
Advocacy program	**521,613**	**–**	**521,613**
UNICEF program	**663,208**	**–**	**663,208**
Foster care program	**174,701**	**–**	**174,701**
Management and general	**148,830**	**–**	**148,830**
Fundraising	**258,277**	**–**	**258,277**
Total expenses	**2,878,831**	**–**	**2,878,831**
Change in net assets before foreign currency adjustment	**901,951**	**26,820**	**928,771**
Foreign currency adjustment	**(2,784)**	**–**	**(2,784)**
Change in net assets	**899,167**	**26,820**	**925,987**
Net assets at beginning of year	**2,000,111**	**170,594**	**2,170,705**
Net assets at end of year	**$ 2,899,278**	**$ 197,414**	**$ 3,096,692**

See accompanying notes to the consolidated financial statements.

The Miracle Foundation, Inc.

Consolidated Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and revenue:			
Contributions and support	$ 2,530,049	$ 624,728	$ 3,154,777
Interest and other income	23,920	–	23,920
Changes in fair value of investments	(31,345)	–	(31,345)
Total support and revenue	2,522,624	624,728	3,147,352
Net assets released from restrictions:			
Satisfaction of restrictions	585,479	(585,479)	–
	3,108,103	39,249	3,147,352
Expenses:			
Orphanage program	1,537,294	–	1,537,294
Ambassador program	49,284	–	49,284
Center for excellence program	431,637	–	431,637
Advocacy program	477,055	–	477,055
Management and general	148,661	–	148,661
Fundraising	345,201	–	345,201
Interest	4,082	–	4,082
Total expenses	2,993,214	–	2,993,214
Change in net assets before foreign currency adjustment	114,889	39,249	154,138
Foreign currency adjustment	(12,480)	–	(12,480)
Change in net assets	102,409	39,249	141,658
Net assets at beginning of year	1,897,702	131,345	2,029,047
Net assets at end of year	$ 2,000,111	$ 170,594	$ 2,170,705

See accompanying notes to the consolidated financial statements.

The Miracle Foundation, Inc.

Consolidated Statements of Cash Flows

	Years ended December 31, 2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 925,987**	$ 141,658
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	**20,853**	26,195
Net realized/unrealized gain on investments	**(48,769)**	31,345
Changes in operating assets and liabilities:		
Prepaid expenses and other	**63,452**	240,104
Long-term deposits	**(1,393)**	(1,211)
Accounts payable	**49,846**	(13,962)
Accrued liabilities	**(2,918)**	24,791
Net cash (used in) provided by operating activities	**1,007,058**	448,920
Cash flows from investing activities:		
Purchases of property and equipment	**(127,084)**	(9,439)
Purchases of investment, net	**(1,050,480)**	(307,306)
Redemption of term deposit	**662,911**	77,381
Net cash used in investing activities	**(514,653)**	(239,364)
Cash flows from financing activities:		
Payments on notes payable	**–**	(84,505)
Net cash used in financing activities	**–**	(84,505)
Effect of exchange rate fluctuations	**7,733**	2,716
Net change in cash and cash equivalents	**500,138**	127,767
Cash and cash equivalents, beginning of year	**788,328**	660,561
Cash and cash equivalents, end of year	**$ 1,288,466**	$ 788,328
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ –**	$ 4,090

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 orphaned and vulnerable children around the world. Since being founded on Mother's Day in 2000, the Organization has taken a stand for orphaned children. Today there are 8 million children living in institutions around the world. That is unacceptable. Ask any child and they will tell you that their biggest dream is to be part of a loving family – it's where they thrive. The Organization's "Child First" approach is multi-faceted, collaborative and community-based: (i) 80% of children living in institutions have a living relative. The Organization makes every effort to reunite these children with their birth family, if possible; (ii) for abandoned children without family – the Organization's measurable, systematic method ensures that children are loved, educated, healthy and safe until they transition to a permanent family; and (iii) the Organization actively collaborate with governments, other non-profits and local family-strengthening organizations to transform systems and give children a voice. 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. 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, 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 statements of activities. The functional currency of the Organization's Indian subsidiary is the Indian Rupee. As of and for the years ended December 31, 2019 and 2018, the cumulative translation adjustment, included as a component of net assets in the accompanying consolidated balance sheet, was as follows:

	Years ended December 31,	
	2019	**2018**
Balance at December 31, 2018	**$ (23,060)**	$ (10,580)
Translation Adjustment	**(2,784)**	(12,480)
Balance at December 31, 2019	**$ (25,844)**	$ (23,060)

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 consolidated statements 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 consolidated statements of activities.

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 consolidated statements of financial position.

Investments are subject to the following concentration risks: 47% of the Organizations investments are in money market funds invested in United States treasury debt; and 15% of the Organization’s investments are in exchange-traded funds managed by Schwab; 18% of the Organization’s investments are in Indian fixed income certificates of deposits; 20% of the Organization’s investments are in United States fixed income certificates of deposits and treasury notes.

2. Summary of Significant Accounting Policies (continued)

Grantors representing more than 10% of the Organization's total support for the year ended December 31, 2019 are as follows:

Grantor A (a charitable foundation)	**13%**

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 consolidated statements 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, 2019 or 2018.

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 2019 or 2018.

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 recognizes conditional promises as revenue when the related condition is met.

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, 2019 and 2018.

The Organization accrues interest and penalties related to unrecognized tax positions as a component of income tax expense. As of December 31, 2019 and 2018, there were no accrued interest and penalties.

2. Summary of Significant Accounting Policies (continued)

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. 2020-05 was issued in June 2020 to defer the effective date of ASU 2014-09 for private companies that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of ASC 606. After this deferral, this standard is effective for annual reporting periods beginning after December 15, 2019. Management is currently evaluating the effect of these provisions on the Organization's consolidated financial position and results of operations.

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. In July 2018 this standard was updated and improved through ASU 2018-10 and ASU 2018-11. In June 2020, the FASB issued ASU 2020-05, which changed the effective date for entities other than public business entities to annual periods beginning after December 15, 2021. 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. However, per ASU 2018-11, the Organization can elect to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. 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, 2021. 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)

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments — a consensus of the Emerging Issues Task Force*. This standard promotes consistency in the presentation of certain items on the Statement of Cash Flows. In November 2016 the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This standard clarifies restricted cash and restricted cash equivalents should be presented in the statement of cash flows. These new standards are effective for annual periods beginning after December 15, 2018. Early adoption is permitted. These standards have been adopted retrospectively beginning with the reporting period ended December 31, 2018.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. While accounting for contributions primarily affects not-for-profit entities, the clarified guidance applies to all entities (including business entities) that receive or make contributions, except for certain transactions such as transfers of assets that business entities receive from government entities. For private entities in which the entity serves as the resource recipient, this standard is effective for annual reporting periods beginning after December 15, 2018. For private entities in which the entity serves as the resource provider, this standard is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. These standards have been adopted prospectively beginning with the reporting period ended December 31, 2019. Adoption did not have a material impact on the Organization’s consolidated financial statements

2. Summary of Significant Accounting Policies (continued)

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates, adds, and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The guidance is effective for all entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. This standard has been adopted beginning with the reporting period ended December 31, 2019.

Subsequent Events

Subsequent events have been evaluated through June 22, 2020, which represents the date the financial statements were available to be issued. See specific subsequent events disclosed in Note 11.

3. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

	As of December 31, 2019
Current financial assets	
Cash and equivalents	**$ 1,288,466**
Investments	**1,278,877**
	2,567,343
Less resources unavailable for general operations within one year due to donor-imposed time or purpose restriction	**(189,914)**
Financial assets available to meet cash needs for general expenditures within one year	**$ 2,377,429**

3. Liquidity and Availability of Resources (continued)

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which on average, approximate $250,000 per month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments according to the Board-approved Investment Policy.

4. Property and Equipment

Property and equipment, net consists of the following:

	December 31,	
	2019	**2018**
Land	**$ 316,048**	$ 316,048
Building	**79,012**	79,012
Computers	**43,903**	38,379
Website and software development costs	**165,606**	105,918
Furniture and equipment	**159,727**	97,855
Total	**764,296**	637,212
Less: accumulated depreciation	**(187,586)**	(166,733)
Property and equipment, net	**$ 576,710**	$ 470,479

Depreciation relating to the Organization’s property and equipment for the years ended December 31, 2019 and 2018 was $20,853 and $26,195, respectively.

5. Investments

At December 31, 2019 and 2018, the Organization's investments consist of the following:

	2019	2018
Money market funds	**$ 598,423**	$ 60,079
Bond funds	**–**	396,488
Exchange-traded funds	**198,118**	161,116
Fixed income	**482,336**	232,589
Total investments at fair value	**$ 1,278,877**	$ 850,272

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, 2019 and 2018.

The following is a summary of the inputs used as of December 31, 2019 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
Money market funds	**$ 598,423**	**$ –**	**$ –**	**$ 598,423**
Exchange-traded funds	**198,118**	**–**	**–**	**198,118**
Fixed income	**482,336**	**–**	**–**	**482,336**
Totals	**$ 1,278,877**	**$ –**	**$ –**	**$ 1,278,877**

5. Investments (continued)

The following is a summary of the inputs used as of December 31, 2018 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
Money market funds	$ 60,079	$ –	$ –	$ 60,079
Bond funds	396,488	–	–	396,488
Exchange-traded funds	161,116	–	–	161,116
Fixed income	232,589	–	–	232,589
Totals	$ 850,272	$ –	$ –	$ 850,272

6. Operating Leases

The Organization leases administrative offices in New Delhi, India as well as equipment. Rent expense under the office leases totaled approximately $31,000 and $26,000 for the years ended December 31, 2019 and 2018, respectively. Rent expense under the equipment leases totaled approximately $5,000 for both years ended December 31, 2019 and 2018.

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

Years ending December 31,	Minimum Lease Payments
2020	$ 42,687
2021	42,242
2022	27,460
2023 and thereafter	7,392
Total minimum lease payments	$ 119,781

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are designated for the following purposes as of December 31, 2019 and 2018, based on donor stipulations:

	December 31,	
	2019	**2018**
Net assets subject to expenditure for specified purposes:		
Higher Education	**$ 58,680**	$ 64,802
Cornerstone	**5,996**	30,889
Computers and Training	**248**	18,886
Foster Care	**78,402**	3,102
Support for Orphanages	**46,588**	45,415
Total subject to expenditure for specified purposes	**189,914**	163,094
Net assets subject to permanent restriction		
Endowment held by Austin Community Foundation	**7,500**	7,500
Total subject to permanent restriction	**7,500**	7,500
Total nets assets with donor restrictions	**$ 197,414**	$ 170,594

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, 2019 and 2018.

8. Related Parties

During the years ended December 31, 2019 and 2018, board members and affiliates of board members donated approximately $66,000 and $147,000, respectively, to the Organization.

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, 2019 and 2018, the contributions from the Organization on behalf of its employees were insignificant.

10. Functional Expenses

Beginning in 2018, the Organization adopted ASU 2016-14 as described in Note 2, which includes the requirement for all not-for-profits to present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements. The following table represents functional expenses by natural category for programs, including direct conduct or management of the programs. In addition, management and general fundraising costs are included. Included in management and general costs are all other unallocated costs associated with general operations. These allocations are determined by management to be of a reasonable basis and are consistently applied.

	Year ended December 31, 2019			
	Program Services	**Management & General**	**Fund Raising**	**Total**
Orphanage support	**$ 728,695**	**$ –**	**$ –**	**$ 728,695**
Salaries and benefits	**1,047,085**	**$ 97,297**	**$ 122,697**	**1,267,079**
Services	**90,552**	**18,110**	**41,627**	**150,289**
Advertising	**–**	**–**	**29,564**	**29,564**
Office and occupancy	**139,621**	**23,433**	**20,065**	**183,119**
Travel	**204,827**	**208**	**272**	**205,307**
Interest	**–**	**–**	**–**	**–**
Insurance	**4,581**	**749**	**980**	**6,310**
Partner program costs	**223,904**	**–**	**36,018**	**259,922**
Other	**32,459**	**9,033**	**7,054**	**48,546**
Total Expenses	**2,471,724**	**148,830**	**258,277**	**2,878,831**
Adjustments:				
Less interest expense	**–**	**–**	**–**	**–**
Adjusted total expenses	**$ 2,471,724**	**$ 148,830**	**$ 258,277**	**$ 2,878,831**
	85.8%	**5.2%**	**9.0%**	

10. Functional Expenses (continued)

	Year ended December 31, 2018			
	Program Services	**Management & General**	**Fund Raising**	**Total**
Orphanage support	$ 564,487	$ –	$ –	$ 564,487
Salaries and benefits	1,066,846	93,752	134,268	1,294,866
Services	103,026	19,598	102,598	225,222
Advertising	–	–	41,938	41,938
Office and occupancy	183,422	29,019	27,631	240,072
Travel	233,250	198	2,922	236,370
Interest	2,976	445	661	4,082
Insurance	4,950	740	1,099	6,789
Partner program costs	303,279	–	26,340	329,619
Other	36,010	5,354	8,405	49,769
Total Expenses	$ 2,498,246	$ 149,106	$ 345,862	$ 2,993,214
Adjustments:				
Less interest expense	(2,976)	(445)	(661)	(4,082)
Adjusted total expenses	2,495,270	148,661	345,201	2,989,132
	83.5%	4.9%	11.6%	

11. Subsequent Events

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. On March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster response. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, additional government restrictions, and the impact of COVID-19 on the Organization's operations, all of which are highly uncertain and cannot be predicted.

11. Subsequent Events (continued)

As part of the federal government's response to the economic impacts of COVID-19, in March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted which, among other measures, provided for the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Economic Injury Disaster Loan (EIDL) to be administered by the U.S. Small Business Administration. In April 2020, the Organization applied and was approved for a PPP loan and EIDL in the amounts of approximately $144,000 and $10,000, respectively. The PPP and EIDL funding was received by the Organization on May 6, 2020 and April 21, 2020. All or a portion of the PPP loan and EIDL may qualify for forgiveness under the terms of the PPP. Amounts not qualifying for forgiveness bear interest at a rate of 1% per annum and will be repaid in monthly installments of principal and accrued interest through April 2022, at which time the loan matures and all outstanding principal and accrued interest is due.