Consolidated Financial Statements

The Miracle Foundation, Inc.

As of and for the period ended March 31, 2021
with Report of Independent Auditors

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 March 31, 2021, and the related consolidated statements of activities and cash flows for the period 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 consolidated 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 March 31, 2021, and the changes in their net assets and their cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the consolidated financial statements, the Miracle Foundation, Inc. changed its fiscal year end to align with its wholly-owned subsidiary such that the consolidated financial statements reflect a fifteen-month fiscal period ending March 31, 2021. Our opinion is not modified with respect to this matter.

Holtzman Partners, LLP

July 16, 2021

The Miracle Foundation, Inc.

Consolidated Statement of Financial Position

March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 391,368	$ 86,410	$ 477,778
Prepaid expenses and other	40,726	–	40,726
Total current assets	432,094	86,410	518,504
Investments	2,799,496	–	2,799,496
Long-term deposits	748	–	748
Property and equipment, net	703,017	–	703,017
Total assets	$ 3,935,355	$ 86,410	$ 4,021,765
Liabilities and net assets			
Current liabilities:			
Accounts payable	$ 59,534	$ –	$ 59,534
Accrued liabilities	123,957	–	123,957
Total current liabilities	183,491	–	183,491
Total liabilities	183,491	–	183,491
Net assets:			
Without donor restrictions	3,751,864	–	3,751,864
With donor restrictions	–	86,410	86,410
Total net assets	3,751,864	86,410	3,838,274
Total liabilities and net assets	$ 3,935,355	$ 86,410	$ 4,021,765

See accompanying notes to the consolidated financial statements.

The Miracle Foundation, Inc.

Consolidated Statement of Activities

Period ended March 31, 2021
(15 months)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and support	**$ 3,299,484**	**$ 843,806**	**$ 4,143,290**
Interest and other income	**50,380**	**–**	**50,380**
Changes in fair value of investments	**81,210**	**–**	**81,210**
Total support and revenue	**3,431,074**	**843,806**	**4,274,880**
Net assets released from restrictions:			
Satisfaction of restrictions	**947,310**	**(947,310)**	**–**
	4,378,384	**(103,504)**	**4,274,880**
Expenses:			
Program expenses	**3,012,460**	**–**	**3,012,460**
Management and general	**174,517**	**–**	**174,517**
Fundraising	**324,091**	**–**	**324,091**
Total expenses	**3,511,068**	**–**	**3,511,068**
Change in net assets before foreign currency adjustment	**867,316**	**(103,504)**	**763,812**
Foreign currency adjustment	**(14,730)**	**–**	**(14,730)**
Change in net assets	**852,586**	**(103,504)**	**749,082**
Release of endowment fund	**–**	**(7,500)**	**(7,500)**
Net assets at beginning of year	**2,899,278**	**197,414**	**3,096,692**
Net assets at end of year	**$ 3,751,864**	**$ 86,410**	**$ 3,838,274**

See accompanying notes to the consolidated financial statements, including Note 1 which describes the change in fiscal year end.

The Miracle Foundation, Inc.

Consolidated Statements of Cash Flows

	Period ended March 31, 2021 (15 months)
Cash flows from operating activities:	
Change in net assets	$ 749,082
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	57,813
Net realized/unrealized gain on investments	(81,210)
Gain on forgiveness of PPP loan	(143,786)
Changes in operating assets and liabilities:	
Prepaid expenses and other	43,740
Long-term deposits	5,127
Accounts payable	(2,949)
Accrued liabilities	41,238
Net cash provided by operating activities	669,055
Cash flows from financing activities:	
Proceeds from PPP loan	143,786
Net cash provided by financing activities	143,786
Cash flows from investing activities:	
Purchases of property and equipment	(184,120)
Purchases of investment, net	(1,514,597)
Redemption of term deposit	69,338
Net cash used in investing activities	(1,629,379)
Effect of exchange rate fluctuations	5,850
Net change in cash and cash equivalents	(810,688)
Cash and cash equivalents, beginning of year	1,288,466
Cash and cash equivalents, end of year	$ 477,778

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.

The Organization changed its fiscal year to align with Miracle India such that its current year end is March 31, 2021, resulting in a fifteen-month fiscal period.

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 ("U.S. GAAP") as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements are presented in accordance with 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 year ended March 31, 2021, the cumulative translation adjustment, included as a component of net assets in the accompanying consolidated balance sheet, was as follows:

		Period ended March 31, 2021
Balance at December 31, 2019	$	(25,844)
Translation Adjustment		(14,730)
Balance at March 31, 2021	$	(40,574)

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: 68% of the Organization's investments are in money market funds invested in United States treasury debt; 17% of the Organization's investments are in publicly traded mutual funds; 9% of the Organization's investments are in exchange-traded funds managed by Schwab; and 6% of the Organization's investments are in Indian fixed income certificates of deposits.

Grantors representing more than 10% of the Organization's total support for the period ended March 31, 2021 are as follows:

Grantor A (a charitable foundation)	**12%**

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of the donation less accumulated depreciation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets, generally three to 40 years. When depreciable assets are sold, 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 in excess of $500 and with a useful life over one year 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 period ended March 31, 2021.

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.

2. Summary of Significant Accounting Policies (continued)

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

The 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.

There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for these assets or liabilities for the period ended March 31, 2021.

Capitalized Software Development Costs

In accordance with the applicable guidance, the Organization is required to capitalize specific software development costs, including costs to develop software, including websites, or the software components of its solutions, as well as software programs to be used solely to meet its internal needs, when applicable. The costs incurred in the preliminary stages of development related to research, project planning, training, maintenance, general and administrative activities, and overhead are expensed as incurred. Once an application has reached the application development stage, internal and external costs incurred in the performance of application development stage activities, including costs of materials, services, and payroll and payroll-related costs for employees and third-party consultants, are required to be capitalized, until the software is substantially complete and ready for its intended use. Costs related to post implementation activities, including the design or maintenance of websites, are expensed as incurred. Development costs are amortized on a straight-line basis over their estimated useful life or the term of the hosting arrangement, generally 3 years, once placed in service. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

The Organization capitalized approximately $159,000 of costs during the period ended March 31, 2021. As the related asset had not been placed in service, no amortization expense was recorded during the period ended March 31, 2021.

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

Contributed services represent in-kind contributions and are reflected in the consolidated statement of activities as contributions at their fair value on the date of receipt. Contributed services are recognized by the Organization if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services relate to vendor services. Fair value of the contributed services is determined using current fair market rates for the actual vendor costs of services provided. The Organization recognized approximately $109,000 of contributed services in the consolidated statements of activities for the period ended March 31, 2021.

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 March 31, 2021.

2. Summary of Significant Accounting Policies (continued)

The Organization accrues interest and penalties related to unrecognized tax positions as a component of income tax expense. As of March 31, 2021, there was no accrued interest and penalties.

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. 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. This standard has been adopted in the financial statements for the period ended March 31, 2021. The adoption of ASC 606 did not have an impact on the consolidated financial statements.

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 net assets 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.

2. Summary of Significant Accounting Policies (continued)

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. In November 2019, the FASB issued ASU 2019-10, which changed the effective date for entities other than public business entities to annual periods beginning after December 15, 2022. Early adoption is permitted. This standard will be applied as a cumulative-effect adjustment to net assets 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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities and to disclose additional information about contributed nonfinancial assets to provide additional transparency about their use in the entity’s programs and other activities. Retrospective application is required. The amendments in the update are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently evaluating the effect of these provisions on the Organization’s financial position and results of operations.

Subsequent Events

Subsequent events have been evaluated through July 16, 2021, which represents the date the consolidated financial statements were available to be issued, and no events have occurred through that date that would impact the consolidated financial statements.

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 March 31, 2021
Current financial assets	
Cash and equivalents	$ 477,778
Investments	2,799,496
	3,277,274
Less resources unavailable for general operations within one year due to donor-imposed time or purpose restriction	(86,410)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,190,864

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:

	March 31, 2021
Land	$ 316,048
Building	79,012
Computers	46,994
Website and software development costs	187,980
Furniture and equipment	159,618
Software application under development	158,764
Total	948,416
Less: accumulated depreciation	(245,399)
Property and equipment, net	$ 703,017

Depreciation relating to the Organization’s property and equipment for the period ended March 31, 2021 was $57,813.

5. Investments

At March 31, 2021, the Organization’s investments consist of the following:

	March 31, 2021
Money market funds	$ 1,910,711
Mutual funds	464,725
Exchange-traded funds	262,294
Fixed income	161,766
Total investments at fair value	$ 2,799,496

Level 1 classifications consist of investments with observable market prices. Money market funds, mutual funds, 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 year ended March 31, 2021.

5. Investments (continued)

The following is a summary of the inputs used as of March 31, 2021 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	$ 1,910,711	$ –	$ –	$ 1,910,711
Mutual funds	464,725	–	–	464,725
Exchange-traded funds	262,294	–	–	262,294
Fixed income	161,766	–	–	161,766
Totals	$ 2,799,496	$ –	$ –	$ 2,799,496

6. Paycheck Protection Program Loan

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) administered by the U.S. Small Business Administration (SBA). On May 6, 2020, the Organization received a PPP loan in the amount of $143,786. Initially, monthly payments of principal and interest were deferred for 6 months after the note issuance date, with all unpaid principal and interest due upon maturity on May 6, 2022. On June 5, 2020, the Paycheck Protection Flexibility Act of 2020 (the "Flexibility Act") was signed into law. The Flexibility Act extended the payment deferral period to either 1) the date that the SBA notifies the borrower of the amount of loan forgiveness or 2) 10 months after the end of the covered period for loan forgiveness, as defined in the PPP loan, if the borrower does not apply for loan forgiveness.

The Organization applied for and was notified that $143,786 in eligible expenditures for payroll and other expenses described in the CARES Act was forgiven on November 2, 2020. Loan forgiveness is reflected in contributions and support income in the accompanying consolidated statement of activities.

7. Commitments and Contingencies

Commitments

The Organization leases administrative offices in New Delhi, India as well as equipment. Rent expense under the office leases totaled approximately $35,000 for the period ended March 31, 2021. Rent expense under the equipment leases totaled approximately $7,000 for the period ended March 31, 2021.

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

Years ending March 31,	Minimum Lease Payments
2022	$ 26,204
2023	21,577
2024	13,821
2025 and thereafter	–
Total minimum lease payments	$ 61,602

Contingency

During the period ended March 31, 2021, the Internal Revenue Service informed the Organization that it was subject to penalties of $ 86,000 for late filing of Form 5500 related to the Organization’s retirement plan Management does not believe the ultimate resolution of this matter will have a material impact on the Organization’s financial condition. No amounts have been recorded in the accompanying consolidated financial statements.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are designated for the following purposes as of March 31, 2021, based on donor stipulations:

	March 31, 2021
Net assets with donor restrictions:	
Higher Education	$ 10,122
Support for Orphanages	53,377
End Institutional Care	22,911
Total nets assets with donor restrictions	$ 86,410

During 2009, the Organization received a $7,500 endowment gift which is held by the Austin Community Foundation. During the period ended March 31, 2021, the Organization concluded that the endowment fund held by the Austin Community Foundation and did not meet recognition criteria under U.S. GAAP, and derecognized the endowment balance.

9. Related Parties

During the year ended March 31, 2021, board members and affiliates of board members donated approximately $100,000 to the Organization.

10. Pension Plan

Effective January 1, 2008, the Organization adopted the provisions of the Miracle Foundation 401(k) plan. For the year ended March 31, 2021, the contributions from the Organization on behalf of its employees were insignificant.

11. Functional Expenses

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.

11. Functional Expenses (continued)

These allocations are determined by management to be of a reasonable basis and are consistently applied.

	Year ended March 31, 2021			
	Program Services	Management & General	Fund Raising	Total
Orphanage support	$ 907,520	$ –	$ –	$ 907,520
Salaries and benefits	1,369,629	110,323	152,180	1,632,132
Services	134,168	28,966	21,434	184,568
Advertising	–	–	65,154	65,154
Office and occupancy	201,466	30,710	32,610	264,786
Travel	120,248	–	–	120,248
Interest	20	3	4	27
Insurance	1,697	248	344	2,289
Partner program costs	231,895	–	46,280	278,175
Other	45,817	4,267	6,085	56,169
Total Expenses	$ 3,012,460	$ 174,517	$ 324,091	$ 3,511,068
	85.8%	5.0%	9.2%	