Audited Consolidated Financial Statements

# The Miracle Foundation, Inc.

*For the Fiscal Years Ended March 31, 2024 and 2023*
*With Independent Auditor's Report*

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*For the Fiscal Years Ended March 31, 2024 and 2023*

## Contents

Reynolds & Franke, PC
CERTIFIED PUBLIC ACCOUNTANTS

# Independent Auditor's Report

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

## Opinion

We have audited the accompanying consolidated financial statements of The Miracle Foundation, Inc. and its subsidiaries (collectively, the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of March 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Miracle Foundation, Inc. and its subsidiaries as of March 31, 2024 and 2023, and the changes in their net assets and their cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



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**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Reynolds & Franke, PC

Austin, Texas
June 26, 2024

# Audited Consolidated Financial Statements

# The Miracle Foundation, Inc.

## Consolidated Statements of Financial Position

*March 31, 2024 and 2023*

| | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | **$ 935,177** | $ 374,996 |
| Accounts receivable | **1,200** | 1,488 |
| Investments | **1,728,217** | 2,433,362 |
| Other current assets | **76,391** | 94,705 |
| Total current assets | **2,740,985** | 2,904,551 |
| Cash and cash equivalents with donor restrictions | **993,444** | 1,088,213 |
| Long-term deposits | **10,542** | 8,660 |
| Property and equipment, net | **477,461** | 485,998 |
| Operating right-of-use assets | **116,863** | 129,206 |
| Total assets | **$ 4,339,295** | $ 4,616,628 |
| **Liabilities and Net Assets** | | |
| Current Liabilities: | | |
| Accounts payable | **$ 36,853** | $ 35,084 |
| Accrued payroll expenses | **79,089** | 61,405 |
| Other accrued liabilities | **95,659** | 152,246 |
| Other current liabilities | **6,592** | 5,480 |
| Deferred revenue | **57,373** | 19,519 |
| Operating lease liability - current | **28,832** | 34,192 |
| Total current liabilities | **304,398** | 307,926 |
| Operating lease liability - noncurrent | **77,591** | 85,450 |
| Total liabilities | **381,989** | 393,376 |
| Net Assets: | | |
| Without donor restrictions | **2,963,862** | 3,135,039 |
| With donor restrictions | **993,444** | 1,088,213 |
| Total net assets | **3,957,306** | 4,223,252 |
| Total liabilities and net assets | **$ 4,339,295** | $ 4,616,628 |

*The accompanying notes are an integral part of these consolidated financial statements.*

# The Miracle Foundation, Inc.

## Consolidated Statement of Activities

*For the Fiscal Year Ended March 31, 2024*

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Support, Revenues, and Reclassifications: | | | |
| Contributions and support | $ 2,236,563 | $ 2,446,462 | $ 4,683,025 |
| Investment earnings | 180,190 | - | 180,190 |
| Contributed goods and services | 68,544 | - | 68,544 |
| Other income | 557 | - | 557 |
| Total support and revenues | 2,485,854 | 2,446,462 | 4,932,316 |
| Net assets released from donor restrictions | 2,540,324 | (2,540,324) | - |
| Total support, revenues, and reclassifications | 5,026,178 | (93,862) | 4,932,316 |
| Expenses: | | | |
| Program services | 4,184,288 | - | 4,184,288 |
| Fundraising | 555,378 | - | 555,378 |
| Management and general | 462,278 | - | 462,278 |
| Total expenses | 5,201,944 | - | 5,201,944 |
| Change in net assets from operations | (175,766) | (93,862) | (269,628) |
| Foreign currency adjustment | 2,775 | 907 | 3,682 |
| Total change in net assets | (172,991) | (92,955) | (265,946) |
| Net assets, beginning of the fiscal year | 3,135,039 | 1,088,213 | 4,223,252 |
| Net assets, end of the fiscal year | $ 2,962,048 | $ 995,258 | $ 3,957,306 |

*The accompanying notes are an integral part of these consolidated financial statements.*

# The Miracle Foundation, Inc.

## Consolidated Statement of Activities

*For the Fiscal Year Ended March 31, 2023*

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Support, Revenues, and Reclassifications: | | | |
| Contributions and support | $ 2,656,366 | $ 2,459,774 | $ 5,116,140 |
| Contributed goods and services | 103,291 | - | 103,291 |
| Investment earnings | 9,341 | - | 9,341 |
| Other income | 400 | - | 400 |
| Total support and revenues | 2,769,398 | 2,459,774 | 5,229,172 |
| Net assets released from donor restrictions | 1,407,951 | (1,407,951) | - |
| Total support, revenues, and reclassifications | 4,177,349 | 1,051,823 | 5,229,172 |
| Expenses: | | | |
| Program services | 3,816,666 | - | 3,816,666 |
| Fundraising | 517,253 | - | 517,253 |
| Management and general | 397,865 | - | 397,865 |
| Total expenses | 4,731,784 | - | 4,731,784 |
| Change in net assets from operations | (554,435) | 1,051,823 | 497,388 |
| Foreign currency adjustment | (6,332) | - | (6,332) |
| Total change in net assets | (560,767) | 1,051,823 | 491,056 |
| Net assets, beginning of the fiscal year | 3,695,806 | 36,390 | 3,732,196 |
| Net assets, end of the fiscal year | $ 3,135,039 | $ 1,088,213 | $ 4,223,252 |

*The accompanying notes are an integral part of these consolidated financial statements.*

# The Miracle Foundation, Inc.

## Consolidated Statement of Functional Expenses

*For the Fiscal Year Ended March 31, 2024*

| | Program Services | Fundraising | Management & General | Total |
|---|---|---|---|---|
| Salaries, payroll taxes, and benefits | $ 2,087,352 | $ 399,620 | $ 383,284 | $ 2,870,256 |
| Partner program costs | 711,354 | - | - | 711,354 |
| Orphanage support | 593,888 | - | - | 593,888 |
| Miscellaneous expense | 180,779 | 16,726 | 13,865 | 211,370 |
| Consulting fees | 109,072 | 16,301 | 22,617 | 147,990 |
| Travel | 135,156 | 8,712 | 863 | 144,731 |
| Office expense | 86,617 | 15,381 | 15,579 | 117,577 |
| Charitable contributions | 77,000 | - | - | 77,000 |
| Advertising expense | - | 67,807 | - | 67,807 |
| Professional fees | 36,658 | 7,954 | 7,356 | 51,968 |
| Contract labor | 46,331 | 465 | 372 | 47,168 |
| Bank charges | 19,384 | 5,423 | 4,328 | 29,135 |
| Operating lease expense | 23,899 | 1,059 | 2,561 | 27,519 |
| Rent expense | 17,905 | 86 | 969 | 18,960 |
| Utilities | 14,824 | 1,499 | 2,303 | 18,626 |
| Depreciation expense | 10,489 | 2,934 | 2,343 | 15,766 |
| Licenses and fees | 8,966 | 2,508 | 2,002 | 13,476 |
| Postage and shipping | 7,559 | 470 | 1,096 | 9,125 |
| Public relations | 2,500 | 5,000 | - | 7,500 |
| Repairs and maintenance | 4,184 | 1,170 | 934 | 6,288 |
| Telephone | 4,520 | 639 | 510 | 5,669 |
| Insurance expense | 3,492 | 977 | 780 | 5,249 |
| Interest on operating lease liability | 2,359 | 647 | 516 | 3,522 |
| Total expenses | $ 4,184,288 | $ 555,378 | $ 462,278 | $ 5,201,944 |
| Percentage of total expenses | 80% | 11% | 9% | 100% |

*The accompanying notes are an integral part of these consolidated financial statements.*

## The Miracle Foundation, Inc.

Consolidated Statement of Functional Expenses

*For the Fiscal Year Ended March 31, 2023*

| | Program Services | Fundraising | Management & General | Total |
|---|---|---|---|---|
| Salaries, payroll taxes, and benefits | $ 1,447,979 | $ 293,244 | $ 311,028 | $ 2,052,251 |
| Partner program costs | 786,783 | 80 | 235 | 787,098 |
| Orphanage support | 472,875 | - | - | 472,875 |
| Travel | 372,697 | 8,741 | 1,088 | 382,526 |
| Miscellaneous expense | 141,856 | 18,385 | 12,864 | 173,105 |
| Charitable contributions | 171,816 | - | - | 171,816 |
| Consulting fees | 108,778 | 10,505 | 19,154 | 138,437 |
| Office expense | 74,877 | 14,837 | 15,386 | 105,100 |
| Advertising expense | - | 85,986 | - | 85,986 |
| Public relations | 30,000 | 50,306 | - | 80,306 |
| Professional fees | 45,868 | 11,208 | 11,094 | 68,170 |
| Contract labor | 45,553 | 1,194 | 2,389 | 49,136 |
| Depreciation expense | 25,013 | 7,157 | 6,156 | 38,326 |
| Operating lease expense | 23,465 | 1,321 | 3,858 | 28,644 |
| Bank charges | 17,614 | 5,040 | 4,335 | 26,989 |
| Utilities | 12,705 | 1,653 | 2,362 | 16,720 |
| Licenses and fees | 9,170 | 2,624 | 2,257 | 14,051 |
| Postage and shipping | 8,831 | 626 | 1,497 | 10,954 |
| Telephone | 5,787 | 895 | 770 | 7,452 |
| Repairs and maintenance | 4,086 | 1,169 | 1,006 | 6,261 |
| Equipment rental | 4,011 | 1,148 | 987 | 6,146 |
| Insurance expense | 3,138 | 898 | 772 | 4,808 |
| Interest on operating lease liability | 2,110 | 143 | 355 | 2,608 |
| Rent expense | 1,654 | 93 | 272 | 2,019 |
| Total expenses | $ 3,816,666 | $ 517,253 | $ 397,865 | $ 4,731,784 |
| Percentage of total expenses | 81% | 11% | 8% | 100% |

*The accompanying notes are an integral part of these consolidated financial statements.*

# The Miracle Foundation, Inc.

## Consolidated Statements of Cash Flows

*For the Fiscal Years Ended March 31, 2024 and 2023*

| **Cash flows from operating activities** | **2024** | **2023** |
|---|---|---|
| Change in net assets | **$ (269,628)** | $ 497,388 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | **15,766** | 38,326 |
| Unrealized (gains) losses | **(49,895)** | 96,660 |
| Amortization of operating right-of-use assets | **27,190** | 31,180 |
| (Increase) decrease in operating assets: | | |
| Cash and cash equivalents with donor restrictions | **94,769** | (1,051,823) |
| Accounts receivable | **288** | 51,819 |
| Other current assets | **18,314** | (46,779) |
| Long-term deposits | **(1,882)** | (3,820) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | **1,769** | 12,595 |
| Accrued liabilities | **(38,903)** | 22,596 |
| Other current liabilities | **1,112** | (872) |
| Deferred revenue | **37,854** | 19,519 |
| Operating lease liability | **(28,066)** | (40,744) |
| Net cash used in operating activities | **(191,312)** | (373,955) |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | **(7,229)** | (5,065) |
| Sales of investments, net | **755,040** | 386,106 |
| Net cash provided by investing activities | **747,811** | 381,041 |
| Net change in cash and cash equivalents | **556,499** | 7,086 |
| Effect of foreign currency exchange rates on cash | **3,682** | (6,332) |
| Cash and cash equivalents, beginning of the fiscal year | **374,996** | 374,242 |
| Cash and cash equivalents, end of the fiscal year | **$ 935,177** | $ 374,996 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | **$ 3,522** | $ 2,608 |
| **Non-cash investing activities:** | | |
| Initial adoption of lease standard to record operating right-of-use assets under operating lease obligations | **$ -** | $ 171,208 |
| Early termination of lease with operating lease right-of-use assets and associated lease obligations | **$ 947** | $ 10,822 |
| New lease(s) with operating lease right-of-use assets under operating lease obligations | **$ 15,794** | $ 0 |

*The accompanying notes are an integral part of these consolidated financial statements.*

# The Miracle Foundation, Inc.

## Notes to Consolidated Financial Statements

*For the Fiscal Years Ended March 31, 2024 and 2023*

**Note 1 – Summary of Significant Accounting Policies**

**Nature of Activities**

The Miracle Foundation, Inc. is a nonprofit organization that brings life-changing care to orphaned and vulnerable children around the world. For the past 24 years, The Miracle Foundation, Inc. has improved the lives of more than 20,000 children and supported 100,000 of their family members. Today, we are an industry leader in the movement away from orphanages, uniting children in institutions with a family, and preventing new children from entering the system. In this work, we utilize the power of data to create real, sustainable change. Our proven Thrive Scale ™ methodology is based on the UN Rights of the Child and allows us to systematically measure and improve all aspects of a child's well-being. In addition, our leading-edge software offers a revolutionary and welcome change to the US foster care system. This phone-based app helps streamline communications, simplifies the reporting process, and ultimately helps children avoid the painful process of being moved from home to home.

In 2011, The Miracle Foundation, Inc. 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 Miracle Foundation, Inc.'s operations in India.

In October 2023, The Miracle Foundation, Inc. formed a wholly-owned subsidiary, Thrive Scale International Private Limited ("Thrive Scale"), an Indian for-profit company in Delhi, India.

**Principles of Consolidation**

The accompanying consolidated financial statements include the consolidated accounts of The Miracle Foundation, Inc. and its wholly-owned foreign subsidiaries, Miracle India and Thrive Scale (hereinafter collectively referred to as the "Organization"). All material inter-company accounts and transactions have been eliminated in consolidation.

**Basis of Accounting**

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred.

## Note 1 – Summary of Significant Accounting Policies (continued)

### Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

### Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – These types of net assets are not subject to donor-imposed stipulations. This also includes net assets with Board designations for specific purposes, since these Board designations may be reversed by the Board of Directors at any time in the future.

Net assets with donor restrictions – These types of net assets are subject to donor-imposed stipulations, which limit their use by the Organization, either permanently or temporarily, to a specific purpose and/or the passage of time. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from donor restrictions.

### Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. For purposes of the consolidated statements of cash flows, cash and cash equivalents exclude cash and cash equivalents with donor restrictions.

### Investments

Investments are stated at fair value. Realized and unrealized gains and losses are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

## Note 1 – Summary of Significant Accounting Policies (continued)

### Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at fiscal year-end. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that credit losses on outstanding balances at March 31, 2024 will be immaterial. The Organization has not set up an allowance for uncollectible receivables as of March 31, 2023, because management estimates that the receivables are collectible and write-offs are historically unusual and small.

### Property and Equipment

Property and equipment are stated at cost, if purchased, and at fair market value at date of gift, if received by donation. The Organization capitalizes assets with cost/fair value of $2,000 or more and a useful life of more than one year. Depreciation is computed on a straight-line basis using a useful life appropriate for the asset class. Upon the sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

### Federal Income Taxes

The Miracle Foundation, Inc. is exempt from Federal income taxes under 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. Thrive Scale was incorporated as a for-profit under the Companies Act, 2013. Thrive Scale incurred a net loss for the fiscal year ended March 31, 2024. Therefore, the Organization has made no provision for Federal income taxes in the accompanying consolidated financial statements. The Miracle Foundation, Inc. is a public charity under the Internal Revenue Code.

The Organization evaluates uncertain tax positions, if any exist, under FASB 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, 2024 and 2023.

The Organization accrues interest and penalties related to unrecognized tax positions as a component of income tax expense. As of March 31, 2024 and 2023, there was no accrued interest and penalties.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Contributions**

Contributions, including promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. When donor restrictions expire, that is when a stipulated time restriction ends or donor restricted purpose is accomplished, the related net assets with donor restrictions are reclassified to net assets without donor restrictions. This is reported in the consolidated statements of activities as net assets released from donor restrictions.

**Leases**

Management reviews contracts to identify leases and properly classify leases as either operating or financing. Operating right-of-use (ROU) liabilities are recognized based on the net present value of lease payments over the lease term at the commencement date of the lease, and are reduced by payments made on each lease on the straight-line basis. Since most of the leases do not provide an implicit rate of return, the Organization uses its incremental borrowing rate based on information available at the commencement date of the lease in determining the present value of lease payments. Therefore, the Organization generally uses its incremental borrowing rate as the discount rate for the lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments using similar terms.

If a lease contains a renewal option at the commencement date and management considers it reasonably certain that the option will be exercised to renew the lease, the renewal option payments are included in the determination of the ROU assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

All lease agreements generally require the Organization to pay maintenance, repairs, property taxes, and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU lease liability or ROU lease asset.

Variable lease payments associated with the Organization's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented in expenses in the consolidated statements of activities.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Functional Allocation of Expenses**

The expense information contained in the consolidated statements of activities is presented on a functional basis. Accordingly, certain expenses are allocated among the programs and supporting services benefited. Expenses which cannot be specifically identified have been allocated based on management's best estimate of usage. Salaries, payroll taxes, and benefits are allocated based on estimated time spent by the employees for each function. Rent and operating lease expense costs are allocated based on the estimated space usage. Depreciation is allocated on estimated usage in each function.

**Contributed Goods and Services**

The Organization records various types of contributed goods and services primarily related to their programs. Contributed goods and services are recognized in accordance with the *Contributions Received* Subsection of FASB ASC 958. The amounts reflected in the accompanying consolidated financial statements as contributed goods and services are offset by like amounts included in expenses.

**Foreign Currency Translation**

The functional currency of the Organization's foreign subsidiaries was determined to be the local currency; and therefore, assets and liabilities are translated at the current exchange rate at the consolidated statements of financial position date and the consolidated statements of activities items are translated at the average exchange rates prevailing during the reporting periods. The foreign currency translation adjustment and gains and losses from non-functional currency denominated transactions are reported in the consolidated statements of activities. The functional currency of the Organization's Indian subsidiaries is the Indian Rupee (INR). As of and for the fiscal years ended March 31, 2024 and 2023, the cumulative translation adjustment, included as a component of net assets in the accompanying consolidated statements of financial position, was as follows:

| | |
|---|---|
| Balance as of March 31, 2022 | $ 52,270 |
| Fiscal year 2023 translation adjustment | 6,332 |
| Balance as of March 31, 2023 | 58,602 |
| Fiscal year 2024 translation adjustment | (3,682) |
| Balance as of March 31, 2024 | $ 54,920 |

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Change in Accounting Principle**

On April 1, 2023, the Organization adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which requires the Organization to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. There was no material impact on the Organization's results of operations or financial condition upon adoption of the new standard.

**Reclassifications**

Certain fiscal year ended March 31, 2023 amounts have been reclassified to conform to the fiscal year ended March 31, 2024 consolidated financial statements presentation. These reclassifications have no effect on the fiscal year ended March 31, 2023 reported change in net assets.

**Date of Management's Review**

These consolidated financial statements considered subsequent events through June 26, 2024, the date the consolidated financial statements were available to be issued.

**Note 2 – Concentration of Risk**

Financial instruments which potentially subject the Organization to credit risk principally consist of cash and cash equivalents and investments. To minimize the risk, the Organization places its temporary cash investments with high credit quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investment Protection Corporation (SIPC), or the Deposit Insurance and Credit Guarantee Corporation (DICGC). Effective January 1, 2013, deposit insurance coverage by the FDIC changed to $250,000 per bank per entity for all interest bearing and non-interest bearing accounts. Securities are protected by the SIPC which currently protects brokerage accounts up to $500,000 in securities, including up to $250,000 for cash. Additional coverage is frequently offered for brokerage accounts for amounts in excess of the $500,000 SIPC limit. Effective February 4, 2020, deposit insurance coverage by the DICGC changed to INR 500,000 per bank per entity for all interest bearing and non-interest bearing accounts. As of March 31, 2024 and 2023 , the Organization had $486,043 and $321,875, respectively, of uninsured balances. The Organization has not experienced any losses in these accounts in the past.

## Note 2 – Concentration of Risk (continued)

Certain grantors comprise a concentration of the Organization's total support and revenues for the fiscal years ended March 31, 2024 and 2023 as presented below:

| | 2024 | 2023 |
|---|---|---|
| Grantor 1 | **31%** | 26% |
| Grantor 2 | **6%** | 12% |
| Grantor 3 | **5%** | 11% |
| Total | **41%** | 49% |

## Note 3 – Investments

At March 31, 2024 and 2023, investments consist of the following:

| | 2024 | 2023 |
|---|---|---|
| Equity funds | **$ 418,888** | $ 398,298 |
| Exchange traded funds | **1,296,539** | 2,022,790 |
| Fixed income | **12,790** | 12,274 |
| Total investments | **$ 1,728,217** | $ 2,433,362 |

## Note 4 – Fair Value of Financial Instruments

The Organization follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures,* whose provisions relate to the Organization's financial assets and liabilities be carried at fair value and the Organization's fair value disclosures related to financial assets and liabilities. FASB ASC 820 defines fair value, expands related disclosure requirements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures.

Guidance provided by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, a fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

**Note 4 – Fair Value of Financial Instruments (continued)**

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methods used may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at March 31, 2024.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of March 31, 2024 and2023 :

| | | Fair Value Measurements Using: | | |
|---|---|---|---|---|
| **Description** | **2024 Fair Value** | **Quoted Prices in Active Markets for Identical (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Equity funds | $ 418,888 | $ 418,888 | $ - | $ - |
| Exchange traded funds | 1,296,539 | 1,296,539 | - | - |
| Fixed income | 12,790 | 12,790 | - | - |
| Total investments | $ 1,728,217 | $ 1,728,217 | $ - | $ - |

**Note 4 – Fair Value of Financial Instruments (continued)**

| | | Fair Value Measurements Using: | | |
|---|---|---|---|---|
| **Description** | **2023 Fair Value** | **Quoted Prices in Active Markets for Identical (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Equity funds | $ 398,298 | $ 398,298 | $ - | $ - |
| Exchange traded funds | 2,022,790 | 2,022,790 | - | - |
| Fixed income | 12,274 | 12,274 | - | - |
| Total investments | $ 2,433,362 | $ 2,433,362 | $ - | $ - |

The Organization's other financial instruments consist principally of cash and cash equivalents, cash and cash equivalents with donor restrictions, accounts receivable, other current assets, long-term deposits, accounts payable, other accrued liabilities, accrued payroll expenses, other current liabilities, and operating lease liability. The Organization believes all of the other financial instruments' recorded values approximate current market values, primarily because of the relatively short-term maturity of those instruments.

**Note 5 – Property and Equipment**

At March 31, 2024 and 2023, property and equipment consisted of the following:

| | **2024** | **2023** |
|---|---|---|
| Land | **$ 316,048** | $ 316,048 |
| Building | **79,012** | 79,012 |
| Computers | **53,568** | 51,353 |
| Website and software development costs | **187,980** | 187,980 |
| Furniture and equipment | **183,517** | 178,503 |
| Total cost | **820,125** | 812,896 |
| Less: accumulated depreciation | **(342,664)** | (326,898) |
| Property and equipment, net | **$ 477,461** | $ 485,998 |

Depreciation expense totaled $15,766 and $38,326 for the fiscal years ended March 31, 2024 and 2023, respectively.

## Note 6 – Net Assets With Donor Restrictions

The Organization had the following net assets with donor restrictions activity for the fiscal year ended March 31, 2024:

| | Beginning Balance | Additions | Released from Donor Restrictions | Translation Adjustment | Ending Balance |
|---|---|---|---|---|---|
| **Donor Restricted for a Specified Purpose:** | | | | | |
| Thrive Scale app | **$ 686,591** | **$ 1,511,614** | **$ (1,442,398)** | **$ -** | **$ 755,807** |
| Higher education & mental health | **1,628** | **4,200** | **(3,958)** | **-** | **1,870** |
| Texas Alliance of Child and Family Services work | **-** | **5,000** | **(5,000)** | **-** | **-** |
| FosterShare | **338,651** | **673,143** | **(920,733)** | **-** | **91,061** |
| Child care institutions | **6,010** | **48,492** | **(51,787)** | **(89)** | **2,626** |
| Children's homes run by Marialaya | **55,333** | **100,783** | **(88,325)** | **(818)** | **66,973** |
| Scholarships for girls | **-** | **30,230** | **(16,060)** | **-** | **14,170** |
| Prevention | **-** | **65,000** | **(12,063)** | **-** | **52,937** |
| Thrivewell | **-** | **8,000** | **-** | **-** | **8,000** |
| Total | **$ 1,088,213** | **$ 2,446,462** | **$ (2,540,324)** | **$ (907)** | **$ 993,444** |

The Organization had the following net assets with donor restrictions activity for the fiscal year ended March 31, 2023:

| | Beginning Balance | Additions | Released from Donor Restrictions | Ending Balance |
|---|---|---|---|---|
| **Donor Restricted for a Specified Purpose:** | | | | |
| Thrive Scale app | $ 23,446 | $ 1,423,183 | $ (760,038) | $ 686,591 |
| Higher education & mental health | 5,079 | 33,900 | (37,351) | 1,628 |
| Texas Alliance of Child and Family Services work | 7,865 | 10,000 | (17,865) | - |
| FosterShare | - | 819,844 | (481,193) | 338,651 |
| Child care institutions | - | 55,329 | (49,319) | 6,010 |
| Children's homes run by Marialaya | - | 93,162 | (37,829) | 55,333 |
| Child care and protection | - | 24,356 | (24,356) | - |
| Total | $ 36,390 | $ 2,459,774 | $ (1,407,951) | $ 1,088,213 |

**Note 7 – Related Party Transactions**

During the fiscal years ended March 31, 2024 and 2023, members and officers of the Board of Directors made contributions totaling $157,071 and $154,025, respectively, to the Organization.

**Note 8 – Conditional Grants**

During September 2022, the Organization received a conditional grant from Grantor A in the amount of $1,000,000 plus 10% of the Organization's prior year annual revenues (not to exceed $1,000,000) for a total potential payment of up to $2,000,000 per year for five years (October 2022 – October 2027). These funds are earmarked for A Family for Every Child program. During the fiscal years ended March 31, 2024 and 2023, the Organization earned and recognized $1,511,614 and $1,373,183, respectively. Future annual payments are conditional based on the Organization achieving reasonable progress towards implementation of various milestones and measures as outlined in the grant agreement and complies with reporting requirements.

During October 2022, the Organization received a conditional grant from Grantor B in the amount of $306,475 for children's homes run by the Organization's partner Marialaya in Erode and Coimbatore. During the fiscal years ended March 31, 2024 and 2023, $101,741 and $95,587, respectively, was earned and recognized. The remaining $107,382 is expected to be earned and recognized as revenues throughout the fiscal years ended March 31, 2025 and 2026 as the Organization achieves the desired outcomes outlined in the grant and complies with reporting requirements. Actual amounts may vary due to currency exchange rates at the time of payment.

During October 2023, the Organization received a conditional grant from Grantor C in the amount of $805,000 for development of the FosterShare application. During the fiscal year ended March 31, 2024, $315,000 was earned and recognized. The remaining $490,000 is expected to be earned and recognized as revenues throughout the fiscal years ended March 31, 2025 and 2026 as the Organization achieves the desired outcomes outlined in the grant and complies with reporting requirements.

**Note 9 – Operating Lease Commitments**

The Organization entered into various operating lease agreements set to expire at various dates through August 2027. Six of these leases had lease terms of twelve months or less. These leases meet the definition of short-term leases and thus the Organization does not recognize operating right-of-use assets and operating lease liabilities for these leases. During the fiscal years ended March 31, 2024 and 2023, the short-term lease expense totaled $11,485 and $9,021, respectively. The remaining six leases had lease terms of greater than twelve months. Accordingly, the Organization has recognized operating right-of-use assets and operating lease liabilities for these leases.

The following summarizes the line items in the consolidated statements of financial position for the operating leases as of March 31, 2024 and 2023:

| Operating leases: | **2024** | 2023 |
|---|---|---|
| Operating right-of-use assets | **$ 116,863** | $ 129,206 |
| Operating lease liability – current | **$ 28,832** | $ 34,192 |
| Operating lease liability – noncurrent | **77,591** | 85,450 |
| Total operating lease liabilities | **$ 106,423** | $ 119,642 |

The following summarizes the weighted-average remaining operating lease term and discount rate as of March 31, 2024 and 2023:

| | **2024** | **2023** |
|---|---|---|
| Weighted-average remaining lease term: | | |
| Operating leases | **3.35 years** | 4.27 years |
| Weighted-average discount rate: | | |
| Operating leases | **3.50%** | 3.32% |

Future minimum lease payments to be paid on these operating leases are due as follows:

| ***Fiscal Year Ending March 31,*** | **Undiscounted Cash Flows** | **Interest** | **Discounted Cash Flows** |
|---|---|---|---|
| 2025 | $ 32,015 | $ (3,183) | $ 28,832 |
| 2026 | 33,333 | (2,115) | 31,218 |
| 2027 | 34,717 | (974) | 33,743 |
| 2028 | 12,703 | (73) | 12,630 |
| Total | $ 112,768 | $ (6,345) | $ 106,423 |

**Note 9 – Operating Lease Commitments (continued)**

The following summarizes the line items in the consolidated statements of functional expenses which include the components of operating lease costs for the fiscal years ended March 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Operating lease expense | **$ 27,519** | $ 28,644 |
| Interest on operating lease liability | **3,522** | 2,608 |
| Total operating lease costs | **$ 31,041** | $ 31,252 |

The following summarizes cash flow information related to operating leases for the fiscal years ended March 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Cash paid for amounts included in the measurement of operating lease liabilities: | | |
| Operating cash flows from operating leases | **$ 31,041** | $ 31,252 |

**Note 10 – Contributed Nonfinancial Goods and Services**

During the fiscal year ended March 31, 2024, the Organization recognized the following contributed nonfinancial goods and services activity:

| | 2024 Revenue Recognized | Utilization in Programs and Activities | Donor Restrictions | Valuation Techniques and Inputs |
|---|---|---|---|---|
| Legal Services | **$ 65,598** | Expensed to Foster Care and general & administrative | No associated donor restrictions | Fair value |
| Laptops | **1,500** | Expensed to general & administrative | No associated donor restrictions | Fair value |
| Food | **586** | Expensed to events and general & administrative | No associated donor restrictions | Fair value |
| Beverages | **860** | Expensed to events | No associated donor restrictions | Fair value |
| Total | **$ 68,544** | | | |

**Note 10 – Contributed Nonfinancial Goods and Services (continued)**

During the fiscal year ended March 31, 2023, the Organization recognized the following contributed nonfinancial goods and services activity:

| | 2023 Revenue Recognized | Utilization in Programs and Activities | Donor Restrictions | Valuation Techniques and Inputs |
|---|---|---|---|---|
| Legal Services | $ 91,869 | Expensed to Technology, prevention, and Thrive Scale programs, as well as general & administrative | No associated donor restrictions | Fair value |
| IT Services | 11,422 | Expensed to Foster Share and Thrive Scale programs | No associated donor restrictions | Fair value |
| Total | $ 103,291 | | | |

**Note 11 – Retirement Plans**

The Miracle Foundation, Inc. participates in a 401(k) Retirement Plan, which covers all U.S.-based employees upon hire. Starting January 2021, The Miracle Foundation, Inc. matches employee contributions dollar-for-dollar for the first 3% and $0.50 on the dollar for the next 2%. Employer contributions totaling $41,891 and $30,779 were made to the 401(k) plan during the fiscal years ended March 31, 2024 and 2023, respectively.

Miracle India participates in two retirement plans, the Provident Fund and the Gratuity plan, which covers all India-based employees upon hire. Miracle India makes employer contributions of 12% of the employee's salary to the Provident Fund. Employer contributions totaling $40,358 and $30,399 were made to the Provident Fund during the fiscal years ended March 31, 2024 and 2023, respectively. Miracle India makes employer contributions to the Gratuity plan based on employee's salary and years of service. Employer contributions totaling $20,822 and $17,028 were made to the Gratuity plan during the fiscal years ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and 2023, Miracle India has accrued $70,479 and $54,645, respectively, of future obligations under the Gratuity plan.

**Note 12 – Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs totaled $67,807 and $85,986, respectively, for the fiscal years ended March 31, 2024 and 2023.

**Note 13 – Liquidity and Availability of Financial Assets**

The Organization's working capital and cash flows have seasonal variations during the fiscal year attributable to timing of receipts of contributions. Monthly cash outflows vary each fiscal year based on the specific requirements of the Organization's programming during the fiscal year.

The following reflects the Organization's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use within one fiscal year of the consolidated statements of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following fiscal year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Organization's Board of Directors approves that action.

| | **2024** | 2023 |
|---|---|---|
| Financial assets available: | | |
| Cash and cash equivalents | **$ 935,177** | $ 374,996 |
| Cash and cash equivalents with donor restrictions | **993,444** | 1,088,213 |
| Accounts receivable collectible in less than one year | **1,200** | 1,488 |
| Investments | **1,728,217** | 2,433,362 |
| Total financial assets | **3,658,038** | 3,898,059 |
| Contractual or donor-imposed restrictions: | | |
| With donor restrictions | **(993,444)** | (1,088,213) |
| Financial assets available to meet cash needs for expenditures within one year | **$ 2,664,594** | $ 2,809,846 |