



MIRACLES FOR KIDS, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2024

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Independent Auditors' Report

To: The Board of Directors
Miracles for Kids
Irvine, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Miracles for Kids (the Organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Ramsey Jimenez International CPAs

Irvine, California

May 15, 2025

MIRACLES FOR KIDS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 383,569	\$ 52,954	\$ 436,523
Designated cash reserve	250,000	-	250,000
Investments	3,614,514	-	3,614,514
Pledges receivable, current	1,104,848	6,330	1,111,178
Pledges receivable- related party, current	138,801	60,000	198,801
Program inventory	313,607	-	313,607
Prepaid expenses	79,529	-	79,529
Total current assets	5,884,868	119,284	6,004,152
Property and equipment, net	393,624	-	393,624
Pledges receivable- related party, net of current portion and discount	-	28,525	28,525
Right-of-use-assets	6,442,433	-	6,442,433
Other assets	39,131	-	39,131
Total assets	\$ 12,760,056	\$ 147,809	12,907,865
Liabilities and net assets			
Current liabilities:			
Accounts payable and accrued expenses	\$ 212,293	\$ -	\$ 212,293
Lease liabilities, current	538,065	-	538,065
Total current liabilities	750,358	-	750,358
Lease liabilities, non-current	6,111,111	-	6,111,111
Tenant deposits	27,951	-	27,951
Total Liabilities	6,889,420	-	6,889,420
Net assets:			
Without donor restrictions	5,870,636	-	5,870,636
With donor restrictions	-	147,809	147,809
Total net assets	5,870,636	147,809	6,018,445
Total liabilities and net assets	\$ 12,760,056	\$ 147,809	12,907,865

See the accompanying notes and independent auditors' report.

MIRACLES FOR KIDS, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Revenues and support:			
Contributions- individuals	\$ 371,687	\$ -	\$ 371,687
Contributions- corporations and foundations	882,084	-	882,084
Grants	381,150	57,610	438,760
Contributions of non-financial assets	1,249,152	-	1,249,152
Special event revenue	4,135,413	-	4,135,413
Less: direct cost of benefits provided to donors	(1,662,825)	-	(1,662,825)
Rental income, net of concession of \$367,653 and vacancy loss of \$73,004	<u>195,605</u>	<u>-</u>	<u>195,605</u>
Total support, revenue and gains- without donor restrictions	<u>5,552,266</u>	<u>57,610</u>	<u>5,609,876</u>
Net assets released from restrictions	<u>25,066</u>	<u>(25,066)</u>	<u>-</u>
Total revenues and support and net assets released from restrictions	<u>5,577,332</u>	<u>32,544</u>	<u>5,609,876</u>
Expenses and losses:			
Program services	4,694,590	-	4,694,590
Management and general	328,679	-	328,679
Fundraising	<u>543,747</u>	<u>-</u>	<u>543,747</u>
Total Expenses	<u>5,567,016</u>	<u>-</u>	<u>5,567,016</u>
Non-operating Activities:			
Investment return, net	<u>121,110</u>	<u>-</u>	<u>121,110</u>
Change in net assets	131,426	32,544	163,970
Net assets, beginning of the year	<u>5,739,210</u>	<u>115,265</u>	<u>5,854,475</u>
Net assets, end of the year	<u>\$ 5,870,636</u>	<u>\$ 147,809</u>	<u>\$ 6,018,445</u>

See the accompanying notes and independent auditors' report.

MIRACLES FOR KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services				Supporting Services					
	Wellness		and Support		Management		Fundraising			
	Grants	Housing		Subtotal	and General		Subtotal			
Salaries, benefits, and taxes	\$ 882,631	\$ 294,210	\$ 49,035	\$ 1,225,876	\$ 177,312	\$ 450,126	\$ 627,438	\$ 1,853,314		
Occupancy	109,930	719,087	7,376	836,393	20,616	52,413	73,029	909,422		
Grants	1,413,689	-	-	1,413,689	-	-	-	1,413,689		
Professional services	191	5,535	11,720	17,446	122,700	1,140	123,840	141,286		
Insurance	24,801	8,267	1,378	34,446	766	2,660	3,426	37,872		
Program supplies	26,561	220,814	557,680	805,055	-	-	-	805,055		
Meals, travel and entertainment	12,218	5,923	5,959	24,100	518	8,063	8,581	32,681		
Licenses, dues and other fees	41,786	13,929	2,321	58,036	1,983	6,881	8,864	66,900		
Office expenses	27,254	7,282	77,275	111,811	881	8,922	9,803	121,614		
Bad debt expense	16,548	-	-	16,548	-	-	-	16,548		
Depreciation	47,899	15,966	2,661	66,526	1,010	3,503	4,513	71,039		
Advertising	22,054	7,351	1,225	30,630	1,047	3,632	4,679	35,309		
Bank fees	38,905	12,968	2,161	54,034	1,846	6,407	8,253	62,287		
Total expenses	\$ 2,664,467	\$ 1,311,332	\$ 718,791	\$ 4,694,590	\$ 328,679	\$ 543,747	\$ 872,426	\$ 5,567,016		

See the accompanying notes and independent auditors' report.

MIRACLES FOR KIDS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

Cash flows from operating activities:

Change in net assets	\$ 163,970
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	71,039
Non-cash lease expense	607,420
In-kind donations	(1,249,152)
In-kind expenses	1,002,470
Changes in assets and liabilities	
Pledges receivable	(35,218)
Pledges receivable - related party	57,608
Inventory	(51,596)
Prepaid expenses	(8,403)
Accounts payable and accrued expenses	59,295
Tenant deposits	13,162
Operating lease liabilities	<u>(535,498)</u>
Net cash used in operating activities	<u>95,097</u>

Cash flows from investing activities:

Purchase of property and equipment	(262,140)
Transfer of cash from the sale of donated marketable securities	<u>108,409</u>
Net cash provided by investing activities	<u>(153,731)</u>

Net change in cash, cash equivalents, and designated cash	(58,634)
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Cash, cash equivalents, and designated cash - beginning of the year	745,157
Cash, cash equivalents, and designated cash - end of the year	<u>\$ 686,523</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	\$ 267,221
Cash paid during the year for income taxes	<u>\$ -</u>

MIRACLES FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. DESCRIPTION OF THE ORGANIZATION

Organization. Miracles for Kids (the Organization) helps families with critically-ill children battle bankruptcy, homelessness, hunger and depression so they can concentrate on what is most important - fighting for their child's life. As one of the only organizations on the West Coast dedicated to alleviating these stressors, Miracles for Kids focuses on stabilizing families through its five major programs:

Grants Program

- *Lifeline – Bill Pay.* Miracles for Kids supports families through monthly financial assistance so they can make ends meet and focus on the health of their child. 82% of every dollar goes to programs supporting families in need. Areas of support covered by monthly financial grants include utilities, housing, transportation, and groceries.

Housing Program

- *Safe Haven – Housing.* Miracle for Kids operates two apartment complexes, Miracle Manor I and Miracle Manor II. Both complexes are safe and affordable long-term transitional housing options. Combined, Miracle for Kids can house up to 136 individuals. It not only relieves the pressure of rent and utilities expenses, but helps provide community support through events, wellness activities, and more.

Wellness and Support Programs

- *Boost – Feed & Clothe.* Four times a year, Miracles for Kids Basket of Miracles program delivers food, household supplies, toys and essential items to families with critically-ill children. Individuals, groups and companies within the community come together to make a difference during the Spring, Back-to-School, Thanksgiving, and Holiday seasons. Basic needs and fun seasonal gifts are delivered every month which does not have a Basket of Miracles to provide families with additional support and reduce their financial burden through our Box of Miracles program. The packages for local families are decorated and hand-delivered by volunteers, giving them the one-on-one experience of seeing the impact of their generosity.
- *Balance – Wellness.* We offer free counseling support services for families with critically-ill children. With bilingual counseling in both English and Spanish, our therapists provide a safe and judgment-free space to support and help individuals. There are 3 therapy options to choose from: Individual, Family, and Group. Therapy sessions meet weekly and run for 8-10 weeks.
- *Pillars – Stabilize.* We provide three critical areas of support to help families secure a more stable future: 1. Higher Education, 2. Financial Literacy, and 3. Employment Assistance.

These programs serve families living at or near the poverty level, with a critically-ill child in treatment at leading children's hospitals: CHOC, Children's Hospital Los Angeles, Mattel Children's Hospital UCLA, UCSF Benioff Children's Hospital in the Bay Area, Rady Children's Hospital in San Diego, Loma Linda University Children's Health, Phoenix Children's Hospital, Children's Medical Center Dallas, and City of Hope. The monthly financial assistance, subsidized housing, mental health services and wellness activities provided by Miracles for Kids help to create stability when families are crumbling from the financial and emotional devastation of fighting for their child's life.

MIRACLES FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. DESCRIPTION OF THE ORGANIZATION (Continued)

In 2024, Miracles for Kids helped 2,407 family members remain housed, fed, and stable. The children battle over 120 unique illnesses and conditions. Although 60% of the patients served have been diagnosed with a type of pediatric cancer, the remaining patients have organ and blood-based diseases and rare medical conditions where few, if any, support services are available. Specific support in 2024 included:

- 429 families received monthly financial assistance for 3,724 essential bills covered by Grants program.
- 23 families were provided 27,624 nights of sleep in stable, subsidized housing at Miracle Manor.
- 353 wellness sessions were held and 415 unique individuals participated in one or more therapy sessions.
- 3,477 basic needs deliveries were provided to 545 families.

Based in Southern California, Miracles for Kids was founded in 2002 and incorporated in California as a nonprofit organization. The Organization continues to advance its mission through the leadership of the Co-Founder and Chief Executive Officer, Autumn Strier, and a team of 22 employees. They operate a main office in Irvine, CA and two subsidized housing complexes, Miracle Manor I and II, in Orange County, CA. To learn more about how Miracles for Kids has joined forces with parents and loved ones, visit www.miraclesforkids.org.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). Contributions are recognized as revenues in the period received. Net assets, revenues, expenses, gains and losses are based on the existence or absence of donor-imposed restrictions, as prescribed for not-for-profit organizations by the Financial Accounting Standards Board (FASB), in accordance with Accounting Standards Update (ASU) No. 2016-14 *Not-for-Profit Entities* (Topic 958). Accordingly, the net assets of the organization are classified and reported as follows:

Net assets without donor restrictions: Net assets consist of resources that generally result from revenue generated from providing program-related services, receiving contributions that are not subject to donor-imposed restrictions, collecting interest on investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions, and therefore available to support the Organization's operations at the discretion of its board of directors.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by actions of the donor or the organization, and/or by the passage of time, including net assets subject to donor-imposed restrictions that must be maintained permanently by the organization. The donors of these assets permit the organization to use all or part of the income or gains earned on related investments for either without or with restricted purposes. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes as net assets released from restrictions.

MIRACLES FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification. Certain amounts in the financial statements have been reclassified to conform to the 2024 presentation.

Cash and cash equivalents. Cash and cash equivalents consist primarily of cash on hand and short-term investments, which mature within three months from the date of original purchase.

Designated cash reserve. The board of directors has approved the designation of \$250,000 from the Organization's investment funds as a reserve, accessible exclusively at their discretion.

Concentration of credit risk. The Organization maintains cash and cash equivalents balances in excess of the Federal Deposit Insurance Corporation insurance limit. Cash and cash equivalents balances are maintained in accounts with various financial institutions which are monitored by management. The Organization has not experienced any losses in these accounts and does not believe it is exposed to significant credit risk with respect to cash and cash equivalents as of December 31, 2024.

For the year ended December 31, 2024, the Organization had 2 donors who contributed more than 10% of total revenues, with one donor accounting for over 10% of total pledges receivable.

Pledges receivable. Unconditional contributions are recorded at estimated fair value and are recognized as revenue in the period received. The Organization reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Pledge receivables – related parties. As of December 31, 2024, the Organization also had pledges receivable from related parties composed of the board of directors and/or the board of directors' affiliated organizations.

Fair value of financial instruments. The Organization accounts for their financial instruments using fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value measurement hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable.

The Organization follows the requirement for the disclosure of the fair value measurements in accordance with a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date. The three levels are defined as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

MIRACLES FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value of financial instruments, continued. Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

Tenant deposits. Tenant Deposits relate to amounts collected in connection with the rental housing fees. These amounts will be recognized as revenue as they are earned.

Property and equipment, net. Property and equipment are stated at cost or, if donated, at fair value as of the date of receipt. Additions and improvements are capitalized. Maintenance and repairs, which do not extend asset lives, are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Office furniture and fixtures	6-10 years
Computer equipment	5 years
Lease improvements	The lesser of the length of the lease or the useful life
Software	5 years
Vehicles	5 years

Expenditures for repairs and maintenance are expensed as incurred, whereas significant improvements that materially increase values or extend useful lives are capitalized and depreciated over the remaining estimated useful lives of the related assets. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation is removed from the account. Any gain or loss on the sale or retirement is recognized in current operations.

Contributions. Contributions received, including unconditional promises to give, are recognized in the period received as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes as net assets released from restrictions.

Contributions of non-financial assets. Contributions of non-financial assets are recorded at estimated fair value and are recognized as revenue at the date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of non-financial assets for the year ended December 31, 2024 are \$1,249,152.

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each period. Actual results may differ from those estimates.

MIRACLES FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes. The organization is exempt from Federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 509 and the corresponding provisions of the California Revenue and Taxation Code. The organization is subject, however, to Federal and California income taxes on unrelated business income.

General accepted accounting principles requires management to evaluate tax position taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken and has concluded that as of December 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The organization believes it is no longer subject to income tax examinations for years prior to 2023 for federal tax purposes and years prior to 2022 for state tax purposes.

Functional allocation of expenses. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services.

Allocated expenses include salaries, benefits, and payroll taxes (allocated on a percent of time and effort and square-footage basis), occupancy, grants, professional services, bad debt expense, and bank fees (allocated on a direct charge basis), and insurance, program supplies, meals, travel, licenses and fees, office expenses, depreciation, and advertising (allocated on a square footage basis).

The allocation methodology is periodically reviewed by management for relevancy and accuracy. The functional classifications are defined as follows:

- Program expenses consist of costs incurred in connection with providing services and conducting programs.
- Management and general expenses consist of costs incurred in connection with the overall activities, which are not allocable to another functional expense category.
- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

Advertising. Advertising costs are charged to expense as incurred. Total marketing costs for the year ended December 31, 2024, was \$35,309.

Leases. The Organization accounts for its leases under Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). ASC 842 requires the recognition of right-of-use (ROU) assets and lease liabilities for leases classified as operating leases. ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term. All leases the Organization entered into as of December 31, 2024, are operating leases.

MIRACLES FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases, continued. For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the future minimum lease payments over the lease term. When the rate implicit in the lease is not determinable, ASC 842 prescribes the use of the Organization's incremental borrowing rate at the commencement date of the lease to determine the present value of the minimum lease payments. The Organization elected the practical expedient allowing the use of the risk-free discount rate in lieu of their incremental borrowing rate at the commencement date of the lease. ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Organization if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term and is included in occupancy expenses in the accompanying statement of functional expenses.

The Organization has elected the practical expedient allowing management not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less.

To the extent a lease arrangement includes both lease and non-lease components, the components are accounted for separately. The transaction price is allocated to the lease and non-lease components based on a relative stand-alone price basis.

Recent accounting pronouncements. In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842)*, addressing common control arrangements. This update provides guidance for lease transactions between entities under common control, focusing on recognition and measurement principles. It clarifies how entities should account for and disclose such leases. This ASU is effective for private companies from fiscal years beginning after December 15, 2023. The Organization adopted the amendment in this update at the beginning of 2024, and the adoption did not have a material impact on its financial statements.

Management does not believe any other recently issued but not yet effective accounting pronouncement, if adopted, would have a material effect on the organization's present or future financial statements.

3. CASH AND DESIGNATED CASH

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same amounts shown in the accompanying statements of cash flows as of December 31, 2024:

Cash - without donor restrictions	\$ 436,523
Designated cash reserve	<u>250,000</u>
Total cash and designated cash shown on the statements of cash flows	<u>\$ 686,523</u>

MIRACLES FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

4. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors its liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative costs of running the Organization. Annual operations are defined as activities occurring during the Organization's calendar year.

The organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations with donor restrictions that support the Organization's mission will continue to be met, ensuring the sustainability of the Organization.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identify the sources and uses of the Organization's cash.

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets without donor restrictions or other restrictions limiting their use that can be readily made available within one year of the statement of financial position date, comprise the following as of December 31, 2024:

Financial assets:

Cash and cash equivalents	\$ 436,523
Designated cash	250,000
Investments	3,614,514
Pledges receivable, current	1,111,178
Pledges receivable- related party, current	198,801
Total financial assets	<u>\$ 5,611,016</u>

MIRACLES FOR KIDS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

4. AVAILABLE RESOURCES AND LIQUIDITY (Continued)

The Organization's financial resources are earmarked as follows as of December 31, 2024:

Total financial assets	\$ 5,611,016
Donor-imposed restrictions, for purpose:	
Wellness and support program	(52,954)
Donor-imposed restrictions, due to time:	
	(66,330)
Board designations:	
Reserves	<u>(250,000)</u>
Financial assets available to meet general expenditures over the next twelve months	
	<u>\$ 5,294,686</u>

As part of its policy to manage liquidity and availability, the Organization holds a balance equal to at least three months of operating expenses in various financial institutions that can be readily liquidated to pay for operating needs.

Short-term pledges receivable consists of unconditional promises to give expected to be received within one year from December 31, 2024. Unrestricted short-term pledges receivable will be available to support the general operations of the Organization.

5. INVESTMENTS

Investments of the Organization are carried at market value in accordance with FASB ASC 958-320, *Accounting for Certain Investments Held by Non-for-Profit Organizations*. Net appreciation (depreciation) in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, less external and direct internal investment expenses, is shown in the statements of activities and changes in net assets.

The fair value of investments held at December 31, 2024, is as follows:

	Quoted prices in active markets	Other observable inputs	Unobservable inputs	Total
Money market funds	\$ 1,587,844	\$ -	\$ -	\$ 1,587,844
Mutual funds	2,276,670			2,276,670
Total	<u>\$ 3,864,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,864,514</u>

Of the total investment balance of \$3,864,514, the board of directors reserved \$250,000 for discretionary use.

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6. PLEDGES RECEIVABLES

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Pledges receivable. As of December 31, 2024, pledges receivable totaled \$1,111,178, of which \$6,330 is subject to a time restriction. The Organization expects to collect the full amount within one year. No pledge discount was recorded as of December 31, 2024, as it was fully recognized due to the lapse of the time restriction. No allowance for doubtful accounts has been recorded, as management considers the amount fully collectible.

Pledges receivable - related parties. The Organization has received pledges from various related parties, including members of the board of directors, with payment expected through 2026. Of the total, \$198,801 is expected to be collected within one year, and an additional \$29,224 within two years. As of December 31, 2024, pledges receivable from related parties totaled \$227,326, of which \$88,525 is subject to a time restriction. Accordingly, the Organization recorded a pledge discount of \$699 as of December 31, 2024. Unconditional pledges receivable are stated at the present value of estimated future cash flows, discounted at a rate of 2.45%, which was established in 2016, the year the pledges were initially made. No allowance for doubtful accounts has been recorded, as management expects these to be fully collectible.

7. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2024:

Leasehold improvements	\$ 516,487
Office furniture and fixtures	132,703
Computers and other equipment	107,998
Software	50,000
Vehicles	<u>92,511</u>
Total property and equipment	899,699
Less: accumulated depreciation	<u>(506,075)</u>
Total Property, net	<u><u>\$ 393,624</u></u>

Depreciation expense related to property amounted to \$71,039 for the year ended December 31, 2024.

8. LEASE COMMITMENTS

Miracle Manor I master lease. Effective June 15, 2019, the Organization entered into a master lease with an unrelated party to lease the Miracle Manor I building. The lease requires base monthly rent of \$25,793, escalating annually, for a term of 10 years with an option to extend for 2 consecutive 5-year periods. An ROU asset of \$1,350,550 and lease liability of \$1,438,484 were recorded as of December 31, 2024.

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8. LEASE COMMITMENTS (Continued)

Miracle Manor II master lease. Effective September 27, 2023, the Organization entered into a master lease with an unrelated party to lease the Miracle Manor II building. The master lease requires base monthly rent of \$26,152, escalating annually, for a term of 10 years with an option to extend for 2 consecutive 5-year periods. An ROU asset of \$4,916,840 and lease liability of \$5,042,954 were recorded as of December 31, 2024.

Office leases. The Organization renewed its non-cancellable office lease through March 2026. Base monthly rent consists of monthly payments of approximately \$12,561, increasing annually. The office lease is classified as an operating lease. An ROU asset of \$175,043 and lease liability of \$167,738 were recorded as of December 31, 2024.

The following represents the component of the operating lease costs for the year ending December 31, 2024:

Operating lease costs	<u>\$ 874,641</u>
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Operating lease costs are included in occupancy in the accompanying statement of functional expenses.

Supplemental cash flow information related to these leases were as follows for the year ended December 31, 2024:

Cash paid for amounts included in the measurement of lease
liabilities:

Operating cash flows from operating leases	<u>\$ 607,420</u>
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The future minimum lease payments under the operating lease are as follows for the years ended December 31:

2025	\$ 794,560
2026	671,159
2027	677,899
2028	698,234
2029	503,596
Thereafter	<u>6,185,755</u>
Total minimum lease payments	9,531,203
Less: imputed interest	(2,882,027)
Total	<u>\$ 6,649,176</u>

The weighted average discount rate was 4.1% based on the Organization's application of the practical expedient, as allowed under ASC 842. The Organization estimated the incremental borrowing rate based on available market information. The remaining term of this operating lease is 15.3 years.

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9. RELATED PARTY TRANSACTIONS

Related party contributions. During 2024, the Organization received \$992,553 in contributions from the board of directors and their affiliated organizations.

10. COMMITMENTS AND CONTINGENCIES

Litigation. The Organization may, from time to time, be involved in certain litigation and claims in the ordinary course of business. Management believes, based in part on the advice of legal counsel, that the resolution of such matters will not have a material adverse effect on the financial position, results of operations, or cash flows of the Organization.

11. NET ASSETS

Net assets are as follows as of December 31, 2024:

Net assets without donor-restrictions:	
Undesignated funds	\$ 5,620,636
Board-designated funds:	
Reserves	<u>250,000</u>
Total net assets without donor restrictions	<u>5,870,636</u>
Net assets with donor-restrictions:	
Donor-imposed restrictions, purpose	<u>52,954</u>
Wellness and support programs	<u>52,954</u>
Donor-imposed restriction, due to time	<u>94,855</u>
Donor-imposed restrictions, due to time	<u>94,855</u>
Total net assets with donor restrictions	<u>147,809</u>
Total net assets	<u><u>6,018,445</u></u>

12. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions are as follows for the year ended December 31, 2024:

Net assets released from restrictions:	
Donor-imposed restrictions, purpose:	
Wellness and support programs	\$ 4,656
Donor-imposed restrictions, due to time:	
Total net assets released from restrictions	<u>20,410</u>
	<u><u>\$ 25,066</u></u>

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14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 15, 2025, the date on which the accompanying financial statements were available to be issued, and concluded that no material subsequent events have occurred since December 31, 2024, that require recognition or disclosure in the financial statements.