MIRACLES FOR KIDS

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Miracles for Kids

We have audited the accompanying consolidated financial statements of Miracles for Kids (a non-profit organization) and affiliates, which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the related consolidated statement of activities, functional expenses and cash flow for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial position of Miracles for Kids and affiliates as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on page 18 and 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operation and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material aspects in relation to the consolidated financial statements as a whole.

Vertical Advisors, LLP

May 14, 2019

MIRACLES FOR KIDS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 362,390	$ 192,871
Pledge receivable, net	626,628	884,382
Pledge receivable - related party	60,000	60,000
Prepaid expenses and other current assets	39,243	10,470
Total current assets	1,088,261	1,147,723
Property and equipment, net	4,571,570	4,691,199
Pledge receivable - related party, net of current portion	323,749	386,542
Other assets	16,174	13,206
Total assets	$ 5,999,754	$ 6,238,670
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 38,763	$ 253,985
Accrued and other liabilities	112,899	125,027
Pledge payable - current	66,857	66,857
Note payable - related party	-	110,000
Line of credit	-	499,896
Current portion of long term debt	140,325	363,373
Total current liabilities	358,844	1,419,138
Pledge payable, net of current portion	230,439	290,924
Long term debt, net of current portion	3,362,590	2,562,192
Total liabilities	3,951,873	4,272,254
Member's equity	26,488	(45,935)
Net Assets		
Without Donor Restrictions	2,021,393	1,928,473
With Donor Restrictions	-	83,878
Total net assets/member's equity	2,047,881	1,966,416
Total liabilities and net assets/member's equity	$ 5,999,754	$ 6,238,670

See accompanying notes and independent auditors' report.

MIRACLES FOR KIDS
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For the years ended December 31, 2018	2017
Support and revenues - Without donor restrictions		
Contributions - Individuals	$ 94,131	$ 205,586
Contributions - Corporations and foundations	384,505	117,309
Contributions - Miracle Manor capital campaign	25,000	196,500
Grants - Corporations	32,000	18,000
Donated services	217,894	340,689
Donated supplies	140,893	32,528
Rental income	139,644	104,283
Miscellaneous income	98,001	6,345
Online sales	290	-
Special events:		
Special event revenue	2,128,339	1,933,309
Less: direct cost	(482,423)	(583,146)
Net revenue from special events	1,645,916	1,350,163
Subtotal support and revenues	2,778,274	2,371,403
Net assets released from restrictions	83,878	21,622
Total support and revenues - without donor restrictions	2,862,152	2,393,025
Expenses		
Program services	1,716,792	1,728,789
Supporting services:		
Management and general	480,351	326,996
Fundraising	332,425	301,486
Subtotal supporting services	812,776	628,482
Miracle Manor, LLC	167,241	140,827
Total expenses	2,696,809	2,498,098
Increase (decrease) in net assets without donor restrictrions/member's equity	165,343	(105,073)
Support and revenues - with donor retsrictions		
Grants - Corporations (net of unrestricted of $18,000)	-	105,500
Net assets released from restriction	(83,878)	(21,622)
Increase (decrease) in net assets with donor restrictions	(83,878)	83,878
Total increase (decrease) in net assets	81,465	(21,195)
Net assets/member's equity beginning of year	1,966,416	1,987,611
Net assets/member's equity end of year	$ 2,047,881	$ 1,966,416

MIRACLES FOR KIDS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

		Supporting Services				
	Program Services	Management and General	Fundraising	Subtotal	Miracle Manor, LLC	Total
Salaries	$ 532,014	$ 103,447	$ 167,292	$ 270,739	$ -	$ 802,753
Employee benefits	8,549	2,290	8,491	10,781	-	19,330
Payroll taxes	43,778	7,859	14,200	22,059	-	65,837
Rent	65,626	11,044	4,105	15,149	-	80,775
Grants program	544,817	-	2,253	2,253	-	547,070
Fund a Family program	24,635	-	-	-	-	24,635
Baskets and other programs	21,914	-	-	-	-	21,914
Miracle Manor program	183,036	-	636	636	-	183,672
Professional services - Accounting	-	20,000	-	20,000	-	20,000
Professional services - Other	6,273	2,005	32,708	34,713	-	40,986
Insurance	7,569	638	223	861	-	8,430
Depreciation	194,576	1,394	511	1,905	60,647	257,128
Donated services and supplies	25,289	233,544	1,856	235,400	-	260,689
Utilities and communication	23,635	9,404	3,366	12,770	-	36,405
Meals, travel and entertainment	1,318	15,893	2,017	17,910	-	19,228
Office supplies and expenses	12,805	14,105	2,492	16,597	-	29,402
Taxes, licenses and fees	3,082	158	20	178	-	3,260
Memberships and dues	5,318	10,194	5,559	15,753	-	21,071
Advertising and marketing	791	667	83,865	84,532	-	85,323
Repairs and maintenance	3,203	1,025	319	1,344	-	4,547
Postage and printing	2,987	534	2,203	2,737	-	5,724
Interest	5,202	46,027	305	46,332	106,580	158,114
Bank and other fees	375	123	4	127	14	516
Total expenses	$ 1,716,792	$ 480,351	$ 332,425	$ 812,776	$ 167,241	$ 2,696,809

MIRACLES FOR KIDS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Subtotal	Miracle Manor, LLC	Total
Salaries	$ 406,086	$ 131,185	$ 157,408	$ 288,593	$ -	$ 694,679
Employee benefits	9,650	6,609	5,108	11,717	-	21,367
Payroll taxes	37,591	10,588	10,818	21,406	-	58,997
Rent	40,482	11,005	4,767	15,772	-	56,254
Grants program	419,541	-	-	-	-	419,541
Fund a Family program	93,718	-	-	-	-	93,718
Basket of Miracles program	11,224	-	-	-	-	11,224
Miracle Manor program	178,245	-	-	-	-	178,245
Auction items	-	-	640	640	-	640
Professional services - Accounting	-	19,500	-	19,500	-	19,500
Professional services - Other	-	3,000	-	3,000	-	3,000
Insurance	7,237	721	279	1,000	-	8,237
Depreciation	186,916	1,752	642	2,394	59,814	249,124
Donated services	253,775	57,663	21,180	78,843	-	332,618
Utilities and communication	28,548	7,191	5,295	12,486	-	41,034
Meals, travel and entertainment	2,536	19,744	1,991	21,735	-	24,271
Office supplies and expenses	11,268	3,519	2,493	6,012	154	17,434
Taxes, licenses and fees	34,340	631	20	651	-	34,991
Memberships and dues	-	14,530	3,940	18,470	-	18,470
Advertising and marketing	1,573	3,034	82,106	85,140	-	86,713
Repairs and maintenance	3,808	1,224	380	1,604	-	5,412
Postage and printing	2,251	3,288	4,399	7,687	-	9,938
Interest	-	31,400	-	31,400	80,859	112,259
Bank and other fees	-	412	20	432	-	432
Total expenses	$ 1,728,789	$ 326,996	$ 301,486	$ 628,482	$ 140,827	$ 2,498,098

See accompanying notes and independent auditor's report.

MIRACLES FOR KIDS
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31, 2018	2017
Cash flows from operating activities		
Total Increase (decrease) in net assets	$ 81,506	$ (21,195)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	257,128	249,124
Net discount on pledge receivable/payable	(60,485)	13,213
Donated property and equipment included in donated services and supplies	(100,000)	(40,600)
Changes in operating assets and liabilities:		
Pledge receivable	320,547	20,671
Prepaid expenses and other current assets	(28,773)	1,450
Other assets	(2,968)	(12,574)
Accounts payable	(215,222)	(98,423)
Accrued and other liabilities	(12,169)	(16,921)
Net cash provided by operating activities	239,564	94,745
Cash flows from investing activities		
Purchases of property and equipment	(37,499)	-
Net cash used in investing activities	(37,499)	-
Cash flows from financing activities		
Borrowings (payments) from related party note payable	(110,000)	110,000
Payments of line of credit	(499,896)	-
Borrowings (payments) of long term debt, net	577,350	(54,048)
Net cash provided by financing activities	(32,546)	55,952
Net increase (decrease) in cash and cash equivalents	169,519	150,697
Cash and cash equivalents - Beginning of year	192,871	42,174
Cash and cash equivalents - End of year	$ 362,390	$ 192,871
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 158,114	$ 112,259

See accompanying notes and independent auditors' report.

I. NATURE OF OPERATIONS

Miracles for Kids 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' programs help:

1. Pay the Bills – Monthly grants help keep the lights on, the water running and so much more
2. House – Families at risk of homelessness have an affordable and safe place to call home with Miracle Manor, a 16-unit apartment complex located near CHOC Children's
3. Heal – Mental health services, educational sessions and wellness activities help families better cope with the trauma and stress associated with life-threatening diseases
4. Feed & Clothe – To stretch already scarce budgets, food, home goods, clothing, and other basic needs are provided through the Basket of Miracles and Closet of Miracles Programs

These programs serve families living at or near the poverty level, with a critically-ill child in treatment at one of four affiliate leading children's hospitals: CHOC Children's in Orange, Children's Hospital Los Angeles, Mattel Children's Hospital UCLA, and UCSF Benioff Children's Hospital in the Bay Area. 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.

In 2018, Miracles for Kids assisted 265 children fighting 129 unique illnesses. Although nearly one-half of the patients served have been diagnosed with a type of pediatric cancer, the remaining patients have blood-based diseases and rare orphan conditions where few, if any, support services are available. Specific support in 2018 included:

- Monthly financial assistance to 265 families with
- Stable, subsidized housing at Miracle Manor for 17 families
- Mental health services, educational sessions and wellness activities to 93+ individuals
- Basic needs assistance to 265 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 & CEO, Autumn Strier, and a team of 13 employees. They operate a main office in Tustin, CA and a subsidized housing complex, Miracle Manor, in Orange, CA. To learn more about how Miracles for Kids has joined forces with parents and loved ones, visit miraclesforkids.org.

Miracle Manor, LLC

Miracle Manor, LLC (Subsidiary), formed on December 18, 2014, is a 16-unit apartment complex used to provide subsidized housing to families with critically-ill children. The housing program is operated by Miracles for Kids, which is the sole member of the Subsidiary.

Miracles for Kids and Miracle Manor, LLC (Miracle Manor) are collectively the "Organization".

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions, as applicable.

Consolidation

The consolidated financial statements include the accounts of Miracles for Kids and Miracle Manor, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. The Organization did not have any cash equivalents as of December 31, 2018 and 2017.

Concentration of Credit Risk

The Organization maintains cash balances at several national and state financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on cash.

Property and Equipment

The Organization capitalizes property and equipment over $1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to fifteen years.

Impairment of Long-Lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

Revenue and Support With and Without Donor Restrictions

In 2018 the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* In accordance with ASU 2016-14, contributions received are recorded as with donor restrictions and without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Information is also presented that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

Donated Supplies, Facilities and Services

Donated noncash assets, such as use of facilities and supplies, are recorded at their fair values in the period received. Donations of services are recognized in the financial statements if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis for deriving their value.

Donated services of $258,787 and $332,617 for the years ended December 31, 2018 and 2017, respectively, have been recorded as both revenues and program expenses and represent the approximate fair value of attorneys, website developers, construction contractors and other specialized skills provided by individuals possessing these skills, and would typically need to be purchased if not provided.

Donated supplies and services of $100,000 and $40,600 for the years ended December 31, 2018 and 2017, respectively, were recorded as revenue and assets that will be depreciated over their estimated useful lives. In early 2018, the Organization received an in-kind donation of solar panels. The donation included installation services and is valued at approximately $100,000. 2017 donations consist of hours spent creating a website for the Organization.

Fair Value Measurements

The Organization's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value because of the short-term nature of these instruments.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized. All other 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 as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of future cash flows. The discounts on those amounts are recorded using risk-free interest rates applicable to those years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance as of December 31, 2018 and 2017.

Pledges Payable

Pledges to other organizations are recognized when the Organization makes a promise to give that is, in substance, unconditional. Such pledges that are authorized but unpaid as of the end of the year are recognized as liabilities. Unconditional promises to give that are expected to be paid in more than one year are recorded at the present value of the future cash flows. The discounts on those amounts are recorded using risk-free interest rates applicable to those years in which the promises are received.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of December 31, 2018 and 2017. The Organization's tax returns for years 2017, 2016 and 2015 are subject to review and examination by federal and state authorities. Any interest and penalties would be included in income tax expense on the statements of activities.

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

III. PROPERTY AND EQUIPMENT

Property and equipment as of December 31 are as follows:

	2018	2017
Land	$ 1,015,870	$ 1,015,870
Building	1,884,130	1,884,130
Improvement	2,334,452	2,196,952
Furniture and fixtures	45,880	45,880
Equipment	60,623	60,623
	5,340,955	5,203,455
Less: accumulated depreciation and amortization	(769,385)	(512,256)
Property and equipment, net	$ 4,571,570	$ 4,691,199

Depreciation expense for the years ended December 31, 2018 and 2017 was $257,128 and $249,124, respectively. The $5,340,955 of the gross cost at December 31, 2018 includes $5,234,452 for the land, building, and improvements of Miracle Manor.

IV. PLEDGE RECEIVABLE

Pledge receivable include pledges that have been discounted at rates ranging from 4.50% to 5.50%. The following is a summary of the Organization's pledge receivable at December 31:

	2018	2017
Total amounts due in:		
One year	$ 430,779	$ 476,080
Two to five years	221,350	458,106
	652,129	934,186
Less: discount to present value	(25,501)	(49,804)
Pledge receivable, net	$ 626,628	$ 884,382

V. PLEDGE RECEIVABLE – RELATED PARTY

During September 2012, the Organization received a pledge for $600,000 from PersonalCare Physicians to secure naming rights on behalf of the Organization, as well as, for use for programs and events in support of patients and their families at CHOC Children's Miracles for Kids Family Resource Center. A board member of the Organization is the Chief Executive Officer of PersonalCare Physicians. The terms of the pledge require equal annual payments over ten years beginning in April, 2013. The Organization applied a discount rate of 3.25 percent per year based on the Wall Street Journal Prime Rate at the date of the pledge. On February 2, 2018, PersonalCare Physicians was sold to Hoag Clinic, a wholly owned subsidiary of Hoag Memorial Hospital. As part of the Asset Purchase Agreement, Hoag assumed the remaining liability of the pledge.

Future pledge receivables to be collected are as follows:

Year Ending December 31,	Amount
2019	$ 60,000
2020	60,000
2021	60,000
2022	263,833
	443,833
Less: discount	(60,084)
Total	$ 383,749

VI. LINE OF CREDIT

During April 2015, the Organization renewed its line of credit with a financial institution for up to $500,000 with a maturity date of December 5, 2017. On November 8, 2017, the Organization obtained an extension of the maturity date to March 5, 2018. The line of credit had a variable interest rate based on the bank prime rate (5.50 % and 4.50% at December 31, 2018 and 2017, respectively). The line of credit requires monthly minimum payments on interest incurred and requires payment of all outstanding balances upon maturity. The line of credit was secured by the Organization's assets. The line does not contain any financial covenants. The balance outstanding was $499,896 as of December 31, 2017 and was paid in full in March 2018.

VII. PLEDGE PAYABLE

During September 2012, the Organization pledged $600,000 to the CHOC Children's Foundation to fund certain special events and marketing campaigns of the CHOC Children's Miracles for Kids Family Resource Center in the CHOC Children's Patient Tower. The pledge is to be paid in equal installments over eight or more years. The Organization applied a discount rate of 3.25 percent per year based on the Wall Street Journal Prime Rate at the date of the pledge.

Future pledge commitments are as follows:

Year Ending December 31,	Amount
2019	$ 66,857
2020	66,857
2021	66,857
2022	66,857
Thereafter	65,430
	332,858
Less: discount	(35,562)
Total	$ 297,296

VIII. LONG TERM DEBT

During June 2016, the Organization entered into a refinanced mortgage note payable to a bank collateralized by a deed of trust on the land and building it purchased. The note bears interest at 3.30% per annum and is payable in monthly installments of approximately $11,858 with final payment due in July 2046. The total principal amount outstanding on the note as of December 31, 2018 and 2017 was $2,574,503 and $2,630,823, respectively.

During June 2016, the Organization entered into a second mortgage note payable to a bank collateralized by a deed of trust on the land and building it purchased. The note bears interest at 5% per annum and is payable in monthly installments of interest with all accrued interest and principal due in July 2018. The total principal amount outstanding on the note as of December 31, 2018 and 2017 was $0 and $307,500, respectively.

In 2016, the Organization adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of debt issuance costs is reported as interest expense in the statement of functional expenses. The unamortized debt issuance costs as of December 31, 2018 and 2017 are $12,310 and $12,758, respectively.

During March 2018, the Organization entered into a new loan agreement with Pacific Premier Bank. The loan was used to consolidate debt incurred in prior years. The note bears initial face value of $1,000,000, bears interest at 5% per annum and is payable in monthly installments of approximately $10,657 with final payment due in March 23, 2028. The total principal amount outstanding on the note as of December 31, 2018 was $940,724.

Aggregate annual principal maturities of long-term debt as of December 31, 2018, are as follows:

Year Ending December 31,	Amount
2019	$ 140,325
2020	146,604
2021	153,035
2022	159,759
2023	166,790
Thereafter	2,736,402
Total Annual Principal Maturities	$ 3,502,915

IX. NOTE PAYABLE – RELATED PARTY

In September 2017, the Organization entered into a promissory note payable to a board member. The note bears interest at 0% per annum and was due in December 2017. The principal amount of the loan was $130,000. A payment of $20,000 was made in October 2017, and the remaining balance of $110,000 was paid off in April and December 2018.

X. RELATED PARTY TRANSACTIONS

During 2018 and 2017, the Organization received $491,663 and $302,043, respectively in contributions from board members.

XI. COMMITMENTS AND CONTINGENCIES

The Company leases its facilities, which are classified as operating leases.

The lease for the Tustin corporate office expired July 2017 and was renewed with a new expiration date of December 31, 2020. The new lease requires monthly payments ranging from $5,225 to $5,545.

Future minimum payments under this lease are as follows:

Year Ending December 31,	Amount
2019	$ 64,620
2020	66,540
	$ 131,160

In January 2015, the Organization entered into a lease agreement with its Subsidiary to lease an apartment building in Orange. The term of the lease is month to month and requires variable monthly payments.

The Company leases office equipment, which is classified as an operating lease. The lease is month to month and requires monthly payments of approximately $150.

Net rent expense for the years ended December 31, 2018 and 2017, totaled $80,775 and $56,254, respectively.

XII. LIQUIDITY DISCLOSURE

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As part of this policy, the Organization holds in its operating checking account a balance equal to at least three months of operating expenses that can be readily liquidated to pay for operating needs.

Short-term contributions receivable consists of unconditional promises to give expected to be received within one year from December 31, 2018. Unrestricted short-term contributions receivable will be available to support general operations of the Organization. The Organization has occasional, seasonal liquidity challenges during the year.

XIII. 2018 MANAGEMENT AND GENERAL EXPENSES

In 2018, the Organization incurred $217,890 in legal fees that were donated by a law firm. These fees are reported as management and general expenses on the consolidated statement of functional expenses. This in-kind donation was a non-monetary expense of the Organization that should be excluded from any cash use of funds calculations.

XIV. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 14 2019, the date which the financial statements were available to be issued.

The Organization settled a lawsuit on March 5, 2019 for trademark related claims against the Organization. An estimate of the financial effect cannot be made.

In May, 2019, the Organization determined that a pledge receivable made in 2015 for $25,000 will not be collected and will written off to expense in 2019.

SUPPLEMENTARY INFORMATION

MIRACLES FOR KIDS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2018

Assets	Miracles for Kids	Miracle Manor	Eliminations	Consolidated
Current assets				
Cash and cash equivalents	$ 339,327.00	$ 23,063.00	$ -	$ 362,390.00
Pledge receivable, net	626,628.00	-	-	626,628.00
Pledge receivable - related party	60,000.00	-	-	60,000.00
Due from related parties	196,167.00		(196,167.00)	-
Prepaid expenses and other current assets	39,243.00	-	-	39,243.00
Total current assets	1,261,365.00	23,063.00	(196,167.00)	1,088,261.00
Property and equipment, net	1,811,658.00	2,759,912.00	-	4,571,570.00
Pledge receivable - related party, net of current portion	323,749.00	-	-	323,749.00
Other assets	-	16,174.00	-	16,174.00
Total assets	$ 3,396,772.00	$ 2,799,149.00	$ (196,167.00)	$ 5,999,754.00
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$ 38,763.00	$ -	$ -	$ 38,763.00
Accrued and other liabilities	98,596.00	14,303.00	-	112,899.00
Pledge payable - current	66,857.00	-	-	66,857.00
Line of credit	-	-	-	-
Note payable - related party	-	-	-	-
Due to related parties	-	196,167.00	(196,167.00)	-
Current portion of long term debt	82,565.00	57,760.00	-	140,325.00
Total current liabilities	286,781.00	268,230.00	(196,167.00)	358,844.00
Pledge payable, net of current portion	230,439.00	-	-	230,439.00
Long term debt, net of current portion	858,159.00	2,504,431.00	-	3,362,590.00
Total liabilities	1,375,379.00	2,772,661.00	(196,167.00)	3,951,873.00
Member's equity	-	26,488.00	-	26,488.00
Net Assets				
Without donor restrictions	2,021,393.00	-	-	2,021,393.00
With donor restrictions		-	-	-
Total net assets/member's equity	2,021,393.00	26,488.00	-	2,047,881.00
Total liabilities and net assets/member's equity	$ 3,396,772.00	$ 2,799,149.00	$ (196,167.00)	$ 5,999,754.00

See independent auditors' report.

MIRACLES FOR KIDS
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

	Miracles for Kids	Miracle Manor	Eliminations	Consolidated
Support and revenues - without donor restrictions				
Contributions - Individuals	$ 94,131	$ -	$ -	$ 94,131
Contributions - Corporations and foundations	384,505	-	-	384,505
Contributions - Miracle Manor capital campaign	25,000	-	-	25,000
Grants - Corporations	32,000	-	-	32,000
Donated services	217,894	-	-	217,894
Donated supplies	40,893	100,000	-	140,893
Rental income	-	139,644	-	139,644
Miscellaneous income	97,981	20	-	98,001
Online sales	290	-	-	290
Special events:				
Special event revenue	2,128,339	-	-	2,128,339
Less: direct cost	(482,423)	-	-	(482,423)
Net revenue from special events	1,645,916	-	-	1,645,916
Subtotal support and revenues	2,538,610	239,664	-	2,778,274
Net assets released from restrictions	83,878	-	-	83,878
Total support and revenues	2,622,488	239,664	-	2,862,152
Expenses				
Program services	1,716,792	-	-	1,716,792
Supporting services:				
Management and general	480,351	-	-	480,351
Fundraising	332,425	-	-	332,425
Subtotal supporting services	812,776	-	-	812,776
Miracle Manor, LLC	-	167,241	-	167,241
Total expenses	2,529,568	167,241	-	2,696,809
Increase (decrease) in unrestricted net assets/member's equity	92,920	72,423	-	165,343
Support and revenues - With Donor Restrictions				
Grants	-	-	-	-
Net assets released from restriction	(83,878)	-	-	(83,878)
Increase (decrease) in net assets with donor restrictions	(83,878)	-	-	(83,878)
Increase (decrease) in net assets	9,042	72,423	-	81,465
Net assets/member's equity beginning of year	2,012,351	(45,935)	-	1,966,416
Net assets/member's equity end of year	$ 2,021,393	$ 26,488	$ -	$ 2,047,881

See independent auditors' report.