

# **Miracles in Action**

**Financial Statements  
December 31, 2013  
Independent Auditors' Report**

**MIRACLES IN ACTION**  
**December 31, 2013**

**Contents**

---

	<b><u>Page</u></b>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 8



## Independent Auditors' Report

To the Board of Trustees  
Miracles in Action  
Cincinnati, Ohio

We have audited the accompanying financial statements of Miracles in Action (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility 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; 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 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 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 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

We did not observe the taking of the physical inventories at December 31, 2013 and 2012 due to the timing and location of the physical inventory counts, and the Organization's records do not permit adequate retroactive tests of inventory quantities. Consequently, we were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures and determine whether any adjustments were necessary in the statements of actives and cash flows.

**Independent Auditors' Report  
(Continued)**

**Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Miracles in Action as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Burns, Dunning & Co., Ltd.*

March 27, 2014  
Cincinnati, Ohio

## MIRACLES IN ACTION

### Statement of Financial Position December 31, 2013

#### Assets

Cash and cash equivalents	\$ 386,770
Other assets	1,894
Inventories	<u>97,805</u>

Total assets \$ 486,469

#### Liabilities and Net Assets

##### Liabilities

Accounts payable	<u>\$ 1,927</u>
------------------	-----------------

##### Net Assets

Unrestricted	412,361
Temporarily restricted	<u>72,181</u>

Total net assets 484,542

Total liabilities and net assets \$ 486,469

See accompanying notes to financial statements

**MIRACLES IN ACTION**  
**Statement of Activities**  
**Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and other support</b>			
Handicraft sales	\$ 185,296	\$ -	\$ 185,296
Less cost of sales	(69,291)	-	(69,291)
	116,005	-	116,005
Contributions	218,495	275,050	493,545
Other income	7,273	-	7,273
Net assets released from restriction	231,161	(231,161)	-
Total revenues and other support	<u>572,934</u>	<u>43,889</u>	<u>616,823</u>
<b>Expenses</b>			
Program	433,206	-	433,206
Management and general	57,042	-	57,042
Fundraising	4,203	-	4,203
Total expenses	<u>494,451</u>	<u>-</u>	<u>494,451</u>
<b>Change in net assets</b>	78,483	43,889	122,372
<b>Net assets, beginning of year</b>	<u>333,878</u>	<u>28,292</u>	<u>362,170</u>
<b>Net assets, end of year</b>	<u>\$ 412,361</u>	<u>\$ 72,181</u>	<u>\$ 484,542</u>

See accompanying notes to financial statements

## MIRACLES IN ACTION

### Statement of Functional Expenses Year Ended December 31, 2013

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 433,206	\$ -	\$ -	\$ 433,206
Contracted services	-	43,900	-	43,900
Miscellaneous	-	6,201	-	6,201
Advertising and promotion	-	-	4,203	4,203
Professional fees	-	2,460	-	2,460
Telephone and internet	-	2,012	-	2,012
Insurance	-	1,387	-	1,387
Website	-	1,082	-	1,082
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 433,206</u>	<u>\$ 57,042</u>	<u>\$ 4,203</u>	<u>\$ 494,451</u>

See accompanying notes to financial statements

**MIRACLES IN ACTION**  
**Statement of Cash Flows**  
**Year Ended December 31, 2013**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 122,372
Adjustments to reconcile change in net assets to net cash from operating activities:	
Change in:	
Inventory	(9,562)
Other assets	(1,015)
Accounts payable	<u>992</u>
<b>Net change in cash and cash equivalents</b>	112,787
<b>Cash and cash equivalents, beginning of year</b>	<u>273,983</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 386,770</u></u>

See accompanying notes to financial statements

# MIRACLES IN ACTION

## Notes to Financial Statements

### NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Nature of Operations***

Miracles in Action (the Organization) was established to provide Guatemalans living in extreme poverty with opportunities to help themselves through sustainable development projects that improve education, nutrition, job opportunities and healthy homes.

The Organization seeks and funds projects that focus on education, vocational training and sustainable development in rural areas of Guatemala. Projects selected for funding and development are those that achieve long-term results, improve quality of life and allow truly impoverished people to help themselves. Efforts are directed toward education, as the Organization believes this to be the most sustainable way out of poverty.

#### ***Financial Statement Presentation***

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restriction which do not expire.

#### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013, cash equivalents consisted primarily of money market accounts. The Organization maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

#### ***Inventories***

Inventories consist of handmade jewelry and other items purchased from Mayan artisans for resale. All proceeds from the sale of these items support the Organization's mission and exempt purpose. Purchased items are valued at cost. Donated items are valued at fair value at the date contributed. Inventories are stated at the lower of cost or market determined by the first-in, first-out (FIFO) method.

#### ***Contributions***

The Organization records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

## MIRACLES IN ACTION

### Notes to Financial Statements (Continued)

#### NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Income Taxes*

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Florida law. The Organization is not considered a private foundation.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization's tax returns from 2010 and forward are open to examination. The Organization is not aware of any activities that would jeopardize our tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes.

##### *Functional Allocation of Expenses*

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses have been classified based upon the actual direct expenditures and cost allocations based upon estimates of time spent by The Organization personnel.

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Subsequent Event Evaluation*

In preparing the financial statements, the Organization evaluates events subsequent to the statement of financial position date through March 27, 2014, which is the date the financial statements were available to be issued.

#### NOTE 2 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 consisted of contributions by donors to be used for various projects in Guatemala.

#### NOTE 3 RELATED PARTY TRANSACTIONS

The Organization has entered into a management agreement with Photonics Graphics, a company owned by the husband of the Executive Director. Management fees paid to Photonics Graphics during 2013 were \$43,900, which includes payment for the Executive Director's services and general occupancy costs.