

MAKE-A-WISH FOUNDATION INTERNATIONAL
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2018 AND 2017



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**MAKE-A-WISH FOUNDATION INTERNATIONAL
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YEARS ENDED AUGUST 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation International
Phoenix, Arizona

We have audited the accompanying financial statements of Make-A-Wish Foundation International (the Foundation), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows, for the years 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Board of Directors
Make-A-Wish Foundation International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation International as of August 31, 2018 and 2017, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 18, 2019

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2018 AND 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,835,683 | \$ 768,673 |
| Investments | 550,908 | 506,785 |
| Receivables, Other | 1,815 | 4,147 |
| Contributions Receivable, Net | 513,983 | 1,207,513 |
| Due from Affiliates | 361,414 | 645,434 |
| Prepaid Expenses | 59,935 | 66,587 |
| Equipment, Net of Accumulated Depreciation | 907,069 | 1,139,620 |
| Total Assets | \$ 4,230,807 | \$ 4,338,759 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 180,336 | \$ 197,383 |
| Due to Affiliates | 639,093 | 746,461 |
| Deferred Affiliate Member Dues | 506,096 | 526,596 |
| Deferred Rent Liability | - | 18,881 |
| Total Liabilities | 1,325,525 | 1,489,321 |
| NET ASSETS | | |
| Unrestricted | 2,391,299 | 1,612,396 |
| Temporarily Restricted | 513,983 | 1,237,042 |
| Total Net Assets | 2,905,282 | 2,849,438 |
| Total Liabilities and Net Assets | \$ 4,230,807 | \$ 4,338,759 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018
(WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2017)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Totals</u> | <u>2017 Total</u> |
|--------------------------------------|----------------------------|-----------------------------------|----------------------------|----------------------------|
| SUPPORT AND REVENUE | | | | |
| Contributions and Grants | \$ 5,611,010 | \$ 869,791 | \$ 6,480,801 | \$ 7,625,089 |
| Affiliate Member Dues | 1,538,787 | - | 1,538,787 | 1,570,721 |
| Conference Income | 34,800 | - | 34,800 | 47,500 |
| Investment Income | 44,273 | - | 44,273 | 78,358 |
| Net Assets Released from Restriction | 1,592,850 | (1,592,850) | - | - |
| Total Support and Revenue | <u>8,821,720</u> | <u>(723,059)</u> | <u>8,098,661</u> | <u>9,321,668</u> |
| EXPENSES | | | | |
| Program Services | 6,909,125 | - | 6,909,125 | 7,555,158 |
| Supporting Services: | | | | |
| Management and General | 597,745 | - | 597,745 | 809,567 |
| Fundraising | 535,947 | - | 535,947 | 840,620 |
| Total Expenses | <u>8,042,817</u> | <u>-</u> | <u>8,042,817</u> | <u>9,205,345</u> |
| CHANGES IN NET ASSETS | 778,903 | (723,059) | 55,844 | 116,323 |
| Net Assets - Beginning of Year | <u>1,612,396</u> | <u>1,237,042</u> | <u>2,849,438</u> | <u>2,733,115</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 2,391,299</u></u> | <u><u>\$ 513,983</u></u> | <u><u>\$ 2,905,282</u></u> | <u><u>\$ 2,849,438</u></u> |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017

| | Unrestricted | Temporarily Restricted | Totals |
|--------------------------------------|--------------|---------------------------|--------------|
| SUPPORT AND REVENUE | | | |
| Contributions and Grants | \$ 6,401,455 | \$ 1,223,634 | \$ 7,625,089 |
| Affiliate Member Dues | 1,570,721 | - | 1,570,721 |
| Conference Income | 47,500 | - | 47,500 |
| Investment Income, Net | 78,358 | - | 78,358 |
| Net Assets Released from Restriction | 1,109,615 | (1,109,615) | - |
| Total Support and Revenue | 9,207,649 | 114,019 | 9,321,668 |
| EXPENSES | | | |
| Program Services: | 7,555,158 | - | 7,555,158 |
| Supporting Services: | | | |
| Management and General | 809,567 | - | 809,567 |
| Fundraising | 840,620 | - | 840,620 |
| Total Expenses | 9,205,345 | - | 9,205,345 |
| CHANGES IN NET ASSETS | 2,304 | 114,019 | 116,323 |
| Net Assets - Beginning of Year | 1,610,092 | 1,123,023 | 2,733,115 |
| NET ASSETS - END OF YEAR | \$ 1,612,396 | \$ 1,237,042 | \$ 2,849,438 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2018

| EXPENSES | Supporting Services | | | Total |
|---|---------------------|---------------------------|-------------|--------------|
| | Program Services | Management and General | Fundraising | |
| Salaries | \$ 1,019,873 | \$ 390,448 | \$ 212,819 | \$ 1,623,140 |
| Employee Benefits and Related Payroll Expenses | 337,024 | 93,069 | 37,090 | 467,183 |
| Total Personnel Costs | 1,356,897 | 483,517 | 249,909 | 2,090,323 |
| Dues and Subscriptions | 63,191 | 3,318 | 16,994 | 83,503 |
| Insurance - General | 10,955 | 4,828 | 2,785 | 18,568 |
| Miscellaneous | 21,962 | 9,680 | 5,584 | 37,226 |
| Postage and Delivery | 3,022 | 965 | 1,433 | 5,420 |
| Printing and Duplication | 1,144 | - | 436 | 1,580 |
| Professional Fees | 330,712 | 45,571 | 130,469 | 506,752 |
| Programs | 4,394,199 | - | - | 4,394,199 |
| Rent | 58,025 | 25,570 | 14,752 | 98,347 |
| Supplies | 12,950 | 1,217 | 3,347 | 17,514 |
| Telephone | 9,620 | 2,590 | 5,177 | 17,387 |
| Training | 241,396 | 319 | 6,778 | 248,493 |
| Travel | 91,233 | 16,429 | 96,124 | 203,786 |
| Total Expenses Before Depreciation | 6,595,306 | 594,004 | 533,788 | 7,723,098 |
| Depreciation | 313,819 | 3,741 | 2,159 | 319,719 |
| Total Functional Expenses | \$ 6,909,125 | \$ 597,745 | \$ 535,947 | \$ 8,042,817 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

| EXPENSES | Supporting Services | | | Total |
|---|---------------------|---------------------------|-------------|--------------|
| | Program Services | Management and General | Fundraising | |
| Salaries | \$ 1,132,381 | \$ 469,392 | \$ 358,374 | \$ 1,960,147 |
| Employee Benefits and Related Payroll Expenses | 311,563 | 109,382 | 93,896 | 514,841 |
| Total Personnel Costs | 1,443,944 | 578,774 | 452,270 | 2,474,988 |
| Dues and Subscriptions | 67,516 | 30,569 | 49,111 | 147,196 |
| Insurance - General | 10,149 | 4,613 | 3,691 | 18,453 |
| Miscellaneous | 19,550 | 8,886 | 7,109 | 35,545 |
| Postage and Delivery | 4,762 | 881 | 1,226 | 6,869 |
| Printing and Duplication | - | - | 23 | 23 |
| Professional Fees | 208,489 | 52,307 | 156,816 | 417,612 |
| Programs | 3,932,526 | - | - | 3,932,526 |
| Public Awareness | 1,062,400 | - | - | 1,062,400 |
| Rent | 53,859 | 24,481 | 19,585 | 97,925 |
| Supplies | 15,419 | 4,294 | 8,064 | 27,777 |
| Telephone | 14,919 | 5,387 | 11,768 | 32,074 |
| Training | 445,724 | 5,153 | 5,574 | 456,451 |
| Travel | 130,925 | 28,324 | 72,664 | 231,913 |
| Total Expenses Before Depreciation | 7,410,182 | 743,669 | 787,901 | 8,941,752 |
| Depreciation | 144,976 | 65,898 | 52,719 | 263,593 |
| Total Functional Expenses | \$ 7,555,158 | \$ 809,567 | \$ 840,620 | \$ 9,205,345 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018 AND 2017

| | 2018 | 2017 |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in Net Assets | \$ 55,844 | \$ 116,323 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 319,719 | 263,593 |
| Realized Gains on Investments | (11,302) | (16,021) |
| Unrealized Gains on Investments | (28,553) | (49,461) |
| Increase (Decrease) in Cash Resulting from Changes in: | | |
| Receivables, Other | 2,332 | 14,364 |
| Contributions Receivable | 693,530 | (124,785) |
| Due from Affiliates | 284,020 | 346,913 |
| Prepaid Expenses | 6,652 | 16,425 |
| Accounts Payable and Accrued Expenses | (17,047) | 19,043 |
| Due to Affiliates | (107,368) | (361,806) |
| Deferred Affiliate Member Dues | (20,500) | 15,107 |
| Deferred Rent Liability | (18,881) | (16,102) |
| Net Cash Provided by Operating Activities | 1,158,446 | 223,593 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Investments | (66,156) | (85,025) |
| Proceeds on Sale of Investments | 61,888 | 475,730 |
| Purchases of Equipment | (87,168) | (493,335) |
| Net Cash Used by Investing Activities | (91,436) | (102,630) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,067,010 | 120,963 |
| Cash and Cash Equivalents - Beginning of Year | 768,673 | 647,710 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 1,835,683 | \$ 768,673 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 1 ORGANIZATION

Organization

Make-A-Wish Foundation International (the Foundation) is a nonprofit organization with 41-chartered international affiliates. The Foundation is organized and operated exclusively for the charitable purpose of increasing the opportunity of children of the world, with a life-threatening medical condition, to realize their wishes.

Reporting Entity

The accompanying financial statements include only the accounts and transactions of the Foundation. The international affiliates are separate entities with separate boards of directors and as such are responsible for, and maintain custody of, and generate their own financial resources. Accordingly, the accounts and transactions of the international affiliates are not included in these financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with American Institute of Certified Public Accountants (AICPA) Not-for-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, the Foundation is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed stipulations and are those currently available at the discretion of the board of directors for use in the Foundation's operations, in accordance with its bylaws.

Temporarily Restricted Net Assets – Temporarily restricted net assets are those which are subject to donor-imposed stipulations that may or will be met by the actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets – Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes. The Foundation does not have any permanently restricted net assets.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of 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.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Foundation considers all highly liquid assets with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents may include cash on hand or held by financial institutions.

Investments

Investments are recorded at fair value. Investment income includes interest, dividends, and if applicable, realized and unrealized gains and losses.

Contributions Receivable

Unconditional promises to give (contributions receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are 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 interest rates at the time of the unconditional promise to give. Amortization of the discount is included in contribution support. Management provides for probable uncollectible amounts through a charge to operations and an increase to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of the receivables.

Affiliate Member Dues

As of August 31, 2018 and 2017, the Organization has 41 and 42 affiliates, respectively, that pay annual affiliate member dues for the nonexclusive right and sublicense to use the trademarks and service marks for use in performance of the charitable purpose. Affiliate member dues are paid annually by each affiliate and are deferred and recognized over the period to which the dues relate.

Equipment and Related Depreciation

Purchased equipment is initially recorded at cost and donated property and equipment are recorded at the fair value at the date of gift to the Foundation. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations. Depreciation of equipment is computed on a straight-line basis over the estimated useful lives, generally three to seven years.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present at August 31, 2018 and 2017.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished or a donor removes a restriction), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in unrestricted net assets. The Foundation recorded \$3,841,572 and \$4,305,511 of cash contributions and grants during the years ended August 31, 2018 and 2017, respectively. The Foundation received 48% and 50% of its contribution and grant support from two and three donors, respectively, for both years ended August 31, 2018 and 2017.

Donated Assets and Services

Donated marketable securities, equipment, and other noncash donations are recorded as contributions at their estimated fair values at the date of donation, if an objective basis is available to measure the value of such items. The Foundation pays for most services requiring specific expertise. However, if such services or assets are donated and the value is ascertainable, the fair value is reflected in the financial statements as revenue and expense. The Foundation recorded \$2,639,229 and \$2,257,178 of in-kind contributions for airline flights, hotel accommodations, and toys during the years ended August 31, 2018 and 2017, respectively. The Foundation also recorded \$-0- and \$1,062,400 of in-kind contributions for public service announcements during the years ended August 31, 2018 and 2017, respectively. The Foundation received 91% and 85% of its in-kind contributions from two and three donors during the years ended August 31, 2018 and 2017, respectively.

Volunteers donate significant amounts of their time to the Foundation's mission; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agent on Behalf of Affiliated Organizations

In certain cases, the Foundation may act as an agent for an affiliated organization. These agency transactions are treated as pass through funds and are carried as funds held as agent for affiliates until they are distributed.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

Expenses are directly allocated to the various programs and support services when possible and indirectly allocated based on staff time spent in that area and the best estimates of management.

Income Taxes

The Foundation is a nonprofit charitable organization which qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and, accordingly, no provision for federal or state corporate income taxes has been made in the accompanying financial statements. The Foundation qualifies for the charitable contribution deduction under Section 170 of the IRC and has been classified as an organization that is not a private foundation under Section 509(a).

Management believes that the Foundation has no uncertain tax positions as of August 31, 2018 and 2017.

NOTE 3 INVESTMENTS

A summary of investments at August 31 consists of the following:

| | 2018 | | 2017 | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| | Cost | Market | Cost | Market |
| Equities | \$ 277,217 | \$ 356,260 | \$ 259,879 | \$ 327,659 |
| Bonds | 194,946 | 189,787 | 173,362 | 174,332 |
| Money Market | 4,861 | 4,861 | 4,794 | 4,794 |
| Total | <u>\$ 477,024</u> | <u>\$ 550,908</u> | <u>\$ 438,035</u> | <u>\$ 506,785</u> |

Total investment income for the years ended August 31 consists of the following:

| | 2018 | 2017 |
|------------------------------|------------------|------------------|
| Realized Gains | \$ 11,302 | \$ 16,021 |
| Unrealized Gains | 28,553 | 49,461 |
| Interest and Dividend Income | 4,418 | 12,876 |
| Total | <u>\$ 44,273</u> | <u>\$ 78,358</u> |

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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.

Investments

The Foundation's investments are held in funds with Fidelity Investments. The fair value on these investments held by the Foundation is readily available and is based upon unadjusted quoted market prices. Equity securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation 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.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2018:

| | 2018 Fair Value Measurements | | | |
|------------------------------|------------------------------|-------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equities: | | | | |
| U.S. Large Cap | \$ 227,287 | \$ - | \$ - | \$ 227,287 |
| U.S. Mid Cap/Small Cap | 35,380 | - | - | 35,380 |
| Actively Traded Alternatives | 17,129 | - | - | 17,129 |
| Non-U.S. Equity | 76,464 | - | - | 76,464 |
| Total Equities | <u>356,260</u> | <u>-</u> | <u>-</u> | <u>356,260</u> |
| Bonds: | | | | |
| U.S. Corporate Bonds | 187,051 | - | - | 187,051 |
| Non-U.S. Corporate Bonds | 2,736 | - | - | 2,736 |
| Total Bonds | <u>189,787</u> | <u>-</u> | <u>-</u> | <u>189,787</u> |
| Cash and Cash Equivalents: | | | | |
| Money Markets | - | - | - | 4,861 |
| Total Assets at Fair Value | <u>\$ 546,047</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 550,908</u> |

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2017:

| | 2017 Fair Value Measurements | | | |
|------------------------------|------------------------------|-------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equities: | | | | |
| U.S. Large Cap | \$ 208,427 | \$ - | \$ - | \$ 208,427 |
| U.S. Mid Cap/Small Cap | 28,784 | - | - | 28,784 |
| Actively Traded Alternatives | 16,166 | - | - | 16,166 |
| Non-U.S. Equity | 74,282 | - | - | 74,282 |
| Total Equities | <u>327,659</u> | <u>-</u> | <u>-</u> | <u>327,659</u> |
| Bonds: | | | | |
| U.S. Corporate Bonds | 169,403 | - | - | 169,403 |
| Non-U.S. Corporate Bonds | 4,929 | - | - | 4,929 |
| Total Bonds | <u>174,332</u> | <u>-</u> | <u>-</u> | <u>174,332</u> |
| Cash and Cash Equivalents: | | | | |
| Money Markets | - | - | - | 4,794 |
| Total Assets at Fair Value | <u>\$ 501,991</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 506,785</u> |

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2018 was \$513,983 of which 54% is due from two donors. Contributions receivable as of August 31, 2017 was \$1,207,513 of which 69% is due from two donors. All contributions receivable are due within the next 12 months. Management believes that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at August 31, 2018 and 2017.

NOTE 6 EQUIPMENT

A summary of equipment at August 31 consists of the following:

| | 2018 | 2017 |
|--------------------------------|-------------------|---------------------|
| Office Furniture and Equipment | \$ 114,211 | \$ 114,211 |
| Internal Use Software | 1,527,442 | 1,483,060 |
| Total | 1,641,653 | 1,597,271 |
| Less: Accumulated Depreciation | (734,584) | (457,651) |
| Net Equipment | <u>\$ 907,069</u> | <u>\$ 1,139,620</u> |

Depreciation expense was \$319,719 and \$263,593 for the years ended August 31, 2018 and 2017, respectively.

NOTE 7 RELATED PARTY TRANSACTIONS

The Foundation receives membership dues from the international affiliates and sponsors conferences and events for which it incurs costs that are reimbursed by the participating affiliates. Amounts due from affiliates were \$361,414 and \$645,434 at August 31, 2018 and 2017, respectively. Three affiliates accounted for 84% and two affiliates accounted for 72% of the total due from affiliates at August 31, 2018 and 2017, respectively.

Affiliate dues recognized during the years ended August 31, 2018 and 2017 totaled \$1,538,787 and \$1,570,721, respectively, and distributions to affiliates totaled \$4,394,199 and \$3,932,526 for the years ended August 31, 2018 and 2017, respectively.

The Foundation accepts donations on behalf of the international affiliates and disburses these funds to affiliates on a monthly basis. These affiliate transactions are reported as funds held for affiliates until they are distributed. Additionally, the Foundation may hold certain funds for affiliate organizations at their request. Amounts due to affiliates were \$639,093 and \$746,461 at August 31, 2018 and 2017, respectively.

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NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at August 31:

| | 2018 | 2017 |
|---|------------|--------------|
| Time Restrictions | \$ 513,983 | \$ 1,207,513 |
| Capacity Building Support | - | 29,529 |
| Total Temporarily Restricted Net Assets | \$ 513,983 | \$ 1,237,042 |

Net assets of \$1,592,850 and \$1,109,615 were released from time restrictions due to collection of the contributions receivable and the satisfaction of donor restrictions during the years ended August 31, 2018 and 2017, respectively.

NOTE 9 EMPLOYEE BENEFIT PLAN

In 2003, the Foundation adopted a SIMPLE-IRA plan which covers all employees from their hire date. The Foundation matches each employee's elective deferral on a dollar-for-dollar basis up to 3-5% of the employee's compensation or other defined limits, based on length of employment. Matching contributions of \$48,079 and \$57,888 were made to the SIMPLE-IRA plan for the years ended August 31, 2018 and 2017, respectively.

NOTE 10 OPERATING LEASES

The Foundation leases office space under a noncancelable ten year operating lease with a termination option at five years beginning on November 1, 2009, which includes ten months of free rent. The Foundation is recording the rent on a straight-line basis over the term of the operating lease. This lease ended in the year ended August 31, 2018. The Foundation entered into a sublease for office space through August 31, 2020 with minimum rental payments between \$5,078 - \$5,294. The Foundation also has an operating lease for a copier, expiring August 31, 2021. Lease expense under these leases was approximately \$98,347 and \$97,925 for the years ended August 31, 2018 and 2017, respectively. Future minimum lease payments under the operating leases are as follows:

| Year Ending August 31, | Amount |
|------------------------|------------|
| 2019 | \$ 64,140 |
| 2020 | 65,436 |
| 2021 | 1,908 |
| Total | \$ 131,484 |

NOTE 11 CONCENTRATION OF CREDIT RISK

The Foundation maintains all of its cash with high-credit quality financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. As of August 31, 2018 and 2017, a portion of cash balances at financial institutions exceeded the balance insured by the FDIC.

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NOTE 12 NEW ACCOUNTING STANDARDS

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Updated 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Foundation for the year ending August 31, 2019; however, early application is permitted. Management is evaluating the impact of the standards update on the entity's financial statements.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Foundation's financial statements.

The FASB issued Accounting Standards Update (ASU) No. 2018-08 on June 21, 2018. This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in *Subtopic 958-605, Not-for-Profit Entities – Revenue Recognition*, should be followed. For exchange transactions, Topic 606, Revenue from Contracts with Customers, should be followed. To determine which guidance should be followed, grant documents have been carefully analyzed. The standard will be effective for the Foundation for the year ending August 31, 2020, however, early application is permitted.

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Foundation to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

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NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through April 18, 2019, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2018, but prior to April 18, 2019, that provided additional evidence about conditions that existed fat August 31, 2018, have been recognized in the financial statements for the year ended August 31, 2018. Events or transactions that provided evidence about conditions that did not exist at August 31, 2018, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended August 31, 2018.

Management of the Foundation has determined that the headquarters of the Foundation will be moved from Phoenix, Arizona to the Netherlands.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
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