

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH, INC.

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2015 AND 2014



CliftonLarsonAllen

**MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
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YEARS ENDED AUGUST 31, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of the Mid-South, Inc.
Memphis, Tennessee

We have audited the accompanying financial statements of Make-A-Wish Foundation® of the Mid-South, Inc. which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses 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 audits 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 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 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.

Board of Directors
Make-A-Wish Foundation® of America-Mid South

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of the Mid-South, Inc. as of August 31, 2015 and 2014, and change 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

Oak Brook, Illinois
January 7, 2016

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 782,941	\$ 635,620
Investments	2,164,443	927,946
Due from Related Entities	55,561	19,488
Prepaid Expenses	38,587	27,130
Contributions Receivable	107,543	76,451
Notes Receivable, Net	1,628,539	-
Other Assets	1,134	3,366
Investments Held for Long-Term Purposes	226,185	235,768
Property and Equipment, Net.	14,175	9,756
Total Assets	\$ 5,019,108	\$ 1,935,525
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 331,303	\$ 171,326
Accrued Pending Wish Costs	1,675,939	1,079,820
Due to Related Entities	12,887	14,241
Total Liabilities	2,020,129	1,265,387
NET ASSETS		
Unrestricted	1,020,211	349,658
Temporarily Restricted	1,826,038	172,750
Permanently Restricted	152,730	147,730
Total Net Assets	2,998,979	670,138
Total Liabilities and Net Assets	\$ 5,019,108	\$ 1,935,525

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 4,643,238	\$ 1,742,083	\$ 5,000	\$ 6,390,321
Grants	45,550	-	-	45,550
Total Public Support	<u>4,688,788</u>	<u>1,742,083</u>	<u>5,000</u>	<u>6,435,871</u>
Internal Special Events	598,147	10,500	-	608,647
Less: Costs of Direct Benefits to Donors	<u>(113,563)</u>	<u>-</u>	<u>-</u>	<u>(113,563)</u>
Total Special Events	<u>484,584</u>	<u>10,500</u>	<u>-</u>	<u>495,084</u>
Investment Income, Net	(53,118)	(19,844)	-	(72,962)
Other Income	8,913	-	-	8,913
Net Assets Released from Restrictions	<u>79,451</u>	<u>(79,451)</u>	<u>-</u>	<u>-</u>
 Total Revenues, Gains, and Other Support	 <u>5,208,618</u>	 <u>1,653,288</u>	 <u>5,000</u>	 <u>6,866,906</u>
EXPENSES				
Program Services:				
Wish Granting	3,704,410	-	-	3,704,410
Support Services:				
Fundraising	484,811	-	-	484,811
Management and General	348,844	-	-	348,844
Total Support Services	<u>833,655</u>	<u>-</u>	<u>-</u>	<u>833,655</u>
 Total Expenses	 <u>4,538,065</u>	 <u>-</u>	 <u>-</u>	 <u>4,538,065</u>
CHANGE IN NET ASSETS	670,553	1,653,288	5,000	2,328,841
Net Assets - Beginning of Year	<u>349,658</u>	<u>172,750</u>	<u>147,730</u>	<u>670,138</u>
NET ASSETS - END OF YEAR	<u>\$ 1,020,211</u>	<u>\$ 1,826,038</u>	<u>\$ 152,730</u>	<u>\$ 2,998,979</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,082,312	\$ 74,451	\$ 6,000	\$ 3,162,763
Grants	60,716	-	-	60,716
Total Public Support	3,143,028	74,451	6,000	3,223,479
Internal Special Events	563,803	5,000	-	568,803
Less: Costs of Direct Benefits to Donors	(134,960)	-	-	(134,960)
Total Special Events	428,843	5,000	-	433,843
Investment Income, Net	107,191	32,393	-	139,584
Other Income	5,014	-	-	5,014
Net Assets Released from Restrictions	108,034	(108,034)	-	-
 Total Revenues, Gains, and Other Support	 3,792,110	 3,810	 6,000	 3,801,920
EXPENSES				
Program Services:				
Wish Granting	2,791,820	-	-	2,791,820
Support Services:				
Fundraising	400,928	-	-	400,928
Management and General	322,017	-	-	322,017
Total Support Services	722,945	-	-	722,945
 Total Expenses	 3,514,765	 -	 -	 3,514,765
CHANGE IN NET ASSETS	277,345	3,810	6,000	287,155
Net Assets - Beginning of Year	72,313	168,940	141,730	382,983
NET ASSETS - END OF YEAR	\$ 349,658	\$ 172,750	\$ 147,730	\$ 670,138

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,328,841	\$ 287,155
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,745	6,320
Contributions Restricted for Long-Term Investment	(78,407)	(6,000)
Net Realized and Unrealized (Gains) Losses on Investments	170,699	(115,214)
Contributed Property and Equipment, Inventory and Investments	-	(3,875)
Changes in Assets and Liabilities:		
Contributions Receivable	(31,092)	3,823
Notes Receivable	(1,628,539)	-
Due from Related Entities	(36,073)	15,967
Prepaid Expenses	(11,457)	(983)
Other Assets	2,232	(1,221)
Accounts Payable and Accrued Expenses	159,977	21,259
Accrued Pending Wish Costs	596,119	(31,621)
Due to Related Entities	(1,354)	6,620
Net Cash Provided by Operating Activities	1,475,691	182,230
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,028,155)	(681,712)
Proceeds from Sales of Investments	630,542	482,138
Purchases of Property and Equipment	(9,164)	(4,030)
Net Cash Used by Investing Activities	(1,406,777)	(203,604)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	78,407	6,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	147,321	(15,374)
Cash and Cash Equivalents - Beginning of Year	635,620	650,994
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 782,941	\$ 635,620

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,842,937	\$ -	\$ -	\$ -	\$ 2,842,937
Salaries, Taxes, and Benefits	563,816	355,871	254,192	610,063	1,173,879
Printing, Subscriptions, and Publications	7,276	10,816	770	11,586	18,862
Professional Fees	7,686	1,328	19,038	20,366	28,052
Rent and Utilities	79,000	41,059	29,811	70,870	149,870
Postage and Delivery	5,311	6,211	1,758	7,969	13,280
Travel	16,365	20,868	3,208	24,076	40,441
Meetings and Conferences	3,074	1,886	861	2,747	5,821
Office Supplies	28,361	15,195	2,621	17,816	46,177
Communications	12,562	6,146	5,145	11,291	23,853
Advertising and Media (Cash)	-	4,264	-	4,264	4,264
Repairs and Maintenance	10,021	5,595	3,662	9,257	19,278
Membership Dues	300	128	95	223	523
Grants and Scholarships	25,000	-	-	-	25,000
National Partnership Dues	99,980	13,921	12,656	26,577	126,557
Miscellaneous	206	242	14,078	14,320	14,526
Depreciation and Amortization	2,515	1,281	949	2,230	4,745
Total	<u>\$ 3,704,410</u>	<u>\$ 484,811</u>	<u>\$ 348,844</u>	<u>\$ 833,655</u>	<u>\$ 4,538,065</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2014

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 1,939,192	\$ -	\$ -	\$ -	\$ 1,939,192
Salaries, Taxes, and Benefits	579,255	281,557	232,022	513,579	1,092,834
Printing, Subscriptions, and Publications	5,577	14,468	1,226	15,694	21,271
Professional Fees	7,446	1,282	13,070	14,352	21,798
Rent and Utilities	83,610	36,923	32,091	69,014	152,624
Postage and Delivery	6,925	6,512	1,730	8,242	15,167
Travel	9,111	15,447	1,801	17,248	26,359
Meetings and Conferences	2,256	656	125	781	3,037
Office Supplies	34,250	13,164	2,594	15,758	50,008
Communications	12,476	5,422	4,819	10,241	22,717
Advertising and Media (Cash)	-	5,163	-	5,163	5,163
Repairs and Maintenance	9,728	4,327	3,748	8,075	17,803
Membership Dues	299	120	105	225	524
National Partnership Dues	98,054	13,828	13,828	27,656	125,710
Miscellaneous	165	542	13,531	14,073	14,238
Depreciation and Amortization	3,476	1,517	1,327	2,844	6,320
Total	<u>\$ 2,791,820</u>	<u>\$ 400,928</u>	<u>\$ 322,017</u>	<u>\$ 722,945</u>	<u>\$ 3,514,765</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of the Mid-South, Inc. (the Foundation) is a Tennessee nonprofit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles applicable to nonprofit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2015 and 2014 is \$351,382 and \$305,747, respectively, of interest-bearing money market mutual funds.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released over time in an amount equivalent to annual depreciation. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

Fair Value Measurements

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1* Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.
- Level 2* Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 3 Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

See additional information in Note 3.

Net Assets

The Foundation's net assets and changes therein are classified and reported as follows:

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.

Temporarily Restricted Net Assets

Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions or law.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation received in-kind contributions of assets and services that are included in the accompanying statements of activities as follows:

	2015	2014
Contributions:		
Wish Related	\$ 890,550	\$ 727,644
Professional Services	5,122	3,812
Property and Equipment	-	3,875
Other	31,406	53,046
Total	\$ 927,078	\$ 788,377
Special Event Revenue		
Internal Special Events	\$ 76,647	\$ 97,287

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling \$1,330,588 and \$770,504 in 2015 and 2014, respectively, with the difference recorded as other assets representing primarily (1) depreciation and amortization on property and equipment contributed in previous years, (2) current year contributions of property and equipment and inventory and (3) timing differences related to the accrued pending wish costs.

Wish related in-kind contributions consisted of the following:

	2015	2014
Computer Equipment, Games, and Toys	\$ 1,849	\$ 1,421
Cruises	2,122	-
Lodging	199,294	140,318
Theme Parks	474,802	412,755
Transportation	137,878	90,662
Other Wish-Related Donations	74,605	82,488
Total	\$ 890,550	\$ 727,644

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Illinois taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 205 of the Illinois Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2015 and 2014.

Functional Expenses

The Foundation performs three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2015 and 2014, the Foundation incurred no significant joint costs for activities that include fundraising.

Management and General

All costs not identifiable with a single program or fund raising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses. Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments and contributions receivable, accrued pending wish costs, net of attrition on pending wish costs and whether an allowance for uncollectible contributions receivable is required. The current economic environment continues to create a high degree of uncertainty in those estimates and assumptions.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments shown in the following tables as of August 31, 2015 and 2014 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

Investments

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board's finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments (Continued)

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in common collective trust funds that invest in equity securities, short duration fixed income funds, and multistrategy funds. The fair values of the Foundation's interests in shares or units of these funds, because of liquidity or redemption restrictions that vary depending on the specific fund, may differ from the fair value of the fund's underlying net assets.

Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2015:

	Fair Value Measurements at August 31, 2015 Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments:				
Mutual Funds:				
Multiple Strategies	\$ 477,778	\$ -	\$ -	\$ 477,778
Alternative Investments:				
Common Collective Trust Invested in Equity Securities	-	1,207,330	-	1,207,330
Common Collective Trust Invested in Short Duration Fixed Income Funds	-	705,521	-	705,521
Total Investments and Investments for Long- Term Purposes	\$ 477,778	\$ 1,912,851	\$ -	\$ 2,390,629

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2014:

	Fair Value Measurements at August 31, 2014 Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Investments:				
Mutual Funds:				
Multiple Strategies	\$ 234,960	\$ -	\$ -	\$ 234,960
Alternative Investments:				
Common Collective Trust Invested in Equity Securities	-	592,796	-	592,796
Common Collective Trust Invested in Short Duration Fixed Income Funds	-	335,958	-	335,958
Total Investments and Investments for Long- Term Purposes	\$ 234,960	\$ 928,754	\$ -	\$ 1,163,714

Total investment income, gains, and losses for the years ended August 31 consist of the following:

	2015	2014
Interest and Dividend Income	\$ 97,737	\$ 24,370
Realized and Unrealized Losses, Net	(170,699)	115,214
Investment Loss, Net	\$ (72,962)	\$ 139,584

NOTE 4 CONTRIBUTIONS RECEIVABLE

The following is a summary of the Foundation's contributions receivable at August 31:

	2015	2014
Total Amounts Due in:		
One Year	\$ 107,543	\$ 76,451
Gross Contributions Receivable	\$ 107,543	\$ 76,451

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 5 NOTES RECEIVABLE

In January 2015, the Foundation received a contribution from a single donor which totaled \$2,728,377. The Foundation received \$766,099 in cash and \$1,962,278 in the form of a note receivable, which makes up approximately 32% of total assets. The note bears interest at 4% and payments have been made on a monthly basis to the Foundation. As of August 31, 2015, there was \$91,109 of accrued interest receivable. The note receivable, including all remaining principal and accrued interest is scheduled to be paid in full by the year ending August 31, 2018. The note is expected to be fully collectible. Total due to the Foundation as of August 31, 2015 is \$1,628,539 and is presented as "Notes Receivable" on the accompanying statements of financial position.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The Foundation received the following distributions from the National Organization for the years ended August 31:

	2015	2014
Corporate, Online, Whitemail, and General Contributions	\$ 461,405	\$ 391,016
Grants	7,500	5,735
Scholarships	-	2,316
Wish Fulfillment Fund	-	7,500
Total Distributions Received	<u>\$ 468,905</u>	<u>\$ 406,567</u>

These amounts are recorded in the statement of activities as Public Support Revenue.

The Foundation paid to the National Organization the following amounts for the years ended August 31:

	2015	2014
Management Dues	\$ 126,557	\$ 125,710
Insurance	43,020	130,380
Other	30,457	2,721
Total Amounts Paid	<u>\$ 200,034</u>	<u>\$ 258,811</u>

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$675 and \$1,050 for the years ended August 31, 2015 and 2014, respectively, which is recorded in the accompanying statements of activities as "Other Income".

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NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows:

	<u>2015</u>	<u>2014</u>
Balance at August 31:		
Due from National Organization	\$ 55,561	\$ 19,372
Due from Other Chapters	-	116
Total Due from Related Entities	<u>\$ 55,561</u>	<u>\$ 19,488</u>
Due to National Organization	\$ 316	-
Due to Other Chapters	12,571	14,241
Total Due to Related Entities	<u>\$ 12,887</u>	<u>\$ 14,241</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation.

During 2015 and 2014, the Foundation received contributions, both cash and in-kind, from board members totaling \$191,492 and \$125,104, respectively. In 2015 and 2014, amounts due from board members totaled \$2,500 and \$0, respectively, and are included in Contributions Receivable in the accompanying statements of financial position.

NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 31 consist of the following:

	<u>2015</u>	<u>2014</u>
Computer Equipment and Software	\$ 67,064	\$ 83,648
Office Furniture	39,016	38,024
	106,080	121,672
Less: Accumulated Depreciation and Amortization	(91,905)	(111,916)
Property and Equipment, Net	<u>\$ 14,175</u>	<u>\$ 9,756</u>

Depreciation and amortization expense totaled \$4,745 and \$6,320 for the years ended August 31, 2015 and 2014, respectively.

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NOTE 8 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

Estimated cash and in-kind costs owed as of year-end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability represents the estimated in-kind outlay that is expected to be incurred in fulfilling each wish; note that the matching in-kind revenues are recognized when an unconditional promise is received for the required goods or services or in the future period when the wish is granted.

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past 12 months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2015 and 2014, the Foundation had approximately 175 and 129 reportable pending wishes, respectively.

NOTE 9 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through August 2018. Total rent expense for all operating leases for the years ended August 31, 2015 and 2014 totaled \$128,471 and \$138,793, respectively.

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
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NOTE 9 LEASES (CONTINUED)

Future minimum lease payments under operating leases having remaining terms in excess of one year are as follows:

<u>Year Ending August 31,</u>	<u>Operating Leases</u>
2016	\$ 108,425
2017	38,085
2018	8,550
2019	3,020
Total Minimum Lease Payments	<u>\$ 158,080</u>

NOTE 10 ENDOWMENTS

The Foundation is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and is required to make disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of one individual fund established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as "Investments Held for Long-Term Purposes" on the statements of financial position.

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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Tennessee UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Endowment net asset composition by type of fund as of August 31, 2015 and 2014 is as follows:

		2015			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-Restricted	\$ -	\$ 73,455	\$ 152,730	\$ 226,185
	Endowment Funds				
	Total Funds	\$ -	\$ 73,455	\$ 152,730	\$ 226,185
		2014			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-Restricted	\$ -	\$ 93,299	\$ 147,730	\$ 241,029
	Endowment Funds				
	Total Funds	\$ -	\$ 93,299	\$ 147,730	\$ 241,029

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
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NOTE 10 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended August 31 are as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 93,299	\$ 147,730	\$ 241,029
Investment Return:				
Investment Income	-	7,975	-	7,975
Net Appreciation (Realized and Unrealized)	-	(27,819)	-	(27,819)
Total Investment Return	-	(19,844)	-	(19,844)
Contributions	-	-	5,000	5,000
Endowment Net Assets, End of Year	\$ -	\$ 73,455	\$ 152,730	\$ 226,185
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 60,906	\$ 141,730	\$ 202,636
Investment Return:				
Investment Income	-	4,328	-	4,328
Net Appreciation (Realized and Unrealized)	-	28,065	-	28,065
Total Investment Return	-	32,393	-	32,393
Contributions	-	-	6,000	6,000
Endowment Net Assets, End of Year	\$ -	\$ 93,299	\$ 147,730	\$ 241,029

MAKE-A-WISH FOUNDATION® OF AMERICA-MID SOUTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS (CONTINUED)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

	2015	2014
Permanently Restricted Net Assets:		
The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	\$ 152,730	\$ 147,730
Temporarily Restricted Net Assets:		
Term Endowment Funds	\$ -	\$ -
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:		
Without Purpose Restrictions	-	-
With Purpose Restrictions	73,455	93,299
Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ 73,455	\$ 93,299

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies for the years ended August 31, 2015 and 2014.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation does not have a spending policy given the insignificant balance of the endowment and its annual return.

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for the years ended August 31:

	2015	2014
Time Restrictions	\$ 1,701,994	\$ 93,299
Purpose Restrictions	124,044	79,451
Total Temporarily Restricted Net Assets	\$ 1,826,038	\$ 172,750

For the years ended August 31, permanently restricted net assets are restricted to:

	2015	2014
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	\$ 152,730	\$ 147,730

NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches 50% of employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2015 and 2014 were \$18,588 and \$10,475, respectively.

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NOTE 13 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling \$542,106 and \$443,106 were received from a single donor for the years ended August 31, 2015 and 2014, respectively, which represents 9% and 14%, respectively, of total public support. Additionally, a separate single donor contributed \$2,728,377 as disclosed in Note 5 for the year ended August 31, 2015, which represents 42% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 7, 2016, the date at which the financial statements were available to be issued.