

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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YEARS ENDED AUGUST 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Make-A-Wish Foundation® of the Mid-South which comprise the statements of financial position as of August 31, 2017 and 2016 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 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 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 the 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 as of August 31, 2017 and 2016, 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
December 18, 2017

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 657,164	\$ 591,038
Investments	3,859,913	3,062,964
Due from Related Entities	16,875	17,757
Prepaid Expenses	40,193	37,994
Contributions Receivable	180,213	100,015
Notes Receivable, Net	423,534	1,038,064
Other Assets	522	42
Investments Held for Long-Term Purposes	267,197	238,130
Property and Equipment, Net	33,172	25,361
Total Assets	\$ 5,478,783	\$ 5,111,365
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 289,851	\$ 271,449
Accrued Pending Wish Costs - Cash	1,136,526	999,623
Accrued Pending Wish Costs - In-Kind	825,026	655,824
Due to Related Entities	4,145	22,221
Total Liabilities	2,255,548	1,949,117
Net Assets		
Unrestricted	2,330,559	1,774,709
Temporarily Restricted	727,446	1,231,809
Permanently Restricted	165,230	155,730
Total Net Assets	3,223,235	3,162,248
Total Liabilities and Net Assets	\$ 5,478,783	\$ 5,111,365

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017
(With Summary Totals For Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
REVENUES, GAINS, AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	\$ 3,763,586	\$ 168,713	\$ 9,500	\$ 3,941,799	\$ 3,983,120
Grants	51,800	-	-	51,800	51,745
Total Public Support	3,815,386	168,713	9,500	3,993,599	4,034,865
Internal Special Events	710,071	33,235	-	743,306	713,316
Less: Costs of Direct Benefits to Donors	(100,574)	-	-	(100,574)	(137,977)
Total Special Events	609,497	33,235	-	642,732	575,339
Investment Income, Net	322,246	21,454	-	343,700	213,441
Other Income	3,256	-	-	3,256	1,849
Net Assets Released from Restrictions	727,765	(727,765)	-	-	-
Total Revenues, Gains, and Other Support	5,478,150	(504,363)	9,500	4,983,287	4,825,494
EXPENSES					
Program Services:					
Wish Granting	4,036,234	-	-	4,036,234	3,799,013
Support Services:					
Fundraising	466,681	-	-	466,681	452,870
Management and General	419,385	-	-	419,385	410,342
Total Support Services	886,066	-	-	886,066	863,212
Total Program and Support Services Expense	4,922,300	-	-	4,922,300	4,662,225
Change in Net Assets	555,850	(504,363)	9,500	60,987	163,269
NET ASSETS, BEGINNING OF YEAR	<u>1,774,709</u>	<u>1,231,809</u>	<u>155,730</u>	<u>3,162,248</u>	<u>2,998,979</u>
NET ASSETS, END OF YEAR	<u>\$ 2,330,559</u>	<u>\$ 727,446</u>	<u>\$ 165,230</u>	<u>\$ 3,223,235</u>	<u>\$ 3,162,248</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,880,275	\$ 99,845	\$ 3,000	\$ 3,983,120
Total Public Support	3,932,020	99,845	3,000	4,034,865
Internal Special Events	701,816	11,500	-	713,316
Less: Costs of Direct Benefits to Donors	(137,977)	-	-	(137,977)
Total Special Events	563,839	11,500	-	575,339
Investment Income, Net	202,061	11,380	-	213,441
Other Income	1,849	-	-	1,849
Net Assets Released from Restrictions	716,954	(716,954)	-	-
 Total Revenues, Gains, and Other Support	 5,416,723	 (594,229)	 3,000	 4,825,494
EXPENSES				
Program Services:				
Wish Granting	3,799,013	-	-	3,799,013
Support Services:				
Fundraising	452,870	-	-	452,870
Management and General	410,342	-	-	410,342
Total Support Services	863,212	-	-	863,212
 Total Program and Support Services Expense	 4,662,225	 -	 -	 4,662,225
 Change in Net Assets	 754,498	 (594,229)	 3,000	 163,269
NET ASSETS, BEGINNING OF YEAR	<u>1,020,211</u>	<u>1,826,038</u>	<u>152,730</u>	<u>2,998,979</u>
NET ASSETS, END OF YEAR	<u>\$ 1,774,709</u>	<u>\$ 1,231,809</u>	<u>\$ 155,730</u>	<u>\$ 3,162,248</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 60,987	\$ 163,269
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	11,733	6,996
Contributions Restricted for Long-Term Investment	(9,500)	(3,000)
Net Realized and Unrealized Gains on Investments	(227,376)	(78,861)
Contributed Property and Equipment, Inventory and Investments	(7,857)	(529)
Loss on Sale of Property and Equipment	767	232
Changes in Assets and Liabilities:		
Contributions Receivable	(80,198)	7,528
Notes Receivable	614,530	590,475
Due from Related Entities	882	37,804
Prepaid Expenses	(2,199)	593
Other Assets	(480)	1,092
Accounts Payable and Accrued Expenses	18,402	(59,854)
Accrued Pending Wish Costs	306,105	(20,492)
Due to Related Entities	(18,076)	9,334
Net Cash Provided by Operating Activities	667,720	654,587
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,289,957)	(896,105)
Proceeds from Sales of Investments	691,317	64,500
Purchases of Property and Equipment	(12,454)	(17,885)
Net Cash Used by Investing Activities	(611,094)	(849,490)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	9,500	3,000
 Net Increase (Decrease) in Cash and Cash Equivalents	66,126	(191,903)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	591,038	782,941
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 657,164	\$ 591,038

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,922,405	\$ -	\$ -	\$ -	\$ 2,922,405
Salaries, Taxes, and Benefits	703,110	310,623	282,233	592,856	1,295,966
Printing, Subscriptions, and Publications	9,834	13,505	1,452	14,957	24,791
Professional Fees	18,877	4,773	41,242	46,015	64,892
Rent and Utilities	83,182	37,886	29,665	67,551	150,733
Postage and Delivery	6,083	6,317	1,941	8,258	14,341
Travel	21,639	24,992	3,940	28,932	50,571
Meetings and Conferences	2,350	1,270	652	1,922	4,272
Office Supplies	25,472	15,804	2,749	18,553	44,025
Communications	26,273	11,634	7,394	19,028	45,301
Advertising and Media (Cash)	3,787	3,403	36	3,439	7,226
Repairs and Maintenance	34,577	12,321	9,566	21,887	56,464
Membership Dues	315	355	112	467	782
Grants and Scholarships	25,000	-	-	-	25,000
National Partnership Dues	146,711	18,571	20,428	38,999	185,710
Miscellaneous	48	2,411	15,629	18,040	18,088
Depreciation and Amortization	6,571	2,816	2,346	5,162	11,733
Special Event Expenses	-	100,574	-	100,574	100,574
	<u>4,036,234</u>	<u>567,255</u>	<u>419,385</u>	<u>986,640</u>	<u>5,022,874</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(100,574)	-	(100,574)	(100,574)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,036,234</u>	<u>\$ 466,681</u>	<u>\$ 419,385</u>	<u>\$ 886,066</u>	<u>\$ 4,922,300</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,794,112	\$ -	\$ -	\$ -	\$ 2,794,112
Salaries, Taxes, and Benefits	633,772	308,095	288,690	596,785	1,230,557
Printing, Subscriptions, and Publications	3,764	12,639	1,172	13,811	17,575
Professional Fees	12,203	1,522	31,463	32,985	45,188
Rent and Utilities	78,344	35,209	31,924	67,133	145,477
Postage and Delivery	5,872	7,430	2,073	9,503	15,375
Travel	17,217	20,068	5,301	25,369	42,586
Meetings and Conferences	2,714	1,635	852	2,487	5,201
Office Supplies	28,238	14,826	3,385	18,211	46,449
Communications	18,861	7,635	5,846	13,481	32,342
Advertising and Media (Cash)	4,963	8,981	1,335	10,316	15,279
Repairs and Maintenance	11,338	8,556	5,962	14,518	25,856
Membership Dues	716	422	272	694	1,410
Grants and Scholarships	25,000	-	-	-	25,000
National Partnership Dues	158,151	24,028	18,016	42,044	200,195
Miscellaneous	38	51	12,538	12,589	12,627
Depreciation and Amortization	3,710	1,773	1,513	3,286	6,996
Special Event Expenses	-	137,977	-	137,977	137,977
	<u>3,799,013</u>	<u>590,847</u>	<u>410,342</u>	<u>1,001,189</u>	<u>4,800,202</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(137,977)	-	(137,977)	(137,977)
	<u>-</u>	<u>(137,977)</u>	<u>-</u>	<u>(137,977)</u>	<u>(137,977)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,799,013</u>	<u>\$ 452,870</u>	<u>\$ 410,342</u>	<u>\$ 863,212</u>	<u>\$ 4,662,225</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of the Mid-South (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, 2017 and 2016 is \$591,306 and \$355,183, respectively, of interest-bearing money market 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 THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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 Inputs: 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 Inputs: 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 THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 Inputs: 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.

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 contributions 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 THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation received in-kind contributions of assets, services and materials that are reported in the statements of activities as follows:

	August 31, 2017			
	Programs	Fundraising	Management and General	Total
Wish Related	\$ 1,093,733	\$ -	\$ -	\$ 1,093,733
Professional Services	960	412	843	2,215
Rent	2,888	1,163	969	5,020
Other	1,525	317	224	2,066
	\$ 1,099,106	\$ 1,892	\$ 2,036	1,103,034
Special Events				57,116
Property and Equipment (Capitalized)				7,857
Total				\$ 1,168,007

	August 31, 2016			
	Programs	Fundraising	Management and General	Total
Wish Related	\$ 1,105,430	\$ -	\$ -	\$ 1,105,430
Professional Services	1,885	815	564	3,264
Rent	3,302	1,468	1,345	6,115
Other	8,711	864	46	9,621
	1,119,328	3,147	1,955	1,124,430
Special Events				94,630
Property and Equipment (Capitalized)				529
Total				\$ 1,219,589

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.

Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Donated advertising and media is reported as contribution revenue and fundraising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Tennessee income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3). 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, 2017 and 2016. The Foundation files income tax returns in the U.S. federal jurisdiction and applicable state jurisdictions.

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 in granting 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.

Management and General

All costs not identifiable with a specific 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.

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 valuation of in-kind contributions receivable, accrued pending wish costs, net of attrition, functional allocation of expenses and whether an allowance for uncollectible contributions receivable is required.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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, 2017 and 2016 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.

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.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2017:

	Fair Value Measurements at August 31, 2017 Using			Total	Redemption or Liquidation	Days' Notice	Unfunded Commitments
	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)				
Investments:							
Mutual Funds:							
Multiple Strategies	\$ 494,318	\$ -	\$ -	\$ 494,318			
Alternative Investments:							
Common Collective Trust							
Invested in Equity Securities	207,610	2,204,980	-	2,412,590	Month-End	2	-
Common Collective Trust							
Invested in Short Duration							
Fixed Income Funds	<u>242,377</u>	<u>977,825</u>	<u>-</u>	<u>1,220,202</u>	Month-End	2	-
Total Investments and Investments for Long- Term Purposes	<u>\$ 944,305</u>	<u>\$ 3,182,805</u>	<u>\$ -</u>	<u>\$ 4,127,110</u>			

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, 2016:

	Fair Value Measurements at August 31, 2016 Using			Total	Redemption or Liquidation	Days' Notice	Unfunded Commitments
	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)				
Investments:							
Mutual Funds:							
Multiple Strategies	\$ 658,079	\$ -	\$ -	\$ 658,079			
Alternative Investments:							
Common Collective Trust							
Invested in Equity Securities	109,509	1,544,640	-	1,654,149	Month-end	2	-
Common Collective Trust							
Invested in Short Duration							
Fixed Income Funds	<u>-</u>	<u>988,866</u>	<u>-</u>	<u>988,866</u>	Month-end	2	-
Total Investments and Investments for Long- Term Purposes	<u>\$ 767,588</u>	<u>\$ 2,533,506</u>	<u>\$ -</u>	<u>\$ 3,301,094</u>			

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

	2017	2016
Interest and Dividend Income	\$ 116,324	\$ 134,580
Realized and Unrealized Gains, Net	227,376	78,861
Investment Income, Net	<u>\$ 343,700</u>	<u>\$ 213,441</u>

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 4 CONTRIBUTIONS RECEIVABLE

All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2017 and 2016.

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. The note bears interest at 4% and payments have been made on a monthly basis to the Foundation. There was \$6,378 and \$36,715, respectively, of accrued interest receivable as of August 31, 2017 and 2016. 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, 2017 and 2016 is \$423,534 and \$1,038,064 respectively, 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:

	2017	2016
Corporate, Online, Whitemail, and General Contributions	\$ 479,921	\$ 475,046
Grants	500	-
Scholarships	-	595
Total Distributions Received	\$ 480,421	\$ 475,641

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:

	2017	2016
Chapter Dues	\$ 185,711	\$ 200,195
Services and Other	63,713	36,769
Total Amounts Paid	\$ 249,424	\$ 236,964

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 originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking and facilitating of the wish for the home chapter. Under this program, the Foundation received \$2,200 and \$1,800 for the years ended August 31, 2017 and 2016, respectively, which is recorded in the accompanying statements of activities as other income.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows:

	<u>2017</u>	<u>2016</u>
Balance at August 31:		
Due from National Organization	\$ 15,739	\$ 16,499
Due from Other Chapters	1,136	1,258
Total Due from Related Entities	<u>\$ 16,875</u>	<u>\$ 17,757</u>
Due to National Organization	\$ 1,993	\$ -
Due to Other Chapters	2,152	22,221
Total Due to Related Entities	<u>\$ 4,145</u>	<u>\$ 22,221</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. Amounts due to the National Organization generally represent unpaid chapter dues and services.

During 2017 and 2016, the Foundation received contributions, both cash and in-kind, from board members totaling \$149,479 and \$139,872, respectively.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2017</u>	<u>2016</u>
Computer Equipment and Software	\$ 60,593	\$ 55,154
Office Furniture	30,524	43,726
Leasehold Improvements	7,985	7,985
	<u>99,102</u>	<u>106,865</u>
Less: Accumulated Depreciation and Amortization	(65,930)	(81,504)
Property and Equipment, Net	<u>\$ 33,172</u>	<u>\$ 25,361</u>

Depreciation and amortization expense totaled \$11,733 and \$6,996 for the years ended August 31, 2017 and 2016, respectively.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is not considered an obligation due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish. This accrual does not represent a legally binding liability, but is considered a moral obligation to the child by the Foundation arising when the five criteria are met. 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 are accrued as pending wish liability at year-end for all reportable pending wishes. The in-kind portion of the pending wish liability includes the estimated in-kind expenses that are expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2017 would be increased by \$671,813 resulting in adjusted net assets of \$3,895,048.

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 twelve 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, 2017 and 2016, the Foundation had 197 and 193 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 May 2021. Total rent expense for all operating leases for the years ended August 31, 2017 and 2016 totaled \$150,733 and \$136,817, respectively.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
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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>
2018	\$ 127,180
2019	88,506
2020	85,486
2021	63,982
Total Minimum Lease Payments	<u>\$ 365,154</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 by donors to grant wishes in perpetuity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets are reflected as "Investments Held for Long-Term Purposes" on the statements of financial position.

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.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016**

NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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, 2017 and 2016 is as follows:

		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	Endowment Funds	<u>\$ -</u>	<u>\$ 101,978</u>	<u>\$ 165,230</u>	<u>\$ 267,208</u>
		2016			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	Endowment Funds	<u>\$ -</u>	<u>\$ 82,400</u>	<u>\$ 155,730</u>	<u>\$ 238,130</u>

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ -	\$ 82,400	\$ 155,730	\$ 238,130
Investment Return:				
Investment Income	-	5,768	-	5,768
Net Appreciation (Realized and Unrealized)	-	13,810	-	13,810
Total Investment Return	-	19,578	-	19,578
Contributions	-	-	9,500	9,500
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 101,978</u>	<u>\$ 165,230</u>	<u>\$ 267,208</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 73,455	\$ 152,730	\$ 226,185
Investment Return:				
Investment Income	-	6,531	-	6,531
Net Appreciation (Realized and Unrealized)	-	2,414	-	2,414
Total Investment Return	-	8,945	-	8,945
Contributions	-	-	3,000	3,000
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 82,400</u>	<u>\$ 155,730</u>	<u>\$ 238,130</u>

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016**

NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	2017	2016
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	\$ 165,230	\$ 155,730
Temporarily Restricted Net Assets:		
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA: With Purpose Restrictions	\$ 101,978	\$ 82,400

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, 2017 and 2016.

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 funds 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.

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.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
Time Restrictions	\$ 525,498	\$ 1,120,465
Purpose Restrictions	201,948	111,344
Total Temporarily Restricted Net Assets	\$ 727,446	\$ 1,231,809

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

	2017	2016
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	\$ 165,230	\$ 155,730

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, 2017 and 2016 were \$22,386 and \$22,787, respectively.

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 \$647,296 and \$534,250 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 22% and 15%, respectively, 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 December 18, 2017, the date at which the financial statements were available to be issued.



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