

**MAKE-A-WISH FOUNDATION® OF THE  
MID-SOUTH**

**FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2018**

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH  
TABLE OF CONTENTS  
YEAR ENDED AUGUST 31, 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>



CliftonLarsonAllen

CliftonLarsonAllen LLP  
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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 statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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® 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, 2018 and change in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
December 10, 2018

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2018**

**ASSETS**

Cash and Cash Equivalents	\$ 879,238
Investments	4,176,909
Due from Related Entities	25,886
Prepaid Expenses	44,968
Contributions Receivable, Net	255,888
Other Assets	861
Investments Held for Long-Term Purposes	295,126
Property and Equipment, Net	<u>35,397</u>
 Total Assets	 <u><u>\$ 5,714,273</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 286,094
Accrued Pending Wish Costs - Cash	1,235,864
Accrued Pending Wish Costs - In-Kind	890,738
Due to Related Entities	<u>25,856</u>
Total Liabilities	<u><u>2,438,552</u></u>

**NET ASSETS**

Unrestricted	2,660,436
Temporarily Restricted	440,055
Permanently Restricted	<u>175,230</u>
Total Net Assets	<u><u>3,275,721</u></u>

Total Liabilities and Net Assets	<u><u>\$ 5,714,273</u></u>
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See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,922,858	\$ 238,389	\$ 10,000	\$ 4,171,247
Grants	48,250	-	-	48,250
Total Public Support	3,971,108	238,389	10,000	4,219,497
Internal Special Events	709,732	80,775	-	790,507
Less Costs of Direct Benefits to Donors	(119,249)	-	-	(119,249)
Total Internal Special Events	590,483	80,775	-	671,258
Investment Income, Net	300,329	20,286	-	320,615
Other Income	1,901	-	-	1,901
Net Assets Released from Restrictions	626,841	(626,841)	-	-
Total Revenues, Gains, and Other Support	5,490,662	(287,391)	10,000	5,213,271
<b>EXPENSES</b>				
Program Services:				
Wish Granting	4,268,063	-	-	4,268,063
Support Services:				
Fundraising	461,944	-	-	461,944
Management and General	430,778	-	-	430,778
Total Support Services	892,722	-	-	892,722
Total Expenses	5,160,785	-	-	5,160,785
<b>CHANGE IN NET ASSETS</b>	329,877	(287,391)	10,000	52,486
Net Assets - Beginning of Year	2,330,559	727,446	165,230	3,223,235
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,660,436</u>	<u>\$ 440,055</u>	<u>\$ 175,230</u>	<u>\$ 3,275,721</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2018**

	Program Services		Support Services			Total
	Wish Granting	Fundraising	Management and General	Support Services	Total	
Direct Costs of Wishes	\$ 3,011,189	-	\$ -	-	\$ -	\$ 3,011,189
Change in Pending Wish Liability	165,050	-	-	-	-	165,050
Salaries, Taxes, and Benefits	682,801	317,024	275,161	592,185	1,274,986	1,274,986
Printing, Subscriptions, and Publications	10,101	12,873	1,821	14,694	24,795	24,795
Professional Fees	7,459	707	42,528	43,235	50,694	50,694
Rent and Utilities	83,123	35,426	27,713	63,139	146,262	146,262
Postage and Delivery	4,287	6,450	3,000	9,450	13,737	13,737
Travel	21,968	17,217	2,363	19,580	41,548	41,548
Meetings and Conferences	2,912	928	539	1,467	4,379	4,379
Office Supplies	34,785	13,142	2,188	15,330	50,115	50,115
Communications	26,620	13,794	6,959	20,753	47,373	47,373
Advertising and Media (Cash)	6,700	5,107	-	5,107	11,807	11,807
Repairs and Maintenance	35,610	15,235	11,919	27,154	62,764	62,764
Membership Dues	323	136	108	244	567	567
Grants and Scholarships	25,000	-	-	-	25,000	25,000
National Partnership Dues	142,414	19,830	18,028	37,858	180,272	180,272
Miscellaneous	15	831	35,884	36,715	36,730	36,730
Depreciation and Amortization	7,706	3,244	2,567	5,811	13,517	13,517
Special Event Expenses	-	119,249	-	119,249	119,249	119,249
Total	4,268,063	581,193	430,778	1,011,971	5,280,034	5,280,034
Less Expenses Netted Against Revenues on the Statement of Activities:	-	(119,249)	-	(119,249)	(119,249)	(119,249)
Special Event Expenses	-	-	-	-	-	-
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 4,268,063	\$ 461,944	\$ 430,778	\$ 892,722	\$ 5,160,785	\$ 5,160,785

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH  
STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 52,486
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	13,517
Contributions Restricted for Long-Term Investment	(10,000)
Net Realized and Unrealized Gain on Investments	(205,121)
(Increase) Decrease in Assets:	
Contributions Receivable	(75,675)
Notes Receivable	423,534
Due from Related Entities	(9,011)
Prepaid Expenses	(4,775)
Other Assets	(339)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	(3,757)
Accrued Pending Wish Costs	165,050
Due to Related Entities	21,711
Net Cash Provided by Operating Activities	<u>367,620</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of Investments	(709,125)
Proceeds from Sales of Investments	569,321
Purchases of Property and Equipment	(15,742)
Net Cash Used by Investing Activities	<u>(155,546)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Contributions Restricted for Long-Term Investment	<u>10,000</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	222,074
Cash and Cash Equivalents - Beginning of Year	<u>657,164</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 879,238</u></u>

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of the Mid-South (the Foundation) is a Tennessee nonprofit corporation, organized for the purpose of creating life-changing wishes for children with critical illnesses. 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. To be a Make-A-Wish chapter, 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 (GAAP) 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, 2018 is \$437,695 of 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 THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment, Net**

Property and equipment having a unit cost of 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 once the asset has been placed into service. 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 THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (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.

The Foundation utilizes the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

**Net Assets**

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

Permanently Restricted – 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 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 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 statement 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, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

The Foundation received in-kind contributions of assets, services, and materials during the year ended August 31, 2018 that are reported in the statement of activities as follows:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 1,338,520	\$ -	\$ -	\$ 1,338,520
Professional Services	250	-	-	250
Rent	821	346	274	1,441
Other	<u>15,206</u>	<u>2,203</u>	<u>1,577</u>	<u>18,986</u>
	<u>\$ 1,354,797</u>	<u>\$ 2,549</u>	<u>\$ 1,851</u>	1,359,197
Special Events				68,070
Total				<u>\$ 1,427,267</u>

An internal special event is a fund-raising 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.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income and Tennessee taxes under the provisions of Internal Revenue Code 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, 2018. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 programs or fundraising activities, 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.

**Deferred Rent**

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$7,571 at August 31, 2018 and is included with accounts payable and accrued expenses on the statement of financial position.

**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.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**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 table as of August 31, 2018 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 audit and 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, 2018**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy**

The following table presents the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis, except those measured at cost or by NAV per share as a practical expedient, at August 31, 2018:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV	Total
<b>Assets</b>					
Investments:					
Mutual Funds:					
Multiple Strategies	\$ -	\$ -	\$ -	\$ 532,782	\$ 532,782
Alternative Investments:					
Common Collective Trust Invested in Equity Securities	225,989	-	-	2,391,008	2,616,997
Common Collective Trust Invested in Short Duration Fixed Income Funds	264,755	-	-	1,057,501	1,322,256
Total Investments and Investments for Long- Term Purposes	<u>\$ 490,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,981,291</u>	<u>\$ 4,472,035</u>

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at August 31, 2018:

Investment Strategy	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds:				
Multiple Strategies	\$ 532,782	\$ -	Monthly	2 Days
Alternative Investments:				
Common Collective Trust Invested in Equity Securities	2,391,008	-	Monthly	2 Days
Common Collective Trust Invested in Short Duration Fixed Income Funds	1,057,501	-	Monthly	2 Days
Total	<u>\$ 3,981,291</u>	<u>\$ -</u>		

Total investment income, gains, and losses for the year ended August 31, 2018 consist of the following:

Interest and Dividend Income	\$ 115,494
Realized and Unrealized Gains, Net	205,121
Investment Income, Net	<u>\$ 320,615</u>

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

The Foundation's contributions receivable as of August 31, 2018 were \$255,888. All contributions receivable are due within the next 12 months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2018.

**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. Payments were made on a monthly basis to the Foundation. The note was paid in full as of August 31, 2018.

**NOTE 6 TRANSACTIONS WITH RELATED ENTITIES**

The Foundation received the following distributions from the National Organization for the year ended August 31, 2018:

Corporate, Online, Whitemail, and General Contributions	\$ 460,774
Gifts and Travel Reimbursements	993
Total Distributions Received	<u>\$ 461,767</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 year ended August 31, 2018:

Chapter Dues	\$ 180,272
Services and Other	78,212
Total Amounts Paid	<u>\$ 258,484</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 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 \$1,900 for the year ended August 31, 2018, which is recorded in the accompanying statement of activities as other income.



**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:	
Due from National Organization	\$ 24,950
Due from Other Chapters	936
Total Due from Related Entities	<u>\$ 25,886</u>
Due to National Organization	\$ 8,284
Due to Other Chapters	17,572
Total Due to Related Entities	<u>\$ 25,856</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 2018, the Foundation received contributions, both cash and in-kind, from board members totaling \$98,890. Amounts paid to other chapters for goods and services used in the Foundation's operations totaled \$155,491 in 2018.

**NOTE 7 PROPERTY AND EQUIPMENT, NET**

Property and equipment as of August 31, 2018 consists of the following:

Computer Equipment and Software	\$ 72,518
Office Furniture	13,632
Leasehold Improvements	<u>8,885</u>
Total	95,035
Less Accumulated Depreciation and Amortization	<u>(59,638)</u>
Property and Equipment, Net	<u>\$ 35,397</u>

Depreciation and amortization expense totaled \$13,517 for the year ended August 31, 2018.

**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.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 8 ACCRUED PENDING WISH COSTS (CONTINUED)**

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,
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 approved 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, 2018 would increase by \$693,595 resulting in adjusted net assets of \$3,969,316.

In 2018, the Foundation made a change in calculation of accrued pending wish costs. The change simplified the methodology to more closely align the calculation with criteria five "The wish is expected to be granted in the next 12 months." The Foundation limited the number of wishes anticipated to be completed to the lesser of approved wishes or the historical average of wishes granted in the past three years. As a result, the organization may have experienced a change in liability beyond the change in approved wishes. As of August 31, 2018, the Foundation had 212 reportable pending wishes.

**NOTE 9 LEASES**

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through July 2023. Total rent expense for all operating leases for the year ended August 31, 2018 totaled \$146,262.

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

<u>Year Ending August 31:</u>	
2019	\$ 140,011
2020	136,991
2021	98,977
2022	1,620
2023	1,485
Total Minimum Lease Payments	<u>\$ 379,084</u>

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**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 statement 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.

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 fund composition by type of fund as of August 31, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 119,396	\$ 175,230	\$ 294,626

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 10 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

Changes in endowment funds for the year ended August 31, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds - Beginning of Year	\$ -	\$ 101,978	\$ 165,230	\$ 267,208
Investment Return:				
Investment Income	-	6,914	-	6,914
Net Appreciation (Realized and Unrealized)	-	10,504	-	10,504
Total Investment Return	-	17,418	-	17,418
Contributions	-	-	10,000	10,000
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 119,396</u>	<u>\$ 175,230</u>	<u>\$ 294,626</u>

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) for 2018:

**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

\$ 175,230

**Temporarily Restricted Net Assets:**

The Portion of Perpetual Endowment Funds Subject  
to a Restriction Under UPMIFA:  
With Time Restrictions

\$ 119,396

**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 are no fund deficiencies as of August 31, 2018.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 10 ENDOWMENTS (CONTINUED)**

**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.

**NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2018:

Time Restrictions	\$ 239,576
Purpose Restrictions	<u>200,479</u>
Total Temporarily Restricted Net Assets	<u>\$ 440,055</u>

For the year ended August 31, 2018, permanently restricted net assets are restricted to:

Investments in Perpetuity, the Income from which is Expendable to Support Wish Granting	<u>\$ 175,230</u>
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**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**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 year ended August 31, 2018 were \$22,056.

**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 \$791,702 were received from a single donor for the year ended August 31, 2018, which represents 19% 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 10, 2018, the date at which the financial statements were available to be issued.