

**MAKE-A-WISH FOUNDATION® OF  
ALASKA AND WASHINGTON**

**FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2018**



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Make-A-Wish Foundation® of Alaska and Washington  
Seattle, Washington

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Alaska and Washington, 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 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 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 Trustees  
Make-A-Wish Foundation® of Alaska and Washington

***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 Alaska and Washington as of August 31, 2018, and change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
April 11, 2019

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2018**

**ASSETS**

Cash and Cash Equivalents	\$ 1,025,702
Investments	3,858,516
Due from Related Entities	92,381
Prepaid Expenses	61,387
Contributions Receivable, Net	933,109
Other Assets	145,982
Investments Held for Long-Term Purposes	38,148
Property and Equipment, Net	<u>116,818</u>
Total Assets	<u><u>\$ 6,272,043</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 293,611
Accrued Pending Wish Costs - Cash	1,234,186
Accrued Pending Wish Costs - In-Kind	2,319,402
Due to Related Entities	8,951
Deferred Rent	11,162
Capital Lease Obligations	<u>67,373</u>
Total Liabilities	3,934,685

**NET ASSETS**

Unrestricted	1,314,069
Temporarily Restricted	985,141
Permanently Restricted	<u>38,148</u>
Total Net Assets	<u><u>2,337,358</u></u>
Total Liabilities and Net Assets	<u><u>\$ 6,272,043</u></u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Public Support:				
Contributions, Net of Write-Offs	\$ 6,313,264	\$ 798,343	\$ -	\$ 7,111,607
Grants	111,417	10,000	-	121,417
Total Public Support	<u>6,424,681</u>	<u>808,343</u>	<u>-</u>	<u>7,233,024</u>
Internal Special Events	2,128,038	67,817	-	2,195,855
Less: Costs of Direct Benefits to Donors	<u>(285,672)</u>	<u>-</u>	<u>-</u>	<u>(285,672)</u>
Total Special Events	<u>1,842,366</u>	<u>67,817</u>	<u>-</u>	<u>1,910,183</u>
Investment Income, Net	195,416	-	-	195,416
Other Income	22,880	-	-	22,880
Net Assets Released from Restrictions	<u>1,085,695</u>	<u>(1,085,695)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	9,571,038	(209,535)	-	9,361,503
<b>EXPENSES</b>				
Program Services:				
Wish Granting	<u>5,799,051</u>	<u>-</u>	<u>-</u>	<u>5,799,051</u>
Total Program Services	5,799,051	-	-	5,799,051
Support Services:				
Fundraising	1,254,994	-	-	1,254,994
Management and General	<u>1,181,678</u>	<u>-</u>	<u>-</u>	<u>1,181,678</u>
Total Support Services	<u>2,436,672</u>	<u>-</u>	<u>-</u>	<u>2,436,672</u>
Total Expenses	<u>8,235,723</u>	<u>-</u>	<u>-</u>	<u>8,235,723</u>
<b>CHANGE IN NET ASSETS</b>	1,335,315	(209,535)	-	1,125,780
Net Assets (Deficit) - Beginning of Year	<u>(21,246)</u>	<u>1,194,676</u>	<u>38,148</u>	<u>1,211,578</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,314,069</u>	<u>\$ 985,141</u>	<u>\$ 38,148</u>	<u>\$ 2,337,358</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2018**

	Program Services		Support Services			Total
	Wish Granting	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,352,393	\$ 4,352,393	\$ -	\$ -	\$ -	\$ 4,352,393
Less Change in Pending Wish Liability	(72,009)	(72,009)	-	-	-	(72,009)
Salaries, Taxes, and Benefits	861,068	861,068	665,553	863,055	1,528,608	2,389,676
Printing, Subscriptions, and Publications	39,212	39,212	23,445	31	23,476	62,688
Professional Fees	81,758	81,758	169,289	133,275	302,564	384,322
Rent and Utilities	142,452	142,452	76,955	92,203	169,158	311,610
Postage and Delivery	6,880	6,880	6,248	2,103	8,351	15,231
Travel	13,097	13,097	8,769	4,016	12,785	25,882
Meetings and Conferences	28,642	28,642	70,441	14,117	84,558	113,200
Office Supplies	16,643	16,643	14,844	4,652	19,496	36,139
Communications	15,137	15,137	7,500	8,292	15,792	30,929
Advertising and Media (Cash)	31,458	31,458	7,844	-	7,844	39,302
Advertising and Media (In-Kind)	16,920	16,920	84,490	-	84,490	101,410
Other In-Kind	17,286	17,286	14,567	239	14,806	32,092
Repairs and Maintenance	3,368	3,368	1,188	1,507	2,695	6,063
Membership Dues	2,875	2,875	5,851	1,334	7,185	10,060
Bad Debt Recovery	-	-	(13,634)	-	(13,634)	(13,634)
National Partnership Dues	191,079	191,079	23,885	23,885	47,770	238,849
Miscellaneous	23,447	23,447	70,180	12,753	82,933	106,380
Depreciation and Amortization	27,345	27,345	17,579	20,216	37,795	65,140
Special Event Expenses	-	-	285,672	-	285,672	285,672
<b>Total</b>	<b>5,799,051</b>	<b>5,799,051</b>	<b>1,540,666</b>	<b>1,181,678</b>	<b>2,722,344</b>	<b>8,521,395</b>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	(285,672)	-	(285,672)	(285,672)
<b>Total Expenses Included in the Expense Section of the Statement of Activities</b>	<b>\$ 5,799,051</b>	<b>\$ 5,799,051</b>	<b>\$ 1,254,994</b>	<b>\$ 1,181,678</b>	<b>\$ 2,436,672</b>	<b>\$ 8,235,723</b>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 1,125,780
Adjustments to Reconcile Change in Net Assets to Provided by Operating Activities:	
Depreciation and Amortization	65,140
Bad Debt Recovery	(13,395)
Net Realized and Unrealized Gains on Investments	(54,291)
Contributed Other Assets	(117,500)
Changes in Assets and Liabilities:	
Contributions Receivable	1,014,401
Due from Related Entities	49,747
Prepaid Expenses	(2,877)
Other Assets	1,556
Accounts Payable and Accrued Expenses	30,265
Accrued Pending Wish Costs	(72,009)
Due to Related Entities	(7,291)
Deferred Rent	(10,156)
Net Cash Provided by Operating Activities	2,009,370

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Investments	(1,387,105)
Proceeds from Sales of Investments	-
Purchases of Property and Equipment	(5,355)
Net Cash Used by Investing Activities	(1,392,460)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal Payments on Capital Lease Obligations	(24,251)
Net Cash Used by Financing Activities	(24,251)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

592,659

Cash and Cash Equivalents - Beginning of Year

433,043

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 1,025,702

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Acquisition of Equipment Through a Capital Lease	\$ 11,206
Contributed Other Assets (Inventory)	\$ 117,500

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Alaska and Washington (the Foundation) is a Washington nonprofit corporation, organized for the purpose of creating life changing wishes to children with critical illnesses. The Foundation is an independently operating chapter of Make-A-Wish Foundation® of America (the National Organization), which operates to develop and implement national programs in public relations and fund raising 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 accounting principles generally accepted in the United States of America 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.

**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.

**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 3 to 7 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.

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

**Property and Equipment, Net (Continued)**

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).

*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.

**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.

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

**Net Assets (Continued)**

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 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.

The Foundation received in-kind contributions of assets, services, and materials that are reported as follows at August 31, 2018:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 2,616,111	\$ -	\$ -	\$ 2,616,111
Advertising and Media	16,920	84,490	-	101,410
Professional Fees	-	-	4,116	4,116
Other	17,286	15,607	239	33,132
Subtotal	<u>\$ 2,650,317</u>	<u>\$ 100,097</u>	<u>\$ 4,355</u>	2,754,769
Other Assets (Inventory)				117,500
Total				<u>\$ 2,872,269</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.

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

**Revenue Recognition (Continued)**

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 are reported as contribution revenue and fundraising or public information 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. Advertising costs, both cash and in-kind, total \$140,712 for the year ended August 31, 2018.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income 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, 2018. The Foundation files income tax returns in the U.S. federal jurisdiction.

**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 critical illnesses.

**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 single program or fundraising 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 ALASKA AND WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

**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 \$11,162 at August 31, 2018.

**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.

**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.

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**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, 2018:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring:				
Mutual Funds:				
Domestic Equity	\$ 1,520,959	\$ -	\$ -	\$ 1,520,959
International Equity	619,869	-	-	619,869
Real Estate	105,315	-	-	105,315
Bonds	1,237,000	-	-	1,237,000
Debt Securities U.S. Treasury	398,676	-	-	398,676
Cash and Cash Equivalents	-	-	-	14,845
Total Recurring	<u>\$ 3,881,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,896,664</u>

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

Interest and Dividend Income	\$ 155,768
Realized and Unrealized Gains, Net	54,291
Less: Investment Expenses	(14,643)
Investment Income, Net	<u>\$ 195,416</u>

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include pledges that are due within the next twelve months and within two to five years. Contributions receivable have been discounted at 2.74% at August 31, 2018, and an allowance for doubtful accounts has been provided using a three-year write-off rate of 6.56%. The following is a summary of the Foundation's contributions receivable at August 31, 2018:

Total Amounts Due in:	
One Year	\$ 874,630
Two to Five Years	74,926
Gross Contributions Receivable	949,556
Less: Allowance for Doubtful Accounts	(11,242)
Less: Discount to Present Value	(5,205)
Contributions Receivable, Net	<u>\$ 933,109</u>

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 5 TRANSACTIONS WITH RELATED ENTITIES**

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the year ended August 31, 2018, the Foundation received \$1,232,499 from these national revenue streams.

Conversely, the Foundation pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$280,601 were paid from the Foundation to the National Organization during the year ended August 31, 2018.

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 \$22,800 for the year ended August 31, 2018, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31:	
Due from National Organization	\$ 84,216
Due from Other Chapters	8,165
Total Due from Related Entities	<u>\$ 92,381</u>
Due to National Organization	\$ 4,993
Due to Other Chapters	3,958
Total Due to Related Entities	<u>\$ 8,951</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 2018, the Foundation received contributions, both cash and in-kind, from board members totaling \$302,036. In 2018, amounts due from board members totaled \$27,200 and are included in “Contributions Receivable” in the accompanying statement of financial position.

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 6 PROPERTY AND EQUIPMENT, NET**

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

Computer Equipment and Software	\$ 278,186
Office Furniture	93,285
Other Equipment	157,613
Leasehold Improvements	106,843
Total	<u>635,927</u>
Less: Accumulated Depreciation and Amortization	(519,109)
Property and Equipment, Net	<u><u>\$ 116,818</u></u>

Depreciation and amortization expense totaled \$65,140 for the year ended August 31, 2018.

**NOTE 7 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 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 includes the estimated in-kind outlay that is 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 be increased by \$1,552,810, resulting in adjusted net assets of \$3,890,168.

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.



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**NOTE 8 LEASES**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through December 31, 2029. On February 9, 2019, the Foundation extended one of their operating leases for an additional ten years, commencing January 1, 2020. As of August 31, 2018, the cost of leased property and equipment under capital leases was \$123,501, and accumulated depreciation was \$57,570. Total rent expense for all operating leases for the year ended August 31, 2018 was \$253,065.

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

<u>Year Ending August 31:</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2019	\$ 250,196	\$ 27,177
2020	229,227	25,677
2021	228,880	16,020
2022	236,515	2,932
2023	243,354	244
Thereafter	1,393,243	-
Total Minimum Lease Payments	<u>2,581,415</u>	<u>72,050</u>
Less Amounts Representing Interest	-	(4,677)
Present Value of Net Minimum Lease Payments	<u>\$ 2,581,415</u>	<u>\$ 67,373</u>

**NOTE 9 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 two individual funds 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 9 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the Washington 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	\$ -	\$ -	\$ 38,148	\$ 38,148

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ -	\$ 38,148	\$ 38,148
Endowment Net Assets - End of Year	\$ -	\$ -	\$ 38,148	\$ 38,148

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

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

\$ 38,148

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**NOTE 9 ENDOWMENTS (CONTINUED)**

**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.

**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. 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 7% 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 has a policy of appropriating for distribution each year 0-5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 7% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 10 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	\$ 217,130
Purpose Restrictions	768,011
Total Temporarily Restricted Net Assets	<u>\$ 985,141</u>

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**NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)**

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 Any Activities of the Foundation	<u>\$ 38,148</u>
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**NOTE 11 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 employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2018 were \$51,531.

**NOTE 12 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 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 \$1,585,077 were received from a two donors for the year ended August 31, 2018, which represents 22.2% of total public support. Cash contributions of \$853,000 were received from a single donor for the year ended August 31, 2018 which represents 12% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**NOTE 13 LITIGATION AND CLAIMS**

The Foundation is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

**NOTE 14 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through April 11, 2019, the date at which the financial statements were available to be issued.

