

**MAKE-A-WISH FOUNDATION® OF
GREATER PENNSYLVANIA & WEST
VIRGINIA**

**FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Greater Pennsylvania & West Virginia
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Greater Pennsylvania & West Virginia which comprise the statement of financial position as of August 31, 2019, 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 Greater Pennsylvania & West Virginia

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 Greater Pennsylvania & West Virginia as of August 31, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Make-A-Wish Foundation® of Greater Pennsylvania & West Virginia adopted a new accounting principle during the year ended August 31, 2019: Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Make-A-Wish Foundation® of Greater Pennsylvania & West Virginia also changed an accounting policy with the elimination of the pending wish liability from the Foundation's statement of financial position. Our opinion is not modified with respect to these matters.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 17, 2019

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

ASSETS

Cash and Cash Equivalents	\$	769,627
Investments		1,374,130
Due from Related Entities		47,031
Prepaid Expenses		200,822
Contributions Receivable		878,771
Other Assets		51,642
Investments Held for Long-Term Purposes		2,887,259
Property and Equipment, Net		<u>80,993</u>
Total Assets	\$	<u><u>6,290,275</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$	312,496
Due to Related Entities		54,903
Deferred Rent		<u>40,051</u>
Total Liabilities		<u>407,450</u>

NET ASSETS

Without Donor Restrictions		3,886,670
With Donor Restrictions		<u>1,996,155</u>
Total Net Assets		<u><u>5,882,825</u></u>
Total Liabilities and Net Assets	\$	<u><u>6,290,275</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 8,346,961	\$ 552,195	\$ 8,899,156
Grants	<u>803,152</u>	<u>-</u>	<u>803,152</u>
Total Public Support	9,150,113	552,195	9,702,308
Internal Special Events	362,343	-	362,343
Less Costs of Direct Benefits to Donors	<u>(71,476)</u>	<u>-</u>	<u>(71,476)</u>
Total Internal Special Events	290,867	-	290,867
Investment Income, Net	139,066	67,678	206,744
Other Income	2,104	-	2,104
Net Assets Released from Restrictions	<u>541,407</u>	<u>(541,407)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	10,123,557	78,466	10,202,023
EXPENSES			
Program Services:			
Wish Granting	<u>8,304,713</u>	<u>-</u>	<u>8,304,713</u>
Total Program Services	8,304,713	-	8,304,713
Support Services:			
Fundraising	1,070,773	-	1,070,773
Management and General	<u>517,344</u>	<u>-</u>	<u>517,344</u>
Total Support Services	<u>1,588,117</u>	<u>-</u>	<u>1,588,117</u>
Total Expenses	<u>9,892,830</u>	<u>-</u>	<u>9,892,830</u>
CHANGE IN NET ASSETS	230,727	78,466	309,193
Net Assets - Beginning of Year - Before Change in Accounting Principle	1,692,443	1,917,689	3,610,132
Change in Accounting Policy	<u>1,963,500</u>	<u>-</u>	<u>1,963,500</u>
Net Assets - Beginning of Year - As Adjusted	<u>3,655,943</u>	<u>1,917,689</u>	<u>5,573,632</u>
NET ASSETS - END OF YEAR	<u>\$ 3,886,670</u>	<u>\$ 1,996,155</u>	<u>\$ 5,882,825</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 5,615,017	\$ -	\$ -	\$ -	\$ -	\$ 5,615,017
Salaries, Taxes, and Benefits	1,898,724	765,090	397,855	1,162,945	-	3,061,669
Printing, Subscriptions, and Publications	4,334	49,166	3,104	52,270	-	56,604
Professional Fees	6,521	38,718	4,811	43,529	-	50,050
Rent and Utilities	152,348	61,432	31,943	93,375	-	245,723
Postage and Delivery	33,006	22,688	3,288	25,976	-	58,982
Travel	14,779	12,715	1,609	14,324	-	29,103
Meetings and Conferences	11,365	5,322	2,116	7,438	-	18,803
Office Supplies	163,568	27,404	9,928	37,332	-	200,900
Communications	58,005	24,128	11,219	35,347	-	93,352
Repairs and Maintenance	19,859	9,132	4,734	13,866	-	33,725
Membership Dues	1,593	5,474	300	5,774	-	7,367
National Partnership Dues	306,304	38,773	42,625	81,398	-	387,702
Miscellaneous	1,177	3,440	-	3,440	-	4,617
Depreciation and Amortization	18,113	7,291	3,812	11,103	-	29,216
Special Event - Direct Donor Benefits	-	-	-	-	71,476	71,476
	<u>8,304,713</u>	<u>1,070,773</u>	<u>517,344</u>	<u>1,588,117</u>	<u>71,476</u>	<u>9,964,306</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(71,476)	(71,476)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,476)</u>	<u>(71,476)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 8,304,713</u>	<u>\$ 1,070,773</u>	<u>\$ 517,344</u>	<u>\$ 1,588,117</u>	<u>\$ -</u>	<u>\$ 9,892,830</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 309,193
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	29,216
Net Realized and Unrealized Gain on Investments	(128,158)
Contributions Restricted for Long-Term Investment	1,025
(Increase) Decrease in Assets:	
Contributions Receivable	97,193
Due from Related Entities	14,020
Prepaid Expenses	(123,555)
Other Assets	55,294
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	(27,667)
Due to Related Entities	21,685
Deferred Rent	(20,434)
Net Cash Provided by Operating Activities	227,812

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(1,073,518)
Proceeds from Sales of Investments	1,199,283
Purchases of Property and Equipment	(13,225)
Net Cash Provided by Investing Activities	112,540

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions Restricted for Long-Term Investment	(1,025)
Net Cash Used by Financing Activities	(1,025)

NET INCREASE IN CASH AND CASH EQUIVALENTS

339,327

Cash and Cash Equivalents - Beginning of Year

430,300

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 769,627

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Greater Pennsylvania & West Virginia (the Foundation) is a Pennsylvania 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 accounting principles generally accepted in the United States of America (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.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in without donor restricted 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 GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost of greater than \$2,500 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 seven 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).

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.

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 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 GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

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 statement of activities as follows:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish-Related	\$ 3,309,637	\$ -	\$ -	\$ 3,309,637
Professional Fees	1,716	-	-	1,716
Rent	10,116	4,079	2,121	16,316
Office Supplies	21,816	9,059	-	30,875
Total	<u>\$ 3,343,285</u>	<u>\$ 13,138</u>	<u>\$ 2,121</u>	3,358,544
Special Events				28,826
Total				<u>\$ 3,387,370</u>

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.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Commonwealth of Pennsylvania and West Virginia income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 509(a)(1), Pennsylvania Department of Revenue regulations and West Virginia Department of Revenue Taxation Code §11-24-5. 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, 2019. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

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 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 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 \$40,051 at August 31, 2019.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle – Adoption of ASU 2016-14

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The adoption of this standard did not impact the Foundation's net assets as of September 1, 2018.

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Policy – Pending Wish Liability

Through the fiscal year ended August 31, 2018, the Foundation accrued for estimated costs of reportable pending wishes when five certain, measurable wish criteria were met. This accrual did not represent a legally binding liability but was considered a moral obligation to the child by the Foundation arising when the five criteria were met. Given the changes to the wish granting environment that have occurred in recent years, the Foundation determined that the calculation was no longer representative of the future obligations. The Foundation remains committed to its mission. Please see the commitment footnote for details about future wish granting obligations. As a result of this change in accounting policy, net assets without donor restrictions as of September 1, 2018, have increased by \$1,963,500.

NOTE 3 LIQUIDITY AND AVAILABILITY

The Foundation monitors liquidity regularly through the monthly financial package provided to the board and through the enterprise-wide benchmarks of excellence. Holding six months to twenty-four months of liquidity is considered excellent based off the enterprise-wide published scale.

Total Financial Assets	\$	5,956,818
Donor-Imposed Restrictions:		
Restricted Funds		(565,588)
Endowments		<u>(1,430,567)</u>
Net Financial Assets after Donor-Imposed Restrictions		3,960,663
Internal Designations:		
Board-Designated Endowments		<u>(1,456,692)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year		<u><u>\$ 2,503,971</u></u>

Financial assets include cash and cash equivalents, investments, due from related entities, contributions receivable and investments held for long-term purposes. For purposes of analyzing resources available to meet general expenditures over one year, the Foundation considers all expenditures related to its ongoing program activities, as well as functions in support of those activities, to be general expenditures.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowment. Income from donor restricted endowments is restricted for program expenses and is subject to an annual spend rate of 4% as described in Note 10. Restricted funds represent contribution pledges outstanding for program and endowments in future years. Donor restricted and endowment funds are not available for general expenditure.

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

The board-designated endowment of \$1,456,692 is also subject to an annual spending rate of 4% as described in Note 10. Although the Foundation does not intend to spend from this board-designated endowment other than amounts appropriate for general expenditure as part of the board's annual budget approval and appropriation, this amount could be made available if necessary.

As part of the Foundation's liquidity management plan, cash in excess of daily requirements is invested in money market funds. If the need arises, investment reserves without donor restrictions could also be utilized for general expenditures, with the approval of the board. In addition to financial assets available to meet general expenditures within one year, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 4 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, 2019, 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 GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments (Continued)

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real estate funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies, therefore, often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

Fair Value Hierarchy

The following table presents the fair value hierarchy of assets that are measured at fair value on a recurring basis at August 31, 2019:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual Funds	\$ 4,261,389	\$ -	\$ -	\$ 4,261,389
Total Assets	<u>\$ 4,261,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,261,389</u>

MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 5 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable as of August 31, 2019 were \$878,771, which are due from seven donors. 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, 2019.

NOTE 6 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, 2019, the Foundation received \$825,077 from these national revenue streams.

Conversely, the Foundation pays amounts to the National Organization for chapter 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 \$394,076 were paid from the Foundation to the National Organization during the year ended August 31, 2019.

Amounts due from and to related entities at August 31, 2019 are as follows:

Due from National Organization	\$ 44,742
Due from Other Chapters	2,289
Total Due from Related Entities	\$ 47,031
Due to National Organization	\$ 2,356
Due to Other Chapters	52,547
Total Due to Related Entities	\$ 54,903

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 2019, the Foundation received contributions, both cash and in-kind, from board members totaling \$73,588.

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NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 31, 2019 consists of the following:

Computer Equipment and Software	\$ 488,152
Office Furniture	228,948
Leasehold Improvements	83,979
Total	801,079
Less Accumulated Depreciation and Amortization	(720,086)
Property and Equipment, Net	\$ 80,993

Depreciation and amortization expense totaled \$29,216 for the year ended August 31, 2019.

NOTE 8 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through September 2022. Total rent expense for all operating leases for the year ended August 31, 2019 totaled \$224,681.

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

Year Ending August 31:	Amount
2020	\$ 234,245
2021	187,594
2022	12,720
2023	1,060
Total	\$ 435,619

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NOTE 9 NET ASSETS

Net Assets Without Donor Restrictions

Board-designated net assets consist of the following at August 31, 2019:

Board Designated Endowment Funds	\$ 1,456,692
Total Board Designated Net Assets	<u>\$ 1,456,692</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of August 31, 2019:

Subject to Passage of Time:	
Pledge Wish Granting In-Kind	\$ 551,170
In-Kind Rent	14,418
Total	<u>565,588</u>
Endowments:	
Subject to Endowment Spending Policy and Appropriation:	
Earnings on Endowment Funds	357,233
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:	
Endowment Fund for Support of Wishes	746,554
Endowment Fund to Support Activities of the Foundation	<u>326,780</u>
Total	<u>1,430,567</u>
Total Donor Restricted Net Assets	<u>\$ 1,996,155</u>

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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 12 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 statement of financial position.

Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not enacted a version of UPMIFA or a version of the predecessor Uniform Management of Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. §5548, *Investment of Trust Funds*. The Foundation has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary.

Pennsylvania law permits, but does not require, the board of directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the board of directors has determined that such percentage is consistent with the long-term preservation of the real value of such assets. The Foundation has not made this election; therefore, under Pennsylvania law, it may only spend true interest and dividend income related to permanent endowments. The Foundation, therefore, classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) returns on permanent endowment other than interest and dividend income.

Interest and dividend income on permanent endowments are generally recorded as revenue without donor restriction unless there is a purpose restriction on the use of the income that is not satisfied in the year the income is earned.

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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Endowment fund composition by type of fund as of August 31, 2019 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-Designated Endowment Funds	\$ 1,456,692	\$ -	\$ 1,456,692
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,073,334	1,073,334
Accumulated Investment Gains	-	357,233	357,233
Total	<u>\$ 1,456,692</u>	<u>\$ 1,430,567</u>	<u>\$ 2,887,259</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds - Beginning of Year	\$ 1,376,653	\$ 1,375,064	\$ 2,751,717
Investment Return:			
Investment Income	25,557	27,557	53,114
Net Appreciation (Realized and Unrealized)	44,482	40,121	84,603
Total Investment Return	70,039	67,678	137,717
Contributions	10,000	1,025	11,025
Appropriation of Endowment Asset for Expenditure	-	(13,200)	(13,200)
Endowment Funds - End of Year	<u>\$ 1,456,692</u>	<u>\$ 1,430,567</u>	<u>\$ 2,887,259</u>

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 Pennsylvania law requires the Foundation to retain as a fund of perpetual duration. There are no fund deficiencies as of August 31, 2019.

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NOTE 10 ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Under Pennsylvania law, the Foundation has not elected a spending policy and instead expends interest and dividend income earned on a current year basis for donor restricted endowment funds. The Foundation's policy regarding board-designated endowment is that it is permitted, but not required, to spend up to 4% of board-designated endowment balances each year.

In establishing these policies, the Foundation considered their impact on both the real growth of the endowment through new gifts and investment return and annual expendable endowment income.

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 performance for a low-equity balanced portfolio measured by a benchmark using a blend of the S&P 500 Index (35% weighting), a Government/Corporate Bond Intermediate Index (55% weighting), and T-bill performance (10% weighting). 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.

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 three months of service measured from date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code limitations. The Foundation matches employee contributions up to 4% of the employee's salary. An additional 1% may be matched at the discretion of the Foundation board. Foundation contributions to the Plan for the year ended August 31, 2019 were \$102,911.

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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 \$2,417,009 were received from a single donor for the year ended August 31, 2019, which represents 24% 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 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal year ended August 31, 2019, the Foundation granted 601 wishes. As of the end of the year, there were approximately 410 wish children who are eligible for a wish. The average cost of a wish for the fiscal year was \$4,760 in cash and \$4,590 in in-kind for a total cost of \$9,350.

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through December 17, 2019, the date at which the financial statements were available to be issued.

