

**MAKE-A-WISH FOUNDATION® OF
SOUTHERN FLORIDA**

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019



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**MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Southern Florida
Fort Lauderdale, Florida

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Southern Florida 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 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 Directors
Make-A-Wish Foundation® of Southern Florida

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 Southern Florida as of August 31, 2019 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.

Emphasis of Matters

As discussed in Note 2 to the financial statements, Make-A-Wish Foundation® of Southern Florida 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*. Make-A-Wish Foundation® of Southern Florida 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

Lakeland, Florida
January 9, 2020

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 2,982,553
Investments	6,737,361
Due from Related Entities	187,682
Prepaid Expenses	390,484
Contributions Receivable, Net	11,663,103
Other Assets	42,599
Restricted Cash	4,649,981
Investments Held for Long-Term Purposes	3,015,309
Property and Equipment, Net	152,766
Beneficial Interest in Assets Held by Others	<u>707,208</u>
 Total Assets	 <u><u>\$ 30,529,046</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 756,844
Due to Related Entities	64,889
Other Liabilities	441,775
Deferred Rent	<u>24,494</u>
Total Liabilities	<u><u>1,288,002</u></u>

NET ASSETS

Without Donor Restrictions	9,333,096
With Donor Restrictions	<u>19,907,948</u>
Total Net Assets	<u><u>29,241,044</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 30,529,046</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 5,762,273	\$ 911,705	\$ 6,673,978
Grants	565,095	9,690	574,785
Total Public Support	6,327,368	921,395	7,248,763
Internal Special Events	7,624,991	12,929	7,637,920
Less Costs of Direct Benefits to Donors	(2,926,428)	-	(2,926,428)
Total Internal Special Events	4,698,563	12,929	4,711,492
Investment Income (Loss), Net	219,499	(20,829)	198,670
Other Income	65,728	-	65,728
Net Assets Released from Restrictions	763,801	(763,801)	-
Total Revenues, Gains, and Other Support	12,074,959	149,694	12,224,653
EXPENSES			
Program Services:			
Wish Granting	9,100,035	-	9,100,035
Total Program Services	9,100,035	-	9,100,035
Support Services:			
Fundraising	2,419,264	-	2,419,264
Management and General	556,694	-	556,694
Total Support Services	2,975,958	-	2,975,958
Total Expenses	12,075,993	-	12,075,993
NONOPERATING ACTIVITY			
Contributions	-	1,216,064	1,216,064
Bad Debt Recovery	-	11,517	11,517
Total Nonoperating Activity	-	1,227,581	1,227,581
CHANGE IN NET ASSETS	(1,034)	1,377,275	1,376,241
Net Assets - Beginning of Year, Before Change in Accounting Policy	6,233,518	18,530,673	24,764,191
Change in Accounting Policy	3,100,612	-	3,100,612
Net Assets - Beginning of Year, As Adjusted	9,334,130	18,530,673	27,864,803
NET ASSETS - END OF YEAR	\$ 9,333,096	\$ 19,907,948	\$ 29,241,044

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
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	\$ 6,854,216	\$ -	\$ -	\$ -	\$ -	\$ 6,854,216
Salaries, Taxes, and Benefits	1,346,432	1,674,190	389,008	2,063,198	-	3,409,630
Printing, Subscriptions, and Publications	19,928	19,951	205	20,156	-	40,084
Professional Fees	34,597	122,450	13,996	136,446	-	171,043
Rent and Utilities	143,126	177,085	24,648	201,733	-	344,859
Postage and Delivery	7,481	30,656	1,586	32,242	-	39,723
Travel	20,615	50,440	13,997	64,437	-	85,052
Meetings and Conferences	20,426	110,168	40,148	150,316	-	170,742
Office Supplies	36,126	78,887	3,802	82,689	-	118,815
Communications	22,926	39,244	4,807	44,051	-	66,977
Advertising and Media (Cash)	1,737	7,193	50	7,243	-	8,980
Repairs and Maintenance	21,459	31,822	4,652	36,474	-	57,933
Insurance	2,509	2,917	785	3,702	-	6,211
Grants and Scholarships	100,000	-	-	-	-	100,000
Volunteer Training	35,517	418	-	418	-	35,935
National Partnership Dues	410,508	57,159	51,963	109,122	-	519,630
Miscellaneous	10,028	2,171	4,502	6,673	-	16,701
Depreciation and Amortization	12,404	14,513	2,545	17,058	-	29,462
Special Event Expenses - Direct Donor Benefits	-	-	-	-	2,926,428	2,926,428
	<u>9,100,035</u>	<u>2,419,264</u>	<u>556,694</u>	<u>2,975,958</u>	<u>2,926,428</u>	<u>15,002,421</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(2,926,428)	(2,926,428)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,926,428)</u>	<u>(2,926,428)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 9,100,035</u>	<u>\$ 2,419,264</u>	<u>\$ 556,694</u>	<u>\$ 2,975,958</u>	<u>\$ -</u>	<u>\$ 12,075,993</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 1,376,241
Adjustments to reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	29,462
Bad Debt Recovery	(11,517)
Net Realized and Unrealized Gains on Investments	(1,500)
Loss on Sale of Property and Equipment	6,528
(Increase) Decrease in Assets:	
Contributions Receivable	1,087,220
Due from Related Entities	78,355
Prepaid Expenses	(122,550)
Other Assets	(6,597)
Increase in Liabilities:	
Accounts Payable and Accrued Expenses	38,748
Due to Related Entities	18,901
Other Liabilities	118,942
Deferred Rent	19,234
Net Cash Provided by Operating Activities	<u>2,631,467</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(3,187,688)
Proceeds from Sales of Investments	2,153,586
Purchases of Property and Equipment	<u>(67,077)</u>
Net Cash Used by Investing Activities	(1,101,179)
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in Restricted Cash	<u>(1,726,677)</u>
Net Cash Used by Financing Activities	(1,726,677)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(196,389)
Cash and Cash Equivalents - Beginning of Year	<u>3,178,942</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,982,553</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Southern Florida (the Foundation) is a Florida 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.

Measure of Operations

In the statement of activities, the Foundation includes in its definition of operations all resources and expenses that are an integral part of its program and supporting activities. Nonoperating activity consists of contributions that are restricted by donors for the construction of capital assets.

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 restrictions 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 SOUTHERN FLORIDA
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 \$750 and a useful life of three or more years 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. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years. 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.

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 the measurement date.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and 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 restriction 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 SOUTHERN FLORIDA
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	\$ 2,075,126	\$ -	\$ -	\$ 2,075,126
Professional Services	-	-	7,730	7,730
Other	-	20,302	-	20,302
Total	<u>\$ 2,075,126</u>	<u>\$ 20,302</u>	<u>\$ 7,730</u>	<u>2,103,158</u>
Special Events				834,076
Total				<u>\$ 2,937,234</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 Florida income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 12-A of the Florida statutes, Chapter 212. 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 state of Florida jurisdictions.

Functional Expenses

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

Wish Granting

Activities performed by the Foundation in granting wishes to children with critical illnesses.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Management and General

All costs not identifiable with 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 \$24,494 at August 31, 2019.

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.

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 Statement 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.

Change in Accounting Policy – Pending Wish Liability

Through the fiscal year ending 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 \$3,100,612.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

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 6 months to 24 months of liquidity is considered excellent based off the enterprise-wide published scale.

Total Financial Assets	\$ 29,943,197
Donor Imposed Restrictions:	
Restricted Funds	(16,892,639)
Endowments	<u>(3,015,309)</u>
Net Financial Assets After Donor-Imposed Restrictions	10,035,249
Internal Designations:	
Board-Designated Endowments	<u>(848,380)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 9,186,869</u>

Financial Assets include cash and cash equivalents, investments, due from related entities, contributions receivable, restricted cash, investments held for long-term purposes and beneficial interest in assets held by others. 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 the 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. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 4 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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 of directors or the Executive 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 traditional institutional funds as well as in alternative investment funds involving hedged and private equity 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. Private equity 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.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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:				
Equity Securities	\$ 5,654,998	\$ -	\$ -	\$ 5,654,998
Fixed Income Funds	1,224,382	487,628	-	1,712,010
Hedge Funds	1,442,694	-	-	1,442,694
Private Equity	-	-	249,188	249,188
Tangible Assets	693,780	-	-	693,780
Total Investments and Investments Held for Long-Term Purposes	9,015,854	487,628	249,188	9,752,670
Beneficial Interest in Trusts	-	-	707,208	707,208
Total	<u>\$ 9,015,854</u>	<u>\$ 487,628</u>	<u>\$ 956,396</u>	<u>\$ 10,459,878</u>

For the valuation of debt securities at August 31, 2019, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

The Foundation has investments in private equity funds that were valued at a combined total of \$249,188 at August 31, 2019. The original commitments by the Foundation in January 2012 and September 2018 to these private equity funds were \$500,000, combined. As of August 31, 2019, the Foundation has an unfunded commitment of \$288,000. There is no option to redeem or liquidate the interest in these funds.

The Foundation has a beneficial interest in perpetual trusts as described in Note 5. There were no transfers between investments levels during the year ended August 31, 2019.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The following table presents a roll forward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2019:

	Beneficial Interest in Trusts	Private Equity Funds
Beginning Balance	\$ 724,896	\$ 173,684
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets	(17,688)	(14,496)
Purchases	-	90,000
Ending Balance	<u>\$ 707,208</u>	<u>\$ 249,188</u>

NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Beneficial Interest in Trusts

The Foundation is a named income beneficiary on various perpetual trusts, the corpus of which is not controlled by management of the Foundation. Under these agreements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, donor restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits.

Subsequent changes in value of the underlying assets have been recorded in the accompanying statement of activities as a component of net assets with restrictions and realized and unrealized gains and losses on investments.

The Foundations beneficial interest in the trust is \$707,208 as of August 31, 2019. The Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3) to determine fair value.

MAKE-A-WISH FOUNDATION® OF SOUTHERN FLORIDA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable includes pledges that have been discounted at rates ranging from 1.39% to 1.78% at August 31, 2019. The following is a summary of the Foundation's contributions receivable at August 31, 2019:

Total Amounts Due in:	
Within One Year	\$ 2,810,612
One to Five Years	6,021,485
More than Five Years	<u>3,924,000</u>
Gross Contributions Receivable	12,756,097
Less: Allowance for Doubtful Accounts	(98,923)
Less: Discount to Present Value	<u>(994,071)</u>
Contributions Receivable, Net	<u><u>\$ 11,663,103</u></u>

NOTE 7 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 \$1,673,201 from these national revenue streams.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation contributed \$100,000 during the year ended August 31, 2019.

The Foundation pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$669,812 were paid from the Foundation to the National Organization during the year ended August 31, 2019.

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 \$61,595 for the year ended August 31, 2019, which is recorded in the accompanying statement of activities as other income.

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NOTE 7 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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

Due from National Organization	\$ 168,566
Due from Other Chapters	19,116
Total Due from Related Entities	<u>\$ 187,682</u>
Due to National Organization	\$ 19,548
Due to Other Chapters	45,341
Total Due to Related Entities	<u>\$ 64,889</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 2019, the Foundation received contributions, both cash and in-kind, from board members totaling \$904,611. In 2019, undiscounted amounts due from board members and chapter staff members totaled \$7,583,425 and \$58,764, respectively, and are included in contributions receivable in the accompanying statement of financial position.

NOTE 8 PROPERTY AND EQUIPMENT, NET

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

Computer Equipment and Software	\$ 156,852
Office Furniture	96,166
Total	<u>253,018</u>
Less Accumulated Depreciation and Amortization	(200,252)
Construction in Progress	100,000
Property and Equipment, Net	<u>\$ 152,766</u>

Depreciation and amortization expense totaled \$29,462 for the year ended August 31, 2019.

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NOTE 9 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through June 2023. A certain office lease contains a renewal option for an additional five-year period. Total rent expense for all operating leases for the year ended August 31, 2019 totaled \$315,720.

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

<u>Year Ending August 31:</u>	<u>Amount</u>
2020	\$ 328,261
2021	307,424
2022	290,459
2023	222,385
Total	<u>\$ 1,148,529</u>

NOTE 10 ENDOWMENTS

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

The Foundation's endowment consists of twenty-four 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. Donor restricted 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 Florida 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 donor restricted net assets: (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulated earnings on the donor-restricted endowment funds. The accumulated earnings on the endowment funds remain treated as donor 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.

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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 3,015,309	\$ 3,015,309
Board-Designated Endowment Funds	848,380	-	848,380
Total Funds	<u>\$ 848,380</u>	<u>\$ 3,015,309</u>	<u>\$ 3,863,689</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds - Beginning of Year	\$ 1,434,046	\$ 2,300,693	\$ 3,734,739
Investment Return, Net	110,049	-	110,049
Contributions	20,000	714,616	734,616
Appropriation of Endowment Asset Pursuant to Spending-Rate Policy	(115,715)	-	(115,715)
Other Changes:			
Transfers to Remove Board- Designated Endowment Funds	(600,000)	-	(600,000)
Endowment Funds - End of Year	<u>\$ 848,380</u>	<u>\$ 3,015,309</u>	<u>\$ 3,863,689</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 UPMIFA 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)

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 fund(s) 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 8.25% 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 spending all earnings on donor restricted endowments. All amounts were considered appropriated based on this policy. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment returns.

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NOTE 11 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 Expenditure for Specified Purpose:	
General Purpose	\$ 45,275
Capital Campaign Pledges to be Received in Future Years	9,807,784
Capital Campaign Restricted Cash	<u>4,649,981</u>
Total	14,503,040
Subject to the Passage of Time:	
General Time Restrictions	<u>933,358</u>
Total	933,358
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity:	
Investments in Perpetuity, the Income from which is Expendable to Support any Activities of the Foundation	3,015,309
Beneficial Interest in Assets Held by Others	707,208
Endowment Contributions Receivable	<u>749,033</u>
Total Endowments	4,471,550
 Total Net Assets with Donor Restrictions	 <u><u>\$ 19,907,948</u></u>

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 Internal Revenue Code (IRC) limitations. The Foundation matches employee contributions up to 4% of the employee's salary and incorporates a five-year graded vesting schedule. Foundation contributions to the Plan for the year ended August 31, 2019 were \$79,930.

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NOTE 13 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the 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 \$1,075,918 were received from a single donor for the year ended August 31, 2019, which represents 13% of total public support, including nonoperating activity contributions. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 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 15 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal year ending August 31, 2019, the Foundation granted 625 wishes. As of the end of the year, there were approximately 268 wish children who are eligible for a wish. The average cost of a wish for the fiscal year was \$7,187 in cash and \$3,613 in in-kind for a total cost of \$10,800.

NOTE 16 LINE OF CREDIT

On September 1, 2017, the Foundation obtained an unsecured line of credit with a financial institution with a borrowing limit of up to \$1,000,000, bearing interest at LIBOR plus 2.42% and originally expiring on September 1, 2019. Effective September 1, 2019, the line of credit was renewed for two additional years and interest rate provisions were revised to LIBOR plus 2.15%. There were no borrowings on the line at August 31, 2019.

NOTE 17 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 9, 2020, the date at which the financial statements were available to be issued.