

**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**

**FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2019**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Missouri and Kansas  
Ballwin, Missouri

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Missouri and Kansas 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 Missouri and Kansas

**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 Missouri and Kansas 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 Missouri and Kansas 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 Missouri and Kansas 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**

St. Louis, Missouri  
February 3, 2020

**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2019**

**ASSETS**

Cash and Cash Equivalents	\$	199,800
Investments		2,681,495
Due from Related Entities		64,083
Prepaid Expenses		127,402
Contributions Receivable, Net		384,192
Other Assets		18,508
Property and Equipment, Net		32,730
Beneficial Interest in Assets Held by Others		<u>788,030</u>
Total Assets	\$	<u><u>4,296,240</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$	389,659
Due to Related Entities		33,609
Other Liabilities		<u>964</u>
Total Liabilities		424,232

**NET ASSETS**

Without Donor Restrictions		2,717,504
With Donor Restrictions		<u>1,154,504</u>
Total Net Assets		<u><u>3,872,008</u></u>
Total Liabilities and Net Assets	\$	<u><u>4,296,240</u></u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions	\$ 4,937,236	\$ 323,115	\$ 5,260,351
Grants	137,081	-	137,081
Total Public Support	5,074,317	323,115	5,397,432
Internal Special Events	2,041,211	-	2,041,211
Less Costs of Direct Benefits to Donors	(204,784)	-	(204,784)
Total Internal Special Events	1,836,427	-	1,836,427
Investment Income, Net	97,722	5,756	103,478
Other Income, Net	5,330	-	5,330
Net Assets Released from Restrictions	275,368	(275,368)	-
	7,289,164	53,503	7,342,667
<b>EXPENSES</b>			
Program Services:			
Wish Granting	5,416,576	-	5,416,576
Total Program Services	5,416,576	-	5,416,576
Support Services:			
Fundraising	1,229,690	-	1,229,690
Management and General	802,092	-	802,092
Total Support Services	2,031,782	-	2,031,782
Total Program and Support Services Expense	7,448,358	-	7,448,358
<b>OTHER (GAINS) LOSSES</b>			
Change in Beneficial Interests in Assets	-	41,943	41,943
Loss on Disposal of Property and Equipment	14,073	-	14,073
Total Expenses and (Gains) Losses	7,462,431	41,943	7,504,374
<b>CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES</b>	(173,267)	11,560	(161,707)
<b>NONOPERATING ACTIVITIES</b>			
Asset Acquisition (See Note 1)	126,991	151,351	278,342
Total Nonoperating Activities	126,991	151,351	278,342
<b>CHANGE IN NET ASSETS</b>	(46,276)	162,911	116,635
Net Assets - Beginning - Before Change in Accounting Policy	1,718,434	991,593	2,710,027
Change in Accounting Policy	1,045,346	-	1,045,346
Net Assets - Beginning of Year - As Adjusted	2,763,780	991,593	3,755,373
<b>NET ASSETS - END OF YEAR</b>	\$ 2,717,504	\$ 1,154,504	\$ 3,872,008

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**  
**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	\$ 4,264,054	\$ -	\$ -	\$ -	\$ -	\$ 4,264,054
Salaries, Taxes, and Benefits	812,328	746,142	578,456	1,324,598	-	2,136,926
Printing, Subscriptions, and Publications	3,068	13,208	1,266	14,474	-	17,542
Professional Fees	37,477	59,341	112,225	171,566	-	209,043
Rent and Utilities	40,759	37,541	28,960	66,501	-	107,260
Postage and Delivery	13,559	3,686	684	4,370	-	17,929
Travel	17,953	41,711	9,824	51,535	-	69,488
Meetings and Conferences	11,550	41,827	15,142	56,969	-	68,519
Office Supplies	4,869	4,319	603	4,922	-	9,791
Communications	10,798	9,985	7,645	17,630	-	28,428
Advertising and Media (In-Kind)	-	156,450	-	156,450	-	156,450
Repairs and Maintenance	7,933	7,211	5,637	12,848	-	20,781
Membership Dues	435	1,216	309	1,525	-	1,960
National Partnership Dues	160,719	22,379	20,344	42,723	-	203,442
Miscellaneous	18,756	73,328	12,245	85,573	-	104,329
Depreciation and Amortization	12,318	11,346	8,752	20,098	-	32,416
Special Event - Direct Donor Benefits	-	-	-	-	204,784	204,784
Total	5,416,576	1,229,690	802,092	2,031,782	204,784	7,653,142
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(204,784)	(204,784)
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 5,416,576</u>	<u>\$ 1,229,690</u>	<u>\$ 802,092</u>	<u>\$ 2,031,782</u>	<u>\$ -</u>	<u>\$ 7,448,358</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$	116,635
Adjustments to reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation and Amortization		32,416
Net Realized and Unrealized Gains on Investments		(87,635)
Loss on Disposal of Property and Equipment		14,073
Noncash Contribution Related to Asset Acquisitions		(20,404)
Change in Value of Assets Held by Others		41,943
Change in Discount to Present Value of Contributions		
Receivable		(1,368)
(Increase) Decrease in Assets and Liabilities:		
Contributions Receivable		(188,120)
Due from Related Entities		(2,136)
Prepaid Expenses		(93,926)
Other Assets		(2,383)
Accounts Payable and Accrued Expenses		72,354
Due to Related Entities		15,681
Other Liabilities		(1,654)
Net Cash Used by Operating Activities		(104,524)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Investments		(991,554)
Proceeds from Sales of Investments		1,216,349
Purchases of Property and Equipment		(15,450)
Purchase of Beneficial Interest in Assets Held by Others		(37,500)
Net Cash Provided by Investing Activities		171,845

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

		67,321
Cash and Cash Equivalents - Beginning of Year		132,479

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

	\$	199,800
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See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Missouri and Kansas (the Foundation) is a Missouri 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 entered into with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

Effective September 1, 2018 following the adoption of resolutions of the boards of the Foundation and Make-A-Wish Foundation® of Kansas, the National Organization reassigned the responsibility for fulfilling the Make-A-Wish mission with the territory currently assigned to the Make-A-Wish Foundation® of Kansas to the Foundation. The Foundation formally changed its name to Make-A-Wish Foundation® of Missouri and Kansas. An acquisition of \$278,342 as reported on the statement of activities is due to the transfer of net assets from the Kansas Chapter.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) applicable to nonprofit entities.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**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 MISSOURI AND KANSAS**  
**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 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 10 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 MISSOURI AND KANSAS**  
**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.

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 MISSOURI AND KANSAS**  
**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 at August 31, 2019:

	Programs	Fundraising	Management and General	Total
Program and Support Service				
Wish Related	\$ 2,006,169	\$ -	\$ -	\$ 2,006,169
Rent	3,478	3,203	2,471	9,152
Advertising and Media	-	156,450	-	156,450
Other	2,200	3,591	1,586	7,377
Total	<u>\$ 2,011,847</u>	<u>\$ 163,244</u>	<u>\$ 4,057</u>	2,179,148
Special Events				17,991
Total				<u>\$ 2,197,139</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.

Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes.

Donated advertising and media is reported as contribution revenue and fundraising 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.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 144.0302(20) of the Revised Statutes of Missouri. 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 MISSOURI AND KANSAS**  
**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 the 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 record keeping, 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 included within other liabilities was \$964 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 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.

**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**  
**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 \$1,045,346.

**Cash Flows – Noncash Transactions**

During the year ended August 31, 2019, the Kansas Chapter was reassigned. The following assets and liabilities were reassigned to the Missouri Kansas Chapter; Inventory (\$4,000), Prepaid Expenses (\$6,601), Property and Equipment, Net (\$20,404), Security Deposits (\$2,288), Deferred Rent (\$5,192), Capital Leases (\$3,462), In-Kind Contributions Receivable (\$111,351), and Investments (\$40,000).

**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	\$ 4,117,600
Donor Imposed Restrictions:	
Restricted Funds for Time and Purpose	(323,114)
Beneficial Interest in Trust	(623,704)
Endowments	(207,686)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,963,096

Our endowment funds consist of donor-restricted endowments. 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**

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.

**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

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.

**Fair Value Hierarchy**

The following table presents the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis 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
<b>Assets:</b>				
Investments:				
Mutual Funds	\$ 150,268	\$ -	\$ -	\$ 150,268
Equity Securities	1,066,913	-	-	1,066,913
Certificates of Deposit	-	889,298	-	889,298
Debt Securities	-	321,352	-	321,352
Cash and Cash Equivalents	-	-	-	253,664
Beneficial Interest in Trust	-	-	623,704	623,704
Beneficial Interest in Assets Held by National	-	-	164,326	164,326
 Total Assets	 <u>\$ 1,217,181</u>	 <u>\$ 1,210,650</u>	 <u>\$ 788,030</u>	 <u>\$ 3,469,525</u>

**MAKE-A-WISH FOUNDATION® OF MISSOURI AND KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

For the valuation of Certificates of Deposit and Corporate 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 following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2019:

Beginning Balance	\$ 790,782
Contributions	37,500
Interest Income	1,691
Change in Value of Beneficial Interest Held by Others	<u>(41,943)</u>
Ending Balance	<u><u>\$ 788,030</u></u>

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include pledges that have been discounted at a rate of 3.00% 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	\$ 337,680
One to Five Years	<u>50,000</u>
Gross Contributions Receivable	387,680
Less: Discount to Present Value	<u>(3,488)</u>
Contributions Receivable, Net	<u><u>\$ 384,192</u></u>

**NOTE 6 SPLIT-INTEREST AGREEMENTS**

**Beneficial Interest in Assets Held by Others**

The Foundation is a named income beneficiary on a perpetual trust, the corpus of which is not controlled by the management of the Foundation. Under this arrangement, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation received notice that the agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statement of activities as a change in value of beneficial interest in assets held by others. The Foundation's beneficial interest in the trust is \$623,704 as of August 31, 2019.



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**NOTE 6 SPLIT-INTEREST AGREEMENTS (CONTINUED)**

**Beneficial Interest in Assets Held by Others (Continued)**

As of August 31, 2016, the Foundation had received a gift for an endowment. As it is received, it is being transferred by the Foundation to the Wishes Forever Endowment Fund at the National Organization. The original corpus is not redeemable by the Foundation at any time. Distributions from earnings will be made by the National Organization to the Foundation according to the National Organizations' Endowment Spending Policy. The Foundation's beneficial interest in this endowment being held by the National Organization is \$164,326 as of August 31, 2019.

**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 \$1,086,833 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 \$504,017 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 \$4,050 for the year ended August 31, 2019 which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Due from National Organization	\$ 62,733
Due from Other Chapters	1,350
Total Due from Related Entities	<u>\$ 64,083</u>
Due to Other Chapters	<u>\$ 33,609</u>
Total Due to Related Entities	<u>\$ 33,609</u>

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**NOTE 7 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

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 \$209,895.

**NOTE 8 PROPERTY AND EQUIPMENT, NET**

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

Computer Equipment and Software	\$ 83,573
Leasehold Improvements	59,316
Office Furniture and Other Equipment	26,831
Subtotal	<u>169,720</u>
Less Accumulated Depreciation and Amortization	(136,990)
Property and Equipment, Net	<u><u>\$ 32,730</u></u>

Depreciation and amortization expense totaled \$32,416 for the year ended August 31, 2019.

**NOTE 9 LEASES**

The Foundation is obligated under various operating leases for office space and equipment, which expire at various dates through June 2025. Total rent expense for all operating leases for the year ended August 31, 2019 totaled \$116,245.

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>
2020	\$ 40,271
2021	62,390
2022	63,305
2023	64,220
2024	65,135
Thereafter	54,915
Total Minimum Lease Payments	<u><u>\$ 350,236</u></u>

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**NOTE 10 NET ASSETS**

**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:	
Wish Granting	\$ 215,931
Grants and Other Restricted Cash	421
Total	<u>216,352</u>
Subject to Passage of Time:	
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	106,762
Total	<u>106,762</u>
Endowments:	
Subject to Endowment Spending Policy and Appropriation:	
Earnings on Endowment Funds	14,326
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:	
August Busch Endowment	150,000
Kansas Endowment	43,360
Total	<u>207,686</u>
Not Subject to Spending Policy or Appropriation:	
Beneficial Interest in Trusts	623,704
Total	<u>623,704</u>
Total Donor Restricted Net Assets	<u><u>\$ 1,154,504</u></u>

**NOTE 11 ENDOWMENT**

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

The Foundation's endowment consists of one individual fund established 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 11 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the Connecticut 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. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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	\$ -	\$ 207,686	\$ 207,686
Total Funds	<u>\$ -</u>	<u>\$ 207,686</u>	<u>\$ 207,686</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds - Beginning of Year	\$ -	\$ 125,135	\$ 125,135
Transfer of Assets	-	40,000	40,000
Contributions	-	37,500	37,500
Investment Return:			
Investment Income	-	1,419	1,419
Net Appreciation (Realized and Unrealized)	-	3,632	3,632
Total Investment Return	<u>-</u>	<u>5,051</u>	<u>5,051</u>
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 207,686</u>	<u>\$ 207,686</u>

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**NOTE 11 ENDOWMENT (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 have been no such deficiencies in 2019.

**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.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation does not have a spending policy that mandates specific annual distributions. As operational needs are identified, the board may elect to make distributions from the endowment assets.

**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 six months 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 limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2019 were \$48,341.

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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 \$1,137,388 were received from a single donor for the year ended August 31, 2019 which represents 21.1% of total public support. 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 ended August 31, 2019, the Foundation granted 433 wishes. As of the end of the year, there were approximately 338 wish children who are eligible for a wish. The average cost of a wish for the fiscal year was \$4,764 in cash and \$4,266 in in-kind for a total cost of \$9,030.

**NOTE 16 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through February 3, 2020, the date at which the financial statements were available to be issued.