

**MAKE-A-WISH FOUNDATION® OF
MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019



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

Board of Directors
Make-A-Wish Foundation® of Michigan
Brighton, Michigan

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Michigan which comprise the statement of financial position as of August 31, 2019 and the related statement 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 Michigan

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 Michigan 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 Matters

As discussed in Note 2 to the financial statements, the Make-A-Wish Foundation® of Michigan 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 Statement of Not-for-Profit Entities*. Make-A-Wish Foundation® of Michigan 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

Oak Brook, Illinois
January 27, 2020

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

ASSETS

Cash and Cash Equivalents	\$ 513,703
Investments	2,511,407
Due from Related Entities	79,128
Prepaid Expenses	209,953
Contributions Receivable, Net	1,312,061
Other Assets	31,323
Investments Held for Long-Term Purposes	104,224
Property and Equipment, Net	<u>46,402</u>
Total Assets	<u><u>\$ 4,808,201</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 614,788
Due to Related Entities	45,961
Deferred Rent	16,919
Capital Lease Obligations	<u>8,433</u>
Total Liabilities	686,101

NET ASSETS

Without Donor Restrictions	2,843,827
With Donor Restrictions	<u>1,278,273</u>
Total Net Assets	<u><u>4,122,100</u></u>
Total Liabilities and Net Assets	<u><u>\$ 4,808,201</u></u>

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 5,327,693	\$ 1,082,330	\$ 6,410,023
Grants	251,302	-	251,302
Total Public Support	5,578,995	1,082,330	6,661,325
Internal Special Events	4,247,026	-	4,247,026
Less Costs of Direct Benefits to Donors	(1,264,263)	-	(1,264,263)
Total Internal Special Events	2,982,763	-	2,982,763
Investment Income (Loss), Net	52,627	2,184	54,811
Other Income	4,052	-	4,052
Net Assets Released from Restrictions	452,697	(452,697)	-
Total Revenues, Gains, and Other Support	9,071,134	631,817	9,702,951
EXPENSES			
Program Services:			
Wish Granting	6,323,607	-	6,323,607
Support Services:			
Fundraising	2,027,263	-	2,027,263
Management and General	885,416	-	885,416
Total Support Services	2,912,679	-	2,912,679
Total Expenses	9,236,286	-	9,236,286
CHANGE IN NET ASSETS	(165,152)	631,817	466,665
Net Assets - Beginning - Before Change in Accounting Principle	(1,002,071)	646,456	(355,615)
Change in Accounting Principle	4,011,050	-	4,011,050
Net Assets - Beginning of Year - As Adjusted	3,008,979	646,456	3,655,435
NET ASSETS - END OF YEAR	\$ 2,843,827	\$ 1,278,273	\$ 4,122,100

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	Program Services	Support Services				Total
	Wish Granting and Program Related Support	Fundraising	Management and General	Total Support Services	Direct Donor Benefits	
Direct Costs of Wishes	\$ 4,281,637	\$ -	\$ -	\$ -	\$ -	\$ 4,281,637
Salaries, Taxes, and Benefits	1,397,583	1,207,800	572,900	1,780,700	-	3,178,283
Printing, Subscriptions, and Publications	25,863	102,764	7,150	109,914	-	135,777
Professional Fees	41,658	86,151	114,903	201,054	-	242,712
Rent and Utilities	99,556	86,666	40,727	127,393	-	226,949
Postage and Delivery	12,707	28,335	5,463	33,798	-	46,505
Travel	21,809	88,507	16,048	104,555	-	126,364
Meetings and Conferences	40,908	93,067	19,174	112,241	-	153,149
Office Supplies	40,689	23,011	10,171	33,182	-	73,871
Communications	16,700	13,636	5,470	19,106	-	35,806
Advertising and Media (Cash)	9	24,363	4	24,367	-	24,376
Advertising and Media (In-Kind)	26	29,023	11	29,034	-	29,060
Repairs and Maintenance	9,590	8,282	3,922	12,204	-	21,794
Bad Debt Expense	-	5,000	-	5,000	-	5,000
Membership Dues	1,370	2,179	735	2,914	-	4,284
National Partnership Dues	288,808	36,558	40,214	76,772	-	365,580
Miscellaneous	29,555	178,846	42,331	221,177	-	250,732
Depreciation and Amortization	15,139	13,075	6,193	19,268	-	34,407
Special Event Expenses	-	-	-	-	1,264,263	1,264,263
	<u>6,323,607</u>	<u>2,027,263</u>	<u>885,416</u>	<u>2,912,679</u>	<u>1,264,263</u>	<u>10,500,549</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(1,264,263)	(1,264,263)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 6,323,607</u>	<u>2,027,263</u>	<u>\$ 885,416</u>	<u>\$ 2,912,679</u>	<u>\$ -</u>	<u>\$ 9,236,286</u>

See accompanying Notes to Financial Statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	466,665
Adjustments to reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization		34,407
Bad Debt Expense and Other		5,000
Net Realized and Unrealized Losses on Investments		69,053
Contributed Inventory		(13,721)
Change in Discount to Present Value of Contributions Receivable		33,581
(Increase) Decrease in Assets:		
Contributions Receivable		(561,334)
Due from Related Entities		5,015
Prepaid Expenses		(97,858)
Other Assets		11,682
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses		105,868
Due to Related Entities		(42,866)
Deferred Rent		1,962
Net Cash Provided by Operating Activities		17,454

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments		(378,063)
Proceeds from Sales of Investments		570,331
Purchases of Property and Equipment		(17,966)
Net Cash Provided by Investing Activities		174,302

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Capital Lease Obligations		(3,495)
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NET INCREASE IN CASH AND CASH EQUIVALENTS

188,261

Cash and Cash Equivalents - Beginning of Year

325,442

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 513,703

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest Expense	\$	14,338
Contributed Inventory	\$	13,721
Acquisition of Equipment Through a Capital Lease	\$	9,158

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Michigan (the Foundation) is a Michigan nonprofit corporation, organized for the purpose of creating life changing wishes for children with critical illnesses. The Foundation is an independently operating chapter of Make-A-Wish Foundation® of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. To be a Make-A-Wish chapter, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

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

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.

Property and Equipment, Net

Property and equipment having a unit cost of greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

Fair Value Measurements

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.

Level 2 – Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).

Level 3 – Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

Net Assets

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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.

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	\$ 2,250,487	\$ -	\$ -	\$ 2,250,487
Professional Services	-	-	4,075	4,075
Advertising and Media	26	29,023	11	29,060
Other	<u>8,523</u>	<u>5,884</u>	<u>306</u>	<u>14,713</u>
	<u>\$ 2,259,036</u>	<u>\$ 34,907</u>	<u>\$ 4,392</u>	2,298,335
Special Events				147,573
Inventory (Asset)				13,721
Total				<u>\$ 2,459,629</u>

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 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 and Michigan taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 208.1207 of the state of Michigan. 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.

Functional Expenses

The Foundation performs four functions: wish granting, program related support, 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.

Program Related Support

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 2019, the Foundation incurred no significant joint costs for activities that include fundraising appeals.

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 \$16,919 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.

MAKE-A-WISH FOUNDATION® OF MICHIGAN
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 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 are 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 \$4,011,050.

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	\$ 4,520,523
Donor Imposed Restrictions:	
Restricted Funds	1,174,049
Endowments	<u>104,224</u>
Financial Assets with Donor-Imposed Restrictions	<u>1,278,273</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,242,250</u>

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of appropriated amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Foundation also has available a line of credit in the amount of \$750,000 in the event there is a financial need. See Note 8.

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 MICHIGAN
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 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 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:				
Mutual Funds	\$ 1,646,339	\$ -	\$ -	\$ 1,646,339
Exchange-Traded Funds	82,355	-	-	82,355
Debt Securities	-	25,283	-	25,283
Certificates of Deposit	-	590,228	-	590,228
Cash	-	-	-	271,426
Total Investments and Investments Held for Long Term Purposes	<u>\$ 1,728,694</u>	<u>\$ 615,511</u>	<u>\$ -</u>	<u>\$ 2,615,631</u>

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

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 1.8% to 3% 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	\$ 883,108
One to Five Years	<u>465,000</u>
Gross Contributions Receivable	1,348,108
Less: Discount to Present Value	<u>(36,047)</u>
Contributions Receivable, Net	<u><u>\$ 1,312,061</u></u>

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 \$1,104,105 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. The Foundation did not receive any funds through this program during the year ended August 31, 2019.

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. Amount totaling \$516,420 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 \$2,400 for the year ended August 31, 2019, which is recorded in the accompanying statement of activities as other income.

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

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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

Due from National Organization	\$ 76,992
Due from Other Chapters	2,136
Total Due from Related Entities	<u>\$ 79,128</u>
Due to National Organization	\$ 16,880
Due to Other Chapters	29,081
Total Due to Related Entities	<u>\$ 45,961</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 \$183,274. In 2019, amounts due from board members totaled \$3,500, and are included in contributions receivable in the accompanying statement of financial position.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

Computer Equipment and Software	\$ 123,548
Office Furniture	36,705
Other Equipment	15,202
Leasehold Improvements	30,708
Total	<u>206,163</u>
Less: Accumulated Depreciation and Amortization	(159,761)
Property and Equipment, Net	<u>\$ 46,402</u>

Depreciation and amortization expense totaled \$34,407 for the year ended August 31, 2019.

NOTE 8 SHORT-TERM BORROWINGS

The Foundation has an unsecured line of credit with a financial institution totaling \$750,000, bearing interest at a variable rate with a maturity date of September 20, 2020. The variable interest rate is determined based on *The Wall Street Journal* prime rate, which was 4.75% as of August 31, 2019. As of August 31, 2019, the Foundation had no amounts outstanding on this line of credit.

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NOTE 9 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through February 2024. As of August 31, 2019, the cost of leased property and equipment under capital leases was \$9,158 and accumulated depreciation was \$916. Total rent expense for all operating leases for the year ended August 31, 2019 totaled \$199,857.

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

<u>Year Ending August 31:</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2020	\$ 204,336	\$ 2,335
2021	209,788	2,335
2022	70,218	2,335
2023	28,178	2,335
2024	-	1,167
Total Minimum Lease Payments	512,520	10,507
Less Amounts Representing Interest	-	(2,074)
Present Value of Net Minimum Lease Payments	\$ 512,520	\$ 8,433

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	\$ 542,597
Subject to Passage of Time:	
Cash Pledges Receivable	631,452
Endowment:	
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:	
Collins Endowment Fund	104,224
Total Donor Restricted Net Assets	\$ 1,278,273

Each year, the Foundation appropriates any endowment earnings for expenditure. There are no unappropriated endowment earnings for the year ended August 31, 2019.

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NOTE 11 ENDOWMENTS

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

The Foundation's endowment consists of one individual donor-restricted endowment 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 statement of financial position.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Michigan 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:

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	<u>\$ -</u>	<u>\$ 104,224</u>	<u>\$ 104,224</u>

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NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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	\$ -	\$ 104,224	\$ 104,224
Investment Return:			
Investment Income	-	4,936	4,936
Net Depreciation (Realized and Unrealized)	-	(2,752)	(2,752)
Total Investment Return	-	2,184	2,184
Contributions	-	-	-
Appropriation of Endowment Asset for Expenditure	-	(2,184)	(2,184)
Endowment Funds - End of Year	\$ -	\$ 104,224	\$ 104,224

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.

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 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). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

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NOTE 11 ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year approximately 3% of its endowment fund's ending balance. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate of return that would meet or exceed the Balanced Market Index. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan on the first day of the month coinciding with or immediately following their date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. Upon completion of two years for full-time employees or upon completion of 1,000 hours annually for two years for part-time employees, the Foundation contributes 5% of the employee's salary into their account. Foundation contributions to the Plan for the year ended August 31, 2019 were \$85,664.

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 \$1,283,836 were received from a single donor for the year ended August 31, 2019, which represents 19% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 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 416 wishes. As of the end of the year, there were 812 wish children who are eligible for a wish. The average cost of a wish for the fiscal year was \$6,112 in cash and \$5,148 in in-kind for a total cost of \$11,260.

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NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 27, 2020, the date at which the financial statements were available to be issued.

