

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2017 AND 2016**

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS  
TABLE OF CONTENTS  
YEARS ENDED AUGUST 31, 2017 AND 2016**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>9</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of North Texas  
Irving, Texas

We have audited the accompanying financial statements of Make-A-Wish Foundation® of North Texas, which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses, for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 control 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 control. 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 North Texas

***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 North Texas as of August 31, 2017 and 2016, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 1, 2018

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,417,231	\$ 4,762,468
Investments	1,740,539	1,059,693
Due from Related Entities	185,611	192,092
Prepaid Expenses	29,102	26,483
Contributions Receivable, Net	2,360,903	586,816
Other Assets	80,875	36,954
Property and Equipment, Net	2,882,613	2,973,818
Total Assets	\$ 10,696,874	\$ 9,638,324
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable and Accrued Expenses	\$ 842,496	\$ 819,785
Accrued Pending Wish Costs, Cash	2,417,962	1,849,586
Accrued Pending Wish Costs, In-Kinds	2,218,542	1,765,314
Due to Related Entities	57,177	38,878
Other Liabilities	6,280	6,000
Capital Lease Obligations	44,776	28,837
Total Liabilities	5,587,233	4,508,400
Net Assets		
Unrestricted	2,581,876	4,590,069
Temporarily Restricted	2,527,765	539,855
Total Net Assets	5,109,641	5,129,924
Total Liabilities and Net Assets	\$ 10,696,874	\$ 9,638,324

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2017**  
**(With Summary Totals For Year Ended August 31, 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Public Support:				
Contributions, Net of Write-Offs	\$ 7,495,127	\$ 2,259,881	\$ 9,755,008	\$ 7,060,385
Grants	765,724	-	765,724	605,754
Total Public Support	<u>8,260,851</u>	<u>2,259,881</u>	<u>10,520,732</u>	<u>7,666,139</u>
Internal Special Events	4,270,130	267,884	4,538,014	4,348,540
Less Costs of Direct Benefits to Donors	<u>(1,122,813)</u>	<u>-</u>	<u>(1,122,813)</u>	<u>(1,009,683)</u>
Total Special Events	<u>3,147,317</u>	<u>267,884</u>	<u>3,415,201</u>	<u>3,338,857</u>
Investment Income, Net	31,617	-	31,617	12,278
Other Income	12,896	-	12,896	26,873
Net Assets Released from Restrictions	<u>539,855</u>	<u>(539,855)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>11,992,536</u>	<u>1,987,910</u>	<u>13,980,446</u>	<u>11,044,147</u>
<b>EXPENSES</b>				
Program Services:				
Wish Granting	10,577,441	-	10,577,441	9,797,319
Total Program Services	<u>10,577,441</u>	<u>-</u>	<u>10,577,441</u>	<u>9,797,319</u>
Support Services:				
Fundraising	2,743,132	-	2,743,132	2,121,921
Management and General	679,890	-	679,890	536,863
Total Support Services	<u>3,423,022</u>	<u>-</u>	<u>3,423,022</u>	<u>2,658,784</u>
Total Program and Support Services Expense	14,000,463	-	14,000,463	12,456,103
<b>OTHER EXPENSES (INCOME)</b>				
Loss on Disposal of Property and Equipment	266	-	266	6,169
Total Expenses and Losses	<u>14,000,729</u>	<u>-</u>	<u>14,000,729</u>	<u>12,462,272</u>
Change in Net Assets Before Distribution	(2,008,193)	1,987,910	(20,283)	(1,418,125)
Distribution of Texas Plains Chapter	<u>-</u>	<u>-</u>	<u>-</u>	<u>381,794</u>
Change in Net Assets	(2,008,193)	1,987,910	(20,283)	(1,036,331)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,590,069</u>	<u>539,855</u>	<u>5,129,924</u>	<u>6,166,255</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,581,876</u>	<u>\$ 2,527,765</u>	<u>\$ 5,109,641</u>	<u>\$ 5,129,924</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions, Net of Write-Offs	\$ 6,521,700	\$ 538,685	\$ 7,060,385
Grants	605,754	-	605,754
Total Public Support	7,127,454	538,685	7,666,139
Internal Special Events	4,348,540	-	4,348,540
Less Costs of Direct Benefits to Donors	(1,009,683)	-	(1,009,683)
Total Special Events	3,338,857	-	3,338,857
Investment Income, Net	12,278	-	12,278
Other Income	26,873	-	26,873
Net Assets Released from Restrictions	365,235	(365,235)	-
Total Revenues, Gains, and Other Support	10,870,697	173,450	11,044,147
<b>EXPENSES</b>			
Program Services:			
Wish Granting	9,797,319	-	9,797,319
Total Program Services	9,797,319	-	9,797,319
Support Services:			
Fundraising	2,121,921	-	2,121,921
Management and General	536,863	-	536,863
Total Support Services	2,658,784	-	2,658,784
Total Program and Support Services Expense	12,456,103	-	12,456,103
<b>OTHER EXPENSES (INCOME)</b>			
Loss on Disposal of Property and Equipment	6,169	-	6,169
Total Expenses and Losses	12,462,272	-	12,462,272
Change in Net Assets Before Distribution	(1,591,575)	173,450	(1,418,125)
Distribution of Texas Plains Chapter	381,794	-	381,794
Change in Net Assets	(1,209,781)	173,450	(1,036,331)
<b>NET ASSETS, BEGINNING OF YEAR</b>	5,799,850	366,405	6,166,255
<b>NET ASSETS, END OF YEAR</b>	\$ 4,590,069	\$ 539,855	\$ 5,129,924

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (20,283)	\$ (1,036,331)
Adjustments to reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	162,147	153,547
Net Realized and Unrealized Gains on Investments	(14,752)	(7,211)
Loss on Sale of Property and Equipment	266	6,169
Contributed Property and Equipment and Inventory	(60,234)	(50,697)
Change in Attrition on Accrued Pending Wish Costs	(23,476)	(31,728)
Change in Discount to Present Value of Contributions Receivable	157,121	-
Changes in Assets and Liabilities:		
Contributions Receivable	(1,931,208)	(301,918)
Due from Related Entities	6,481	(30,699)
Prepaid Expenses	(2,619)	20,437
Other Assets	16,313	48,091
Accounts Payable and Accrued Expenses	22,711	124,266
Accrued Pending Wish Costs	1,045,080	1,249,945
Due to Related Entities	18,299	(58,546)
Other Liabilities	280	6,000
Net Cash Provided by (Used In) Operating Activities	(623,874)	91,325
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,456,719)	(230,295)
Proceeds from Sales of Investments	790,625	-
Purchases of Property and Equipment	(41,729)	(53,893)
Net Cash Used in Investing Activities	(707,823)	(284,188)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease Obligations	(13,540)	(12,248)
Net Cash Used in Financing Activities	(13,540)	(12,248)
 Net Decrease in Cash and Cash Equivalents	(1,345,237)	(205,111)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	4,762,468	4,967,579
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 3,417,231	\$ 4,762,468
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 2,179	\$ 2,386
Acquisition of Equipment through a Capital Lease Agreement	36,249	15,955
Contributed Property and Equipment and Inventory	60,234	50,697

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2017**

	<u>Program Services</u>		<u>Support Services</u>		<u>Total</u>
	<u>Wish Granting</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Support Services</u>	
Direct Costs of Wishes	\$ 8,162,264	\$ -	\$ -	\$ -	\$ 8,162,264
Salaries, Taxes, and Benefits	1,576,692	1,587,929	516,014	2,103,943	3,680,635
Printing, Subscriptions, and Publications	18,456	45,414	4,119	49,533	67,989
Professional Fees	108,506	510,964	32,811	543,775	652,281
Rent and Utilities	86,101	78,047	17,948	95,995	182,096
Postage and Delivery	6,714	10,652	2,033	12,685	19,399
Travel	46,116	64,519	7,462	71,981	118,097
Meetings and Conferences	37,354	68,650	12,852	81,502	118,856
Office Supplies	93,547	10,581	2,834	13,415	106,962
Communications	34,583	30,493	7,019	37,512	72,095
Advertising and Media (Cash)	218	30,299	11	30,310	30,528
Advertising and Media (In-Kind)	-	32,000	-	32,000	32,000
Repairs and Maintenance	6,514	2,433	1,400	3,833	10,347
Membership Dues	1,875	5,707	429	6,136	8,011
National Partnership Dues	237,968	30,123	33,135	63,258	301,226
Miscellaneous	84,073	165,368	26,089	191,457	275,530
Depreciation and Amortization	76,460	69,953	15,734	85,687	162,147
Special Event Expenses	-	1,122,813	-	1,122,813	1,122,813
Investment Fees	-	-	7,211	7,211	7,211
	<u>10,577,441</u>	<u>3,865,945</u>	<u>687,101</u>	<u>4,553,046</u>	<u>15,130,487</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(1,122,813)	-	(1,122,813)	(1,122,813)
Investment Fees	-	-	(7,211)	(7,211)	(7,211)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 10,577,441</u>	<u>\$ 2,743,132</u>	<u>\$ 679,890</u>	<u>\$ 3,423,022</u>	<u>\$ 14,000,463</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2016**

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 7,615,216	\$ -	\$ -	\$ -	\$ 7,615,216
Salaries, Taxes, and Benefits	1,365,139	1,384,750	412,356	1,797,106	3,162,245
Printing, Subscriptions, and Publications	41,665	65,655	5,579	71,234	112,899
Professional Fees	91,969	162,022	23,772	185,794	277,763
Rent and Utilities	68,489	65,027	14,732	79,759	148,248
Postage and Delivery	6,722	9,597	1,659	11,256	17,978
Travel	65,103	66,825	5,160	71,985	137,088
Meetings and Conferences	39,156	57,933	6,841	64,774	103,930
Office Supplies	106,579	18,731	2,392	21,123	127,702
Communications	32,621	30,110	6,960	37,070	69,691
Advertising and Media (Cash)	-	10,972	-	10,972	10,972
Advertising and Media (In-Kind)	-	30,947	-	30,947	30,947
Repairs and Maintenance	4,891	4,683	1,073	5,756	10,647
Membership Dues	1,919	4,198	792	4,990	6,909
Grants and Scholarships	25,000	-	-	-	25,000
National Partnership Dues	235,333	34,297	28,260	62,557	297,890
Miscellaneous	26,751	108,613	12,067	120,680	147,431
Depreciation and Amortization	70,766	67,561	15,220	82,781	153,547
Special Event Expenses	-	1,009,683	-	1,009,683	1,009,683
Investment Fees	-	-	490	490	490
	<u>9,797,319</u>	<u>3,131,604</u>	<u>537,353</u>	<u>3,668,957</u>	<u>13,466,276</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(1,009,683)	-	(1,009,683)	(1,009,683)
Investment Fees	-	-	(490)	(490)	(490)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 9,797,319</u>	<u>\$ 2,121,921</u>	<u>\$ 536,863</u>	<u>\$ 2,658,784</u>	<u>\$ 12,456,103</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of North Texas (the Foundation) is a Texas non-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. 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. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2017 and 2016 is \$508,886 and \$507,995, respectively, of money market mutual funds. The Foundation has classified any cash or money market accounts held by external investment custodians as investments as these funds are not intended for current operations.

**Investments**

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

**Contributions Receivable**

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**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 40 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.

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 Inputs: 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 Inputs: 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 Inputs: 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 NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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

**Net Assets**

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

**Revenue Recognition**

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**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 statements of activities as follows at:

	August 31, 2017			
	Programs	Fundraising	Management and General	Total
Wish Related	\$ 3,758,333	\$ -	\$ -	\$ 3,758,333
Professional Services	-	5,200	-	5,200
Rent	1,505	645	150	2,300
Advertising and Media	-	32,000	-	32,000
Other	94,423	34,250	6,401	135,074
	<u>\$ 3,854,261</u>	<u>\$ 72,095</u>	<u>\$ 6,551</u>	3,932,907
Special Events				612,493
Investments (Asset)				12,567
Inventory (Asset)				60,234
Total				<u>\$ 4,618,201</u>
	August 31, 2016			
	Programs	Fundraising	Management and General	Total
Wish Related	\$ 3,289,661	\$ -	\$ -	\$ 3,289,661
Professional Services	4,919	6,287	1,173	12,379
Rent	-	-	560	560
Advertising and Media	-	30,947	-	30,947
Other	67,891	13,409	1,883	83,183
	<u>\$ 3,362,471</u>	<u>\$ 50,643</u>	<u>\$ 3,616</u>	3,416,730
Special Events				485,767
Inventory (Asset)				17,577
Property and Equipment (Capitalized)				33,120
Total				<u>\$ 3,953,194</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 fundraising 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.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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

**Revenue Recognition (Continued)**

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 non-for-profit organization exempt from federal income and Texas under the provisions of Internal Revenue Code Section 501(c)(3) and Section 171.063 of the Texas Tax Code. 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, 2017 and 2016. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state 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 life-threatening medical conditions.

**Fundraising**

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

**Management and General**

All costs not identifiable with a specific program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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

**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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments, in-kinds, and contributions receivable, accrued pending wish costs, net of attrition, functional expense allocations, and whether an allowance for uncollectible contributions receivable is required.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**NOTE 3 FAIR VALUE MEASUREMENTS**

**Fair Value of Financial Instruments**

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments shown in the following table as of August 31, 2017 and 2016 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 NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 3 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's finance 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 private equity and real asset strategies. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund may differ from the fair value of the funds' underlying net assets.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy**

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2017:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 359,594	\$ -	\$ -	\$ 359,594
Debt Securities:				
U.S. Treasury	51,137	-	-	51,137
Government	174,862	-	-	174,862
Corporate	857,382	-	-	857,382
Real Estate Investment Trust	45,685	-	59,725	105,410
Cash	-	-	-	192,154
Total	<u>\$ 1,488,660</u>	<u>\$ -</u>	<u>\$ 59,725</u>	<u>\$ 1,740,539</u>

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2016:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Real Estate Investment Trust	\$ 82,871	\$ -	\$ 59,725	\$ 142,596
Cash	-	-	-	917,097
Total	<u>\$ 82,871</u>	<u>\$ -</u>	<u>\$ 59,725</u>	<u>\$ 1,059,693</u>

For the valuation of real estate investment trust investments at August 31, 2017, and 2016, the Foundation used significant unobservable inputs including information from owner-to-owner transactions (Level 3).

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning Balance	\$ 59,725	\$ 59,725
Total Gains or Losses (Realized/Unrealized)		
Included in Changes in Net Assets	-	-
Ending Balance	<u>\$ 59,725</u>	<u>\$ 59,725</u>
Change in Unrealized Gains or Losses for the Period		
Included in the Change in Net Assets Relating to		
Investments Still Held at End of Reporting Period	<u>\$ -</u>	<u>\$ -</u>

Total investment income, gains, and losses for the years ended August 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividend Income	\$ 24,076	\$ 5,557
Realized and Unrealized Gains, Net	14,752	7,211
Investment Expenses	<u>(7,211)</u>	<u>(490)</u>
Investment Income, Net	<u>\$ 31,617</u>	<u>\$ 12,278</u>

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include pledges that have been discounted at a rate of 3.5% as of August 31, 2017. The following is a summary of the Foundation's contributions receivable at August 31:

	<u>2017</u>	<u>2016</u>
Total Amounts Due in:		
One Year	\$ 1,388,743	\$ 586,816
Two to Five Years	1,129,281	-
More than Five Years	-	-
Gross Contributions Receivable	<u>2,518,024</u>	<u>586,816</u>
Less Allowance for Doubtful Accounts	-	-
Less Discount to Present Value	<u>(157,121)</u>	<u>-</u>
Contributions Receivable, Net	<u>\$ 2,360,903</u>	<u>\$ 586,816</u>

At August 31, 2017 and 2016, three donors and one donor, respectively, makes up 64% and 92%, respectively, of the receivable balance.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 5 TRANSACTIONS WITH RELATED ENTITIES**

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2017 and 2016, the Foundation received \$1,757,588 and \$1,327,941, respectively, 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 \$-0- and \$25,000, respectively, during the years August 31, 2017 and 2016, respectively.

Conversely, the Foundation pays amounts to the National Organization for chapter 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 \$502,829 and \$436,091 were paid from the Foundation to the National Organization during the years ended August 31, 2017 and 2016, respectively.

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 \$9,150 and \$19,875 for the years ended August 31, 2017 and 2016, respectively, which is recorded in the accompanying statements of activities as other income.

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

	2017	2016
Balance at August 31:		
Due from National Organization	\$ 181,700	\$ 184,735
Due from Other Chapters	3,911	7,357
Total Due from Related Entities	\$ 185,611	\$ 192,092
Due to National Organization	\$ 18,644	\$ -
Due to Other Chapters	38,533	38,878
Total Due to Related Entities	\$ 57,177	\$ 38,878

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.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

During 2017 and 2016, the Foundation received contributions, both cash and in-kind, from board members totaling \$1,892,518 and \$534,205, respectively. In 2017 and 2016, amounts due from board members totaled \$1,409,833 and \$21,990, respectively, and are included in contributions receivable in the accompanying statements of financial position.

**NOTE 6 PROPERTY AND EQUIPMENT, NET**

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

	2017	2016
Land	\$ 380,439	\$ 380,439
Buildings and Building Improvements	3,018,615	3,018,615
Computer Equipment and Software	203,068	178,420
Office Furniture	90,645	73,563
Other Equipment	373,249	361,126
	<u>4,066,016</u>	<u>4,012,163</u>
Less Accumulated Depreciation and Amortization	<u>(1,183,403)</u>	<u>(1,038,345)</u>
Property and Equipment, Net	<u><u>\$ 2,882,613</u></u>	<u><u>\$ 2,973,818</u></u>

Depreciation and amortization expense totaled \$162,147 and \$153,547 for the years ended August 31, 2017 and 2016, respectively.

**NOTE 7 ACCRUED PENDING WISH COSTS**

The Foundation accrues for estimated costs of reportable pending wishes when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is not considered an obligation due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish. This accrual does not represent a legally binding liability, but is considered a moral obligation to the child by the Foundation arising when the five criteria are met. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)**

Estimated cash and in-kind costs are accrued as pending wish liability at year-end for all reportable pending wishes. The in-kind portion of the pending wish liability includes the estimated in-kind expenses that are expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2017 would be increased by \$1,352,770 resulting in adjusted net assets of \$6,462,411.

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2017 and 2016, the Foundation had 511 and 385 reportable pending wishes, respectively.

**NOTE 8 LEASES**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through June 2022. As of August 31, 2017 and 2016, the cost of leased property and equipment under capital leases was \$62,407 and \$50,285, respectively, and accumulated depreciation was \$16,630 and \$20,875, respectively. Total rent expense for all operating leases for the years ended August 31, 2017 and 2016 totaled \$113,089 and \$93,899, respectively.

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

	Operating Leases	Capital Leases
<u>Year Ending August 31:</u>		
2018	\$ 75,381	\$ 17,206
2019	46,443	10,457
2020	45,600	8,820
2021	24,900	8,820
2022	3,000	7,351
Total Minimum Lease Payments	\$ 195,324	52,654
Less Amounts Representing Interest		(7,878)
Present Value of Net Minimum Lease Payments		\$ 44,776

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes for the years ended August 31:

	2017	2016
Time Restrictions	\$ 1,137,156	\$ 1,170
Purpose Restrictions	1,390,609	538,685
Total Temporarily Restricted Net Assets	\$ 2,527,765	\$ 539,855

**NOTE 10 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 hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 6% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2017 and 2016 were \$121,425 and \$127,856, respectively.

**NOTE 11 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 \$1,904,901 and \$1,731,201 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 18% and 23%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**NOTE 12 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through February 1, 2018, the date at which the financial statements were available to be issued.

Subsequent to year end, the Foundation has entered into an agreement of sale to sell their building.