

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019



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MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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YEAR ENDED AUGUST 31, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc., which comprise the statement of financial position as of August 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Massachusetts and Rhode Island, Inc.

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 Massachusetts and Rhode Island, Inc., 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 Massachusetts and Rhode Island, Inc. 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 Massachusetts and Rhode Island, Inc. 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

Boston, Massachusetts
December 31, 2019

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 2,835,303
Investments	11,065,172
Due from Related Entities	83,311
Prepaid Expenses and Other Assets	77,513
Contributions Receivable, Net	999,997
Property and Equipment, Net	<u>711,045</u>
 Total Assets	 <u><u>\$ 15,772,341</u></u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 376,942
Due to Related Entities	43,239
Other Liabilities	<u>89,859</u>
Total Liabilities	<u>510,040</u>

NET ASSETS

Without Donor Restrictions:	
Operating	6,963,915
Board-Designated	<u>6,973,205</u>
Total Net Assets Without Donor Restrictions	13,937,120
With Donor Restrictions	<u>1,325,181</u>
Total Net Assets	<u>15,262,301</u>
 Total Liabilities and Net Assets	 <u><u>\$ 15,772,341</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 7,156,162	\$ 623,726	\$ 7,779,888
Grants	59,891	16,400	76,291
Total Public Support	7,216,053	640,126	7,856,179
Internal Special Events	1,948,009	74,000	2,022,009
Less: Costs of Direct Benefits to Donors	(562,166)	-	(562,166)
Total Internal Special Events	1,385,843	74,000	1,459,843
Appropriation of Nonoperating Assets for Operations	409,000	-	409,000
Other Income	27,717	-	27,717
Net Assets Released from Restrictions	549,084	(549,084)	-
Total Operating Revenues, Gains, and Other Support	9,587,697	165,042	9,752,739
EXPENSES			
Program Services:			
Wish Granting	4,795,530	-	4,795,530
Program-Related Support	1,602,756	-	1,602,756
Total Program Services	6,398,286	-	6,398,286
Support Services:			
Fundraising	744,707	-	744,707
Management and General	1,600,794	-	1,600,794
Total Support Services	2,345,501	-	2,345,501
Total Program and Support Services Expense	8,743,787	-	8,743,787
Change in Net Assets from Operations	843,910	165,042	1,008,952
NONOPERATING ACTIVITIES			
Interest Income and Investment Gains, Net	121,933	2,168	124,101
Loss on Disposal of Fixed Assets	(82,226)	-	(82,226)
Appropriation of Endowment Assets for Operations	(405,231)	(3,769)	(409,000)
Change in Net Assets from Nonoperating Activities	(365,524)	(1,601)	(367,125)
CHANGE IN NET ASSETS	478,386	163,441	641,827
Net Assets - Beginning - Before Change in Accounting Policy	10,808,087	1,161,740	11,969,827
Change in Accounting Policy	2,650,647	-	2,650,647
Net Assets - Beginning of Year - As Adjusted	13,458,734	1,161,740	14,620,474
NET ASSETS, END OF YEAR	\$ 13,937,120	\$ 1,325,181	\$ 15,262,301

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	Program Services			Support Services			Direct Donor Benefits	Total
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 4,795,530	\$ -	\$ 4,795,530	\$ -	\$ -	\$ -	\$ -	\$ 4,795,530
Salaries, Taxes, and Benefits	-	943,016	943,016	446,624	1,144,780	1,591,404	-	2,534,420
Printing, Subscriptions, and Publications	-	8,347	8,347	29,167	5,033	34,200	-	42,547
Professional Fees	-	52,477	52,477	60,036	98,599	158,635	-	211,112
Rent and Utilities	-	185,389	185,389	75,420	134,502	209,922	-	395,311
Postage and Delivery	-	4,685	4,685	5,699	3,611	9,310	-	13,995
Travel	-	9,487	9,487	3,990	22,929	26,919	-	36,406
Meetings and Conferences	-	4,292	4,292	40,429	6,746	47,175	-	51,467
Office Supplies	-	7,417	7,417	5,713	4,366	10,079	-	17,496
Communications	-	9,843	9,843	3,980	8,148	12,128	-	21,971
Repairs and Maintenance	-	19,156	19,156	7,744	15,520	23,264	-	42,420
Membership Dues	-	-	-	-	165	165	-	165
Relocation	-	-	-	-	64,931	64,931	-	64,931
Volunteer Training	-	698	698	-	-	-	-	698
National Partnership Dues	-	281,293	281,293	39,167	35,607	74,774	-	356,067
Miscellaneous	-	30,689	30,689	8,156	22,604	30,760	-	61,449
Depreciation and Amortization	-	45,967	45,967	18,582	33,253	51,835	-	97,802
Special Event Expenses	-	-	-	-	-	-	562,166	562,166
Total	<u>4,795,530</u>	<u>1,602,756</u>	<u>6,398,286</u>	<u>744,707</u>	<u>1,600,794</u>	<u>2,345,501</u>	<u>562,166</u>	<u>9,305,953</u>
Less Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	-	-	(562,166)	(562,166)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,795,530</u>	<u>\$ 1,602,756</u>	<u>\$ 6,398,286</u>	<u>\$ 744,707</u>	<u>\$ 1,600,794</u>	<u>\$ 2,345,501</u>	<u>\$ -</u>	<u>\$ 8,743,787</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 641,827
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	97,802
Net Realized and Unrealized Loss on Investments	217,396
Loss on Sale of Property and Equipment	82,226
Contributed Property and Equipment	(733,133)
Change in Discount to Present Value of Contributions Receivable	(1,060)
(Increase) Decrease in Assets:	
Contributions Receivable	(175,261)
Due from Related Entities	20,635
Prepaid Expenses and Other Assets	(5,994)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	119,647
Due to Related Entities	22,312
Other Liabilities	77,159
Net Cash Provided by Operating Activities	363,556

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(2,823,459)
Proceeds from Sales of Investments	2,500,070
Purchases of Property and Equipment	(40,726)
Net Cash Used by Investing Activities	(364,115)

NET DECREASE IN CASH AND CASH EQUIVALENTS

(559)

Cash and Cash Equivalents - Beginning of Year

2,835,862

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,835,303

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Contributed Property and Equipment	\$ 733,133
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MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc. (the Foundation) is a Massachusetts 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). The Foundation raises funds locally to support the mission and operations in Massachusetts and Rhode Island. The National Organization 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.

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 MASSACHUSETTS AND RHODE ISLAND, INC.
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 \$1,000 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. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 5 to 10 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Fair Value Measurements

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

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

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

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

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

See additional information in Note 3.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

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

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

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

Operations

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating activities consist of those items attributed to public support, special events less direct benefit costs, and related expenses for program services and support services for the purpose of granting wishes to children with life-threatening medical conditions.

Income and realized and unrealized gains and losses from investments, net of appropriation and other items not related to the Foundation's operations are reported as nonoperating activities.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises is 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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 and 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>
Program and Support Service				
Expenses:				
Wish Related	\$ 2,388,281	\$ -	\$ -	\$ 2,388,281
Professional Services	32,395	13,096	23,779	69,270
Other	-	9,640	2,261	11,901
Total Program and Support				
Service Expenses	<u>\$ 2,420,676</u>	<u>\$ 22,736</u>	<u>\$ 26,040</u>	<u>2,469,452</u>
Property and Equipment (Capitalized)				733,133
In-Kind Receivable (Asset)				70,801
Total				<u>\$ 3,273,386</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 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 state income taxes of the Massachusetts Department of Revenue Taxation Code and state of Rhode Island Division of Taxation. 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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 that grant 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.

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 joint costs for activities that include fundraising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

Fundraising	\$ 3,765
Wish Granting	<u>3,765</u>
Total	<u><u>\$ 7,530</u></u>

Management and General

All costs not identifiable with a single program 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, and financial reporting.

Expenses that benefit more than one function of the Foundation, such as rent, supplies, and equipment, are allocated among the functions based generally on the amount of time spent by employees on each function.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$80,109 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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments and contributions receivable, and whether an allowance for uncollectible contributions receivable is required. The current economic environment continues to create a high degree of uncertainty in those estimates and assumptions.

Change in Accounting Principle – Adoption of ASU 2016-14

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

Change in Accounting Policy – Pending Wish Liability

Through the fiscal year ending August 31, 2018, the Foundation accrued for estimated costs of reportable pending wishes when five certain, measurable wish criteria were met. This accrual did not represent a legally binding liability but was considered a moral obligation to the child by the Foundation arising when the five criteria were met. Given the changes to the wish granting environment that have occurred in recent years, the Foundation determined that the calculation was no longer representative of the future obligations. The Foundation remains committed to its mission. Please see the commitment footnote for details about future wish granting obligations. As a result of this change in accounting policy, net assets as of September 1, 2018 have increased by \$2,650,647.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 3 LIQUIDITY AND AVAILABILITY

The Foundation monitors liquidity regularly through the quarterly financial package provided to the board and through the enterprise-wide benchmarks of excellence. Holding six months to 24 months of liquidity is considered excellent based off the enterprise-wide published scale.

Total Financial Assets	\$ 14,983,783
Donor Imposed Restrictions:	
Restricted Funds	(1,260,334)
Endowments	<u>(64,847)</u>
Net Financial Assets after Donor-Imposed Restrictions	13,658,602
Internal Designations:	
Board Designated Endowments	<u>(6,973,205)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 6,685,397</u>

Our endowment funds consist of donor-restricted endowments and funds designated by the board as 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.

The fair values of the financial instruments shown in the following table as of August 31, 2019, represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board's investment committee, which oversees the Foundation's investment program in accordance with guidelines established by the board of directors.

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)	Investments Measured at NAV	Total
Assets					
Recurring:					
Investments:					
Mutual Funds:					
Domestic Equity	\$ 5,220,914	\$ -	\$ -	\$ -	\$ 5,220,914
International Equity	1,586,714	-	-	-	1,586,714
Real Estate	84,063	-	-	-	84,063
Commodities	222,409	-	-	-	222,409
Bonds	3,802,579	-	-	-	3,802,579
Cash	-	-	-	-	148,493
Total Recurring	<u>10,916,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,065,172</u>
Total	<u>\$ 10,916,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,065,172</u>

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 3.50% to 6.00% 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	\$ 742,567
One to Five Years	231,000
More than Five Years	40,000
Gross Contributions Receivable	<u>1,013,567</u>
Less Discount to Present Value	(13,570)
Contributions Receivable, Net	<u><u>\$ 999,997</u></u>

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 online and through the mail, amounts for internal grants, travel and training scholarships, and other miscellaneous revenues. During the year ended August 31, 2019, the Foundation received \$1,165,875 from these national revenue streams.

The Foundation also 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. Amounts totaling \$387,434 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 \$13,800 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 at August 31, 2019 are as follows:

Balance at August 31, 2019:	
Due from National Organization	\$ 74,102
Due from Other Chapters	9,209
Total Due from Related Entities	<u><u>\$ 83,311</u></u>
Due to National Organization	\$ 15
Due to Other Chapters	43,224
Total Due to Related Entities	<u><u>\$ 43,239</u></u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 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.

During 2019, the Foundation recognized contributions, both cash and in-kind, from board members and their affiliated organizations totaling \$1,163,955. In 2019, amounts due from board members totaled \$131,000 and are included in Contributions Receivable in the accompanying statement of financial position. There were no amounts owed, or payments made, to related parties for goods and services used in the Foundation's operations as of, and for the year ended August 31, 2019.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

Computer and Software	\$ 83,542
Furniture	772,059
Equipment	23,371
Leasehold Improvements	10,350
Subtotal	<u>889,322</u>
Less: Accumulated Depreciation and Amortization	<u>(178,277)</u>
Property and Equipment, Net	<u><u>\$ 711,045</u></u>

Depreciation and amortization expense totaled \$97,802 for the year ended August 31, 2019.

NOTE 8 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through February 28, 2029. Total rent expense for all operating leases for the years ended August 31, 2019 totaled \$370,857.

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	\$ 428,186
2021	436,486
2022	444,786
2023	416,366
2024	423,571
Thereafter	1,985,155
Total Minimum Lease Payments	<u><u>\$ 4,134,550</u></u>

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NOTE 9 NET ASSETS

Net Assets Without Donor Restrictions

Board-designated net assets at August 31, 2019 total \$6,973,205.

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	\$ 484,456
Endowment Earnings Subject to Appropriations	10,403
Total	494,859

Subject to Passage of Time:

Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	775,878
	775,878

Endowments:

Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:	54,444
Total	54,444
Total Donor Restricted Net Assets	\$ 1,325,181

NOTE 10 ENDOWMENTS

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

The Foundation's endowment consists of several individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as investments on the statement of financial position.

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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Massachusetts 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
Board-Designated Endowment Funds	\$ 6,973,205	\$ -	\$ 6,973,205
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	54,444	54,444
Accumulated Investment Gains	-	10,403	10,403
Total Funds	<u>\$ 6,973,205</u>	<u>\$ 64,847</u>	<u>\$ 7,038,052</u>

Changes in endowment funds for the year ended August 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds - Beginning of Year	\$ 7,145,263	\$ 66,448	\$ 7,211,711
Investment Return:			
Investment Income	222,956	2,073	225,029
Net Appreciation (Realized and Unrealized)	10,217	95	10,312
Total Investment Return	233,173	2,168	235,341
Appropriation of Endowment Assets for Expenditure	<u>(405,231)</u>	<u>(3,769)</u>	<u>(409,000)</u>
Endowment Funds - End of Year	<u>\$ 6,973,205</u>	<u>\$ 64,847</u>	<u>\$ 7,038,052</u>

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NOTE 10 ENDOWMENTS (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. Such deficiencies can result from unfavorable market fluctuations that occurred shortly after the investment of new donor restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors. There were no such 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) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to exceed an average rate of return of approximately 4% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year within a range of 4% to 6% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. 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 an average rate greater than 4% annually, prior to the 4% to 6% appropriation for distribution previously noted. 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.

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NOTE 11 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan as of 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. Eligible employees who have been employed with the Foundation for one year or more are eligible to receive an employer contribution to their 403(b) account. The Foundation contributes up to 4% of the employee's salary, per board discretion. Foundation contributions to the Plan for the year ended August 31, 2019 was \$55,167.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

The Foundation places its cash and investments with high credit quality financial institutions. The cash balances maintained exceed the Federal Deposit Insurance Corporation insurance coverage limit of \$250,000, but the Foundation has never experienced any losses in such accounts.

In-kind contributions totaling \$1,249,502 were received from a single donor for the year ended August 31, 2019, which represents 16% total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 13 LITIGATION AND CLAIMS

The Foundation, is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, there is no pending litigation that would have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

NOTE 14 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal year ending August 31, 2019, the Foundation granted 407 wishes. As of the end of the year, there were approximately 500 wish children who have qualified for a wish. The Foundation will work with the families to schedule each child's wish as it works with the child and families' schedule and the child's medical needs. The average cost of a wish for the fiscal year was \$5,960 in cash and \$6,129 in in-kind for a total cost of \$12,089.

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through December 31, 2019, the date at which the financial statements were available to be issued.

