

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

**FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2018**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Alabama  
Vestavia Hills, Alabama

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Alabama, which comprise the statement of financial position as of August 31, 2018, 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 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.

***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 Alabama as of August 31, 2018, and change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 13, 2019

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	413,540
Due from Related Entities		22,907
Prepaid Expenses		18,428
Contributions Receivable, Net		226,156
Other Assets		12,114
Property and Equipment, Net		<u>35,132</u>
Total Assets	<u>\$</u>	<u>728,277</u>

**LIABILITIES AND NET ASSETS (DEFICIT)**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Expenses	\$	124,153
Accrued Pending Wish Costs - Cash		695,823
Accrued Pending Wish Costs - In-Kind		635,381
Due to Related Entities		19,766
Deferred Rent		4,289
Capital Lease Obligations		<u>18,473</u>
Total Liabilities		1,497,885

**NET ASSETS (DEFICIT)**

Unrestricted Deficit		(929,772)
Temporarily Restricted		<u>160,164</u>
Total Net Deficit		<u>(769,608)</u>
Total Liabilities and Net Deficit	<u>\$</u>	<u>728,277</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**AUGUST 31, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions	\$ 2,093,596	\$ 149,111	\$ 2,242,707
Grants	234,061	10,053	244,114
Total Public Support	2,327,657	159,164	2,486,821
Internal Special Events	601,224	-	601,224
Less: Costs of Direct Benefits to Donors	(112,244)	-	(112,244)
Total Special Events	488,980	-	488,980
Other Income	126	-	126
Net Assets Released from Restrictions	111,707	(111,707)	-
Total Revenues, Gains, and Other Support	2,928,470	47,457	2,975,927
<b>EXPENSES</b>			
Program Services:			
Wish Granting	1,477,850	-	1,477,850
Support Services:			
Fundraising	522,222	-	522,222
Management and General	141,157	-	141,157
Total Support Services	663,379	-	663,379
Total Program and Support Services Expense	2,141,229	-	2,141,229
<b>CHANGE IN NET ASSETS</b>	787,241	47,457	834,698
Net Assets (Deficit) - Beginning of Year	(1,717,013)	112,707	(1,604,306)
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	\$ (929,772)	\$ 160,164	\$ (769,608)

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2018**

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 1,605,412	\$ -	\$ -	\$ -	\$ 1,605,412
Change in Pending Wish Liability	(515,939)	-	-	-	(515,939)
Salaries, Taxes, and Benefits	257,796	276,560	94,312	370,872	628,668
Printing, Subscriptions, and Publications	1,322	13,818	472	14,290	15,612
Professional Fees	40,060	50,283	24,002	74,285	114,345
Rent and Utilities	20,572	22,078	7,527	29,605	50,177
Postage and Delivery	1,501	1,974	308	2,282	3,783
Travel	3,948	34,695	621	35,316	39,264
Meetings and Conferences	3,478	30,021	815	30,836	34,314
Office Supplies	5,753	10,283	1,404	11,687	17,440
Communications	4,311	6,546	1,255	7,801	12,112
Advertising and Media (In-Kind)	-	20,810	-	20,810	20,810
Repairs and Maintenance	2,212	2,382	810	3,192	5,404
Bad Debt Expense	-	7,737	-	7,737	7,737
Membership Dues	428	1,143	157	1,300	1,728
National Partnership Dues	33,872	4,716	4,288	9,004	42,876
Miscellaneous	9,824	35,635	3,979	39,614	49,438
Depreciation and Amortization	3,300	3,541	1,207	4,748	8,048
Special Event Expenses	-	112,244	-	112,244	112,244
	<u>1,477,850</u>	<u>634,466</u>	<u>141,157</u>	<u>775,623</u>	<u>2,253,473</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(112,244)	-	(112,244)	(112,244)
	<u>-</u>	<u>(112,244)</u>	<u>-</u>	<u>(112,244)</u>	<u>(112,244)</u>
 Total Expenses Included in the Expense Section of the Statement of Activities	 <u>\$ 1,477,850</u>	 <u>\$ 522,222</u>	 <u>\$ 141,157</u>	 <u>\$ 663,379</u>	 <u>\$ 2,141,229</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ALABAMA  
STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$	834,698
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization		8,048
Bad Debt Expense		7,737
Loss on Disposal of Property and Equipment		324
Contributed Other Assets		(6,285)
Changes in Assets and Liabilities:		
Contributions Receivable		(117,971)
Due from Related Entities		12,590
Prepaid Expenses		1,536
Other Assets		5,594
Accounts Payable and Accrued Expenses		25,931
Accrued Pending Wish Costs		(515,939)
Due to Related Entities		6,456
Deferred Rent		1,398
Net Cash Provided by Operating Activities		264,117

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property and Equipment		(12,052)
Net Cash Used by Investing Activities		(12,052)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal Payments on Capital Lease Obligations		(539)
Net Cash Used by Financing Activities		(539)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

251,526

Cash and Cash Equivalents - Beginning of Year

162,014

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

\$ 413,540

**SUPPLEMENTAL CASH FLOW INFORMATION**

Assets Acquired Under Capital Lease	\$	19,012
Interest Paid on Capital Leases	\$	205
Contributed Other Assets	\$	6,285

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Alabama (the Foundation) is an Alabama 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. 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 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.

**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 3 to 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. 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 ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**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.

**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. The Foundation has no permanently restricted net assets.

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 ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**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, 2018 :

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 806,707	\$ -	\$ -	\$ 806,707
Professional Services	-	-	7,200	7,200
Advertising and Media	-	20,810	-	20,810
Other	2,136	2,888	119	5,143
	<u>\$ 808,844</u>	<u>\$ 23,698</u>	<u>\$ 7,319</u>	<u>839,860</u>
Special Events				14,875
Inventory (Other Assets)				6,285
Total				<u>\$ 861,020</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.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and the Alabama Revenue and Taxation 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, 2018. The Foundation files income tax returns in the U.S. federal jurisdiction and applicable state jurisdictions.

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

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

**Functional Expenses**

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

**Wish Granting**

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

**Fundraising**

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

**Management and General**

All costs not identifiable with 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. Unamortized deferred rent was \$4,289 at August 31, 2018.

**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 contributions receivable and in-kind contributions, accrued pending wish costs, net of attrition, allocation of functional expenses and whether an allowance for uncollectible contributions receivable is required.

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

The Foundation's contributions receivable at August 31, 2018 were \$226,156. One donor represents 66% of the balance. All contributions receivable are due within the next 12 months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2018.

**NOTE 4 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, 2018, the Foundation received \$363,100 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 received \$175,000 during the year ended August 31, 2018.

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 \$120,915 were paid from the Foundation to the National Organization during the year ended August 31, 2018.

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 \$450 for the year ended August 31, 2018, which is recorded in the accompanying statements of activities as Other Income.

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:	
Due from National Organization	\$ 22,907
Due to National Organization	\$ 14,443
Due to Other Chapters	5,323
Total Due to Related Entities	<u>\$ 19,766</u>

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 4 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 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 2018, the Foundation received contributions, both cash and in-kind, from board members totaling \$36,355. There are no amounts due from board members at August 31, 2018. There were no amounts paid to related parties for goods and services used in the Foundation's operations.

**NOTE 5 PROPERTY AND EQUIPMENT, NET**

Property and equipment as of August 31, 2018 consist of the following:

Computer Equipment and Software	\$ 39,421
Office Furniture	4,011
Other Equipment	28,430
Leasehold Improvements	<u>7,662</u>
	79,524
Less: Accumulated Depreciation and Amortization	<u>(44,392)</u>
Property and Equipment, Net	<u><u>\$ 35,132</u></u>

Depreciation and amortization expense totaled \$8,048 for the year ended August 31, 2018.

**NOTE 6 ACCRUED PENDING WISH COSTS**

The Foundation accrues the estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give 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 ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 6 ACCRUED PENDING WISH COSTS (CONTINUED)**

Estimated cash and in-kind costs are accrued as pending wish liability at year-end for all reportable approved 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, 2018 would be increased by \$486,271 resulting in an adjusted net deficit of (\$283,337).

In 2018, the Foundation made a change in calculation of accrued pending wish costs. The change simplified the methodology to more closely align the calculation with criteria five "The wish is expected to be granted in the next 12 months." The Foundation limited the number of wishes anticipated to be completed to the lesser of approved wishes or the historical average of wishes granted in the past three years. As a result, the Organization may have experienced a change in liability beyond the change in approved wishes.

**NOTE 7 LEASES**

The Foundation is obligated under various capital and operating leases for office space and equipment, which expire at various dates through June 30, 2023. As of August 31, 2018, the cost of leased equipment acquired under a capital lease was \$19,012, and accumulated depreciation was \$634. Total rent expense for all operating leases for the year ended August 31, 2018 totaled \$51,744.

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>
2019	\$ 51,249	\$ 4,464
2020	52,380	4,464
2021	44,894	4,464
2022	-	4,464
2023	-	3,720
Total Minimum Lease Payments	<u>\$ 148,523</u>	<u>21,576</u>
Less: Amounts Representing Interest		<u>(3,103)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 18,473</u>

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2018:

Purpose Restrictions	<u>\$ 160,164</u>
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**NOTE 9 RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan (the Plan). Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. After one year of service, the Foundation matches employee contributions based on a formula to be determined by the board of directors. Foundation contributions to the Plan for the year ended August 31, 2018 were \$6,785.

**NOTE 10 CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents. The Foundation places its cash with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the Federal Deposit Insurance Corporation (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 \$583,498 were received from a single donor for the year ended August 31, 2018, which represents 23% of total public support. In addition, cash contributions of \$578,298 were received from another donor which represents 23% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**NOTE 11 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through March 13, 2019, the date at which the financial statements were available to be issued.

Subsequent to year-end, the Foundation entered into various hotel contracts related to fiscal year 2019 events. These contracts call for payments up to approximately \$45,000 if the Foundation should cancel these events. As of March 13, 2019, Foundation does not anticipate cancelling any of these events.

**MAKE-A-WISH FOUNDATION® OF ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**

**NOTE 12 LIQUIDITY IN OPERATIONS**

The Foundation has negative unrestricted net assets of \$929,772 as of August 31, 2018, an increase of \$787,241 from August 31, 2017. Total net assets are (\$769,608) as of August 31, 2018, an increase of \$834,698 from August 31, 2017.

The largest liability on the Foundation's statement of financial position is the accrued pending wish liability of \$1,331,204 (both cash and in-kind). From a legal perspective, the Foundation has no obligation to record the accrued pending wishes in its financial statements because there is no contract between the Foundation and wish families. However, the Foundation has taken the position that, once a wish family has been contacted, a relationship has been created and the impact of that relationship should be reflected in its financial statements when it becomes measurable.

The Foundation records the estimated cost of a wish after: (a) a wish referral has been received; (b) proof of medical eligibility has been obtained; (c) the child's wish has been ascertained and determined to fall within the Foundation's wish-granting policies; and (d) it is probable the wish will be granted during the next 12 months.

Recording this noncontractual liability can cause the Foundation to have higher liabilities and lower net assets (sometimes negative net assets) than other nonprofit organizations. In addition, recording the liability may impact the Foundation's program percentage from year to year.

Although the Foundation's largest expenditures generally relate to wish granting, the Foundation has the ability to manage wish expenses to some extent to ensure it has adequate resources to cover its expenses. For example:

- 1) The timing of wishes can often be controlled so the Foundation can achieve cost savings (such as not booking travel wishes during peak travel dates).
- 2) The Foundation can apply for grants from the national Wish Fulfillment Fund to help support pending wishes and reduce its wish pipeline.
- 3) The Foundation can source additional in-kind resources and/or vendor discounts to assist with cash flow, while maintaining the same high quality of the wish experience.

In addition, the National Organization monitors the operational performance (including liquidity) of all of its chapters on a regular basis and is committed to working with chapters to ensure that all eligible children's wishes are granted.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

