# MAKE-A-WISH FOUNDATION® OF SOUTH DAKOTA

## FINANCIAL STATEMENTS

## YEAR ENDED AUGUST 31, 2019

**MAKE-A-WISH FOUNDATION® OF SOUTH DAKOTA**
**TABLE OF CONTENTS**
**YEAR ENDED AUGUST 31, 2019**

## INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of South Dakota
Sioux Falls, South Dakota

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

### *Management's Responsibility for the Financial Statement*

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.

***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 South Dakota as of August 31, 2019, and change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 2 to the financial statements, Make-A-Wish Foundation® of South Dakota 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 South Dakota 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**

Minneapolis, Minnesota
February 19, 2020

**MAKE-A-WISH FOUNDATION® OF SOUTH DAKOTA**
**STATEMENT OF FINANCIAL POSITION**
**AUGUST 31, 2019**

| | |
|---|---|
| **ASSETS** | |
| Cash and Cash Equivalents | $ 109,241 |
| Investments | 9,220,403 |
| Due from Related Entities | 3,426 |
| Prepaid Expenses | 68,654 |
| Contributions Receivable, Net | 115,776 |
| Other Assets | 17,551 |
| Property and Equipment, Net. | 527,986 |
| Beneficial Interest in Assets Held by Others | 327,207 |
| Total Assets | $ 10,390,244 |
| **LIABILITIES AND NET ASSETS** | |
| **LIABILITIES** | |
| Accounts Payable and Accrued Expenses | $ 91,384 |
| Due to Related Entities | 74,042 |
| Capital Lease Obligations | 5,169 |
| Total Liabilities | 170,595 |
| **NET ASSETS** | |
| Without Donor Restrictions | 8,165,335 |
| With Donor Restrictions | 2,054,314 |
| Total Net Assets | 10,219,649 |
| Total Liabilities and Net Assets | $ 10,390,244 |

*See accompanying Notes to Financial Statement.*

## MAKE-A-WISH FOUNDATION® OF SOUTH DAKOTA
## STATEMENT OF ACTIVITIES
## YEAR ENDED AUGUST 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUES, GAINS, AND OTHER SUPPORT** | | | |
| Public Support: | | | |
| Contributions | $ 1,616,708 | $ 145,525 | $ 1,762,233 |
| Internal Special Events | 497,270 | - | 497,270 |
| Less Costs of Direct Benefits to Donors | (176,570) | - | (176,570) |
| Total Internal Special Events | 320,700 | - | 320,700 |
| Investment Income, Net | 226,401 | 15,441 | 241,842 |
| Other Income | 2,746 | - | 2,746 |
| Net Assets Released from Restrictions | 133,615 | (133,615) | - |
| Total Revenues, Gains, and Other Support | 2,300,170 | 27,351 | 2,327,521 |
| **EXPENSES** | | | |
| Program Services: | | | |
| Wish Granting | 1,788,736 | - | 1,788,736 |
| Support Services: | | | |
| Fundraising | 324,183 | - | 324,183 |
| Management and General | 185,188 | - | 185,188 |
| Total Support Services | 509,371 | - | 509,371 |
| Total Expenses | 2,298,107 | - | 2,298,107 |
| **CHANGE IN NET ASSETS** | 2,063 | 27,351 | 29,414 |
| Net Assets - Beginning - Before Change in Accounting Policy | 7,673,974 | 2,026,963 | 9,700,937 |
| Change in Accounting Policy | 489,298 | - | 489,298 |
| Net Assets - Beginning of Year - As Adjusted | 8,163,272 | 2,026,963 | 10,190,235 |
| **NET ASSETS - END OF YEAR** | $ 8,165,335 | $ 2,054,314 | $ 10,219,649 |

*See accompanying Notes to Financial Statement.*

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

| | Program Services | Support Services | | | | |
|---|---|---|---|---|---|---|
| | Wish Granting | Fundraising | Management and General | Total Support Services | Direct Donor Benefits | Total |
| Direct Costs of Wishes | $ 1,201,746 | $ - | $ - | $ - | $ - | $ 1,201,746 |
| Salaries, Taxes, and Benefits | 259,525 | 105,760 | 125,494 | 231,254 | - | 490,779 |
| Printing, Subscriptions, and Publications | 17,586 | 14,071 | 309 | 14,380 | - | 31,966 |
| Professional Fees | 13,359 | 11,811 | 10,330 | 22,141 | - | 35,500 |
| Rent and Utilities | 10,786 | 4,424 | 5,734 | 10,158 | - | 20,944 |
| Postage and Delivery | 7,474 | 3,734 | 891 | 4,625 | - | 12,099 |
| Travel | 1,139 | 1,204 | 161 | 1,365 | - | 2,504 |
| Meetings and Conferences | 13,020 | 28,605 | 4,944 | 33,549 | - | 46,569 |
| Office Supplies | 7,245 | 1,939 | 2,376 | 4,315 | - | 11,560 |
| Communications | 6,455 | 2,593 | 2,726 | 5,319 | - | 11,774 |
| Advertising and Media (In-Kind) | 86,451 | 114,013 | 5,996 | 120,009 | - | 206,460 |
| Repairs and Maintenance | 4,368 | 1,341 | 1,501 | 2,842 | - | 7,210 |
| Insurance | 397 | 159 | 166 | 325 | - | 722 |
| Membership Dues | 1,237 | 2,108 | 550 | 2,658 | - | 3,895 |
| Grants and Scholarships | 60,000 | - | - | - | - | 60,000 |
| National Partnership Dues | 71,616 | 9,065 | 9,972 | 19,037 | - | 90,653 |
| Miscellaneous | 6,390 | 15,377 | 5,699 | 21,076 | - | 27,466 |
| Depreciation and Amortization | 19,942 | 7,979 | 8,339 | 16,318 | - | 36,260 |
| Special Event - Direct Donor Benefits | - | - | - | - | 176,570 | 176,570 |
| Total | 1,788,736 | 324,183 | 185,188 | 509,371 | 176,570 | 2,474,677 |
| Less: Expenses Netted Against Revenues on the Statement of Activities: | | | | | | |
| Special Event Expenses | - | - | - | - | (176,570) | (176,570) |
| Total Expenses Included in the Expense Section of the Statement of Activities | $ 1,788,736 | $ 324,183 | $ 185,188 | $ 509,371 | $ - | $ 2,298,107 |

*See accompanying Notes to Financial Statement.*

# MAKE-A-WISH FOUNDATION® OF SOUTH DAKOTA
## STATEMENT OF CASH FLOWS
## YEAR ENDED AUGUST 31, 2019

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ | 29,414 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | | 36,260 |
| Contributions Restricted for Long-Term Investment | | (30,000) |
| Net Realized and Unrealized Gains on Investments | | (41,469) |
| Contributed Inventory | | (1,605) |
| Changes in Assets and Liabilities: | | |
| Contributions Receivable, Net | | 16,453 |
| Due from Related Entities | | 23,336 |
| Prepaid Expenses | | (62,415) |
| Other Assets | | 3,046 |
| Accounts Payable and Accrued Expenses | | 34,494 |
| Due to Related Entities | | 71,132 |
| Net Cash Provided by Operating Activities | | 78,646 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Investments | | (397,407) |
| Proceeds from Sales of Investments | | 65,000 |
| Purchases of Property and Equipment | | (3,303) |
| Purchase of Beneficial Interest in Assets Held by Others | | (22,094) |
| Disposition of Assets held at National | | 7,364 |
| Net Cash Used by Investing Activities | | (350,440) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Contributions Restricted for Long-Term Investment | | 30,000 |
| Principal Payments on Capital Lease Obligations | | (823) |
| Net Cash Provided by Financing Activities | | 29,177 |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | | (242,617) |
| Cash and Cash Equivalents - Beginning of Year | | 351,858 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ | 109,241 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Contributed Inventory | $ | 1,605 |
| Assets Acquired through Capital Lease | $ | 5,992 |

*See accompanying Notes to Financial Statement.*

## NOTE 1 ORGANIZATION

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with 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 year 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 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. 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.

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

### Property and Equipment, Net (Continued)

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

### Fair Value Measurements

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

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

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

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

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

## 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.

### Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor’s payment plan. Amortization of the discounts is recorded as additional contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

### Revenue Recognition (Continued)

The Foundation received in-kind contributions of assets, services, and materials that are reported in the statement of activities as follows:

| | Programs | Fundraising | Management and General | Total |
|---|---|---|---|---|
| Program and Support Service Expenses: | | | | |
| Wish Related | $ 562,680 | $ - | $ - | $ 562,680 |
| Professional Services | 710 | 2,950 | 176 | 3,836 |
| Rent | 3,196 | 1,382 | 2,533 | 7,111 |
| Advertising and Media | 92,499 | 107,965 | 5,996 | 206,460 |
| Other | 531 | 783 | 557 | 1,871 |
| Total Program and Support Service Expenses | $ 659,616 | $ 113,080 | $ 9,262 | 781,958 |
| Special Events | | | | 109,906 |
| Inventory (Asset) | | | | 1,605 |
| Total | | | | $ 893,469 |

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 wish granting, management and general or fundraising expenses based on the nature of the advertising when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

### Income Taxes

The Foundation is a nonprofit organization exempt from federal income and South Dakota taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3). However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2019. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

## 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 a specific programs or fundraising activities, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

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

### Management Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Change in Accounting Principle – Adoption of ASU 2016-14

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

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

**Change in Accounting Policy – Pending Wish Liability**

Through the fiscal year ending August 31, 2018, the Foundation accrued for estimated costs of reportable pending wishes when five certain, measurable wish criteria were met. This accrual did not represent a legally binding liability but was considered a moral obligation to the child by the Foundation arising when the five criteria were met. Given the changes to the wish granting environment that have occurred in recent years, the Foundation determined that the calculation was no longer representative of the future obligations. The Foundation remains committed to its mission. Please see the commitment footnote for details about future wish granting obligations. As a result of this change in accounting policy, net assets without restriction as of September 1, 2018 have increased by $489,298.

## NOTE 3 LIQUIDITY AND AVAILABILITY

The Foundation monitors liquidity regularly through the monthly financial package provided to the board and through the enterprise-wide benchmarks of excellence. Holding 6 months to 24 months of liquidity is considered excellent based off the enterprise-wide published scale.

| | |
|---|---|
| Total Financial Assets | $ 9,776,053 |
| Donor-Imposed Restrictions: | |
| Restricted Funds | (276,249) |
| Endowments | (1,778,065) |
| Net Financial Assets after Donor-Imposed Restrictions | 7,721,739 |
| Internal Designations: | |
| Board-Designated Endowments | (7,357,615) |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | $ 364,124 |

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.

Our board-designated endowment of $7,357,615 is subject to an annual spending rate of 5% as described in Note 10. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our board's annual budget approval and appropriation), these amounts could be made available if necessary.

## 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.

### Investments

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

### Fair Value Hierarchy

The following table presents the fair value hierarchy of assets that are measured at fair value on a recurring basis at August 31, 2019:

| | Quoted Prices in Active Markets or Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring: | | | | |
| Investments: | | | | |
| Mutual Funds | $ 4,054,730 | $ - | $ - | $ 4,054,730 |
| Exchange-Traded Funds | 4,802,068 | - | - | 4,802,068 |
| Debt Securities | - | 126,862 | - | 126,862 |
| Certificates of Deposit | - | - | - | 84,723 |
| Cash | - | - | - | 152,020 |
| Total Investments | 8,856,798 | 126,862 | - | 9,220,403 |
| Beneficial Interest in Assets Held by: | | | | |
| Others | - | - | 141,477 | 141,477 |
| National | - | - | 185,730 | 185,730 |
| Total Beneficial Interest in Assets Held | - | - | 327,207 | 327,207 |
| Total | $ 8,856,798 | $ 126,862 | $ 327,207 | $ 9,547,610 |

## NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

### Fair Value Hierarchy (Continued)

For the valuation of debt securities at August 31, 2019, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

For the valuation of beneficial interest in assets held by others at August 31, 2019, the Foundation used significant unobservable inputs (Level 3).

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

| | Beneficial Interest in Assets Held by Others | Beneficial Interest in Assets Held by National | Total |
|---|---|---|---|
| Beginning Balance | $ 121,803 | $ 193,107 | $ 314,910 |
| Total Losses Realized/Unrealized Included in Changes in Net Assets | (1,049) | (1,384) | (2,433) |
| Purchases | 20,723 | 1,371 | 22,094 |
| Sales | - | (7,364) | (7,364) |
| Ending Balance | $ 141,477 | $ 185,730 | $ 327,207 |
| Change in Unrealized Losses for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period | $ (1,049) | $ (1,384) | $ (2,433) |

### Beneficial Interests in Assets Held by Others

As of August 31, 2019, the Foundation had a beneficial interest in assets held by others of $327,207. This interest consists of funds contributed to the Wishes Forever Endowment Fund at the National Office and funds contributed to three separate community foundations. An endowment agreement has been signed between the chapter and National Office, as well as with each of the three separate community foundations. Distributions from the National Office and community foundations are made in accordance with the spending policies adopted by the National Office and the board of directors for each respective community foundation. The National Office and community foundations have variance power as it relates to these assets. The beneficial interest in assets held by others consists of funds contributed and the earnings thereon, net of distributions received, and is classified as net assets without donor restrictions in the statements of financial position.

## NOTE 5 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable as of August 31, 2019 were $115,776, which are due from one donor. All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2019.

## NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the year ended August 31, 2019, the Foundation received $111,244 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 $60,000 during the year ended August 31, 2019.

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling $163,164 were paid from the Foundation to the National Organization during the year ended August 31, 2019.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking, and facilitating of the wish for the home chapter. Under this program, the Foundation received $2,175, 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:

| | | |
|---|---|---|
| Due from National Organization | $ | 1,389 |
| Due from Other Chapters | | 2,037 |
| Total Due from Related Entities | $ | 3,426 |
| | | |
| Due to National Organization | $ | 62,850 |
| Due to Other Chapters | | 11,192 |
| Total Due to Related Entities | $ | 74,042 |

## 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. Amounts due to the National Organization generally represent unpaid chapter dues and services.

During 2019, the Foundation received contributions, both cash and in-kind, from board members totaling $33,742.

## NOTE 7 PROPERTY AND EQUIPMENT, NET

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

| | | |
|---|---|---|
| Land | $ | 46,000 |
| Buildings and Building Improvements | | 699,481 |
| Computer Equipment and Software | | 101,452 |
| Office Furniture | | 231,810 |
| Total | | 1,078,743 |
| Less: Accumulated Depreciation and Amortization | | (550,757) |
| Property and Equipment, Net | $ | 527,986 |

Depreciation and amortization expense totaled $36,260 for the year ended August 31, 2019.

## NOTE 8 LEASES

The Foundation is obligated under various capital and operating leases for office space and equipment, which expires at various dates through December 2022. As of August 31, 2019, the cost of leased property and equipment under capital leases was $5,992 and accumulated depreciation was $922. Total rent expense for all operating leases for the year ended August 31, 2019 totaled $6,966.

## NOTE 8 LEASES (CONTINUED)

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

| Year Ending August 31, | Operating Leases | Capital Leases |
|---|---|---|
| 2020 | $ 1,270 | $ 2,100 |
| 2021 | 920 | 2,100 |
| 2022 | 920 | 1,575 |
| 2023 | 307 | - |
| Total Minimum Lease Payments | 3,417 | 5,775 |
| Less Amounts Representing Interest | - | (606) |
| Present Value of Net Minimum Lease Payments | $ 3,417 | $ 5,169 |

## NOTE 9 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 two 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.

**Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the South Dakota 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:

## NOTE 9 ENDOWMENTS (CONTINUED)

**Interpretation of Relevant Law (Continued)**

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 Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Donor-Restricted Endowment Funds | $ - | $ 1,778,065 | $ 1,778,065 |
| Board-Designated Endowment Funds | 7,357,615 | - | 7,357,615 |
| Total Funds | $ 7,357,615 | $ 1,778,065 | $ 9,135,680 |

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

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Endowment Funds - Beginning of Year | $ 7,190,284 | $ 1,764,541 | $ 8,954,825 |
| Investment Return: | | | |
| Investment Income | 199,303 | 3,229 | 202,532 |
| Net Appreciation (Realized and Unrealized) | 33,028 | 10,874 | 43,902 |
| Total Investment Return | 232,331 | 14,103 | 246,434 |
| Appropriation of Endowment Assets for Expenditure | (65,000) | (579) | (65,579) |
| Endowment Funds - End of Year | $ 7,357,615 | $ 1,778,065 | $ 9,135,680 |

**Fund Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no fund deficiencies as of August 31, 2019.

## NOTE 9 ENDOWMENTS (CONTINUED)

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment fund(s) while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

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

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

The Foundation has a policy of appropriating for distribution each year any earnings over the permanently restricted amount over the prior 12 quarters 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 of 5% annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## NOTE 10 NET ASSETS

**Net Assets Without Donor Restrictions**

Board-designated net assets consist of the following at August 31, 2019:

| | |
|---|---|
| Board-Designated Endowment Funds | $ 7,357,615 |

## NOTE 10 NET ASSETS (CONTINUED)

**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: | | |
| Building Fund | $ | 84,723 |
| Wish Granting | | 115,526 |
| Total | | 200,249 |
| Land - Perpetually Restricted | | 46,000 |
| Endowment Contributions Received but not yet Invested | | 30,000 |
| Endowments: | | |
| Subject to Endowment Spending Policy and Appropriation: | | |
| Earnings on Endowment Funds | | 446,715 |
| Original Donor-Restricted Gift Amount to be Maintained in Perpetuity: | | |
| Endowment | | 1,331,350 |
| Total | | 1,778,065 |
| Total Donor Restricted Net Assets | $ | 2,054,314 |

## NOTE 11 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 year of age and upon completion of one year of service. 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 3% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2019 were $12,507.

## NOTE 12 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 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.

## NOTE 12 CONCENTRATIONS OF CREDIT RISK (CONTINUED)

In-kind contributions totaling $283,809 were received from one donor for the year ended August 31, 2019, which represents 16% of 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, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

## NOTE 14 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal year ended August 31, 2019, the Foundation granted 88 wishes. As of the end of the year, there were approximately 60 number of wish children who are eligible for a wish. The average cost of a wish for the fiscal year was $7,441 in cash and $6,384 in in-kind for a total cost of $13,825.

## NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 19, 2020, the date at which the financial statements were available to be issued.