

MAKE-A-WISH FOUNDATION® OF MISSOURI

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

**MAKE-A-WISH FOUNDATION® OF MISSOURI
TABLE OF CONTENTS
YEAR ENDED AUGUST 31, 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Missouri
Ballwin, Missouri

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Missouri 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 then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Make-A-Wish Foundation® of Missouri

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 Missouri 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

St. Louis, Missouri
January 23, 2019

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

ASSETS

Cash and Cash Equivalents	\$	132,479
Investments		2,820,346
Due from Related Entities		67,165
Prepaid Expenses		33,476
Contributions Receivable, Net		194,704
Other Assets		16,125
Property and Equipment, Net		38,147
Beneficial Interest in Assets Held by Others		<u>790,782</u>
Total Assets	\$	<u><u>4,093,224</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$	317,305
Accrued Pending Wish Costs, Cash		547,590
Accrued Pending Wish Costs, In-Kind		497,756
Due to Related Entities		17,928
Other Liabilities		<u>2,618</u>
Total Liabilities		1,383,197

NET ASSETS

Unrestricted		1,718,434
Temporarily Restricted		176,618
Permanently Restricted		<u>814,975</u>
Total Net Assets		<u><u>2,710,027</u></u>
Total Liabilities and Net Assets	\$	<u><u>4,093,224</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MISSOURI
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions	\$ 3,980,287	\$ 146,627	\$ 1,368	\$ 4,128,282
Grants	52,000	-	-	52,000
Total Public Support	4,032,287	146,627	1,368	4,180,282
Internal Special Events	1,439,520	11,250	-	1,450,770
Less Costs of Direct Benefits to Donors	(150,708)	-	-	(150,708)
Total Internal Special Events	1,288,812	11,250	-	1,300,062
Investment Income, Net	185,679	7,489	-	193,168
Other Income, Net	2,700	-	-	2,700
Net Assets Released from Restrictions	145,286	(145,286)	-	-
Total Revenues, Gains, and Other Support	5,654,764	20,080	1,368	5,676,212
EXPENSES				
Program Services:				
Wish Granting	4,140,079	-	-	4,140,079
Total Program Services	4,140,079	-	-	4,140,079
Support Services:				
Fundraising	1,211,866	-	-	1,211,866
Management and General	558,825	-	-	558,825
Total Support Services	1,770,691	-	-	1,770,691
Total Program and Support Services Expense	5,910,770	-	-	5,910,770
OTHER (GAINS) LOSSES				
Change in Beneficial Interests in Assets	-	-	(33,528)	(33,528)
Loss on Disposal of Property and Equipment	4,497	-	-	4,497
Total Expenses and (Gains) Losses	5,915,267	-	(33,528)	5,881,739
CHANGE IN NET ASSETS	(260,503)	20,080	34,896	(205,527)
Net Assets - Beginning of Year	1,978,937	156,538	780,079	2,915,554
NET ASSETS - END OF YEAR	<u>\$ 1,718,434</u>	<u>\$ 176,618</u>	<u>\$ 814,975</u>	<u>\$ 2,710,027</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MISSOURI
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	\$ 3,549,927	\$ -	\$ -	\$ -	\$ 3,549,927
Change in Pending Wish Liability	(450,245)	-	-	-	(450,245)
Salaries, Taxes, and Benefits	738,632	819,933	439,422	1,259,355	1,997,987
Printing, Subscriptions, and Publications	11,155	16,576	1,740	18,316	29,471
Professional Fees	59,682	77,818	36,042	113,860	173,542
Rent and Utilities	22,483	24,913	13,368	38,281	60,764
Postage and Delivery	9,186	6,089	810	6,899	16,085
Travel	9,861	38,470	10,006	48,476	58,337
Meetings and Conferences	22,008	50,296	13,511	63,807	85,815
Office Supplies	2,305	6,699	255	6,954	9,259
Communications	7,838	7,895	3,690	11,585	19,423
Advertising and Media (In-Kind)	-	44,954	-	44,954	44,954
Repairs and Maintenance	3,541	3,924	2,108	6,032	9,573
Membership Dues	263	1,459	157	1,616	1,879
National Partnership Dues	110,686	15,412	14,011	29,423	140,109
Miscellaneous	32,877	86,479	17,830	104,309	137,186
Depreciation and Amortization	9,880	10,949	5,875	16,824	26,704
Special Event Expenses	-	150,708	-	150,708	150,708
Total	4,140,079	1,362,574	558,825	1,921,399	6,061,478
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(150,708)	-	(150,708)	(150,708)
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,140,079</u>	<u>\$ 1,211,866</u>	<u>\$ 558,825</u>	<u>\$ 1,770,691</u>	<u>\$ 5,910,770</u>

See accompanying Notes to Financial Statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (205,527)
Adjustments to reconcile Change in Net Assets to Net Cash	
Used by Operating Activities:	
Depreciation and Amortization	26,704
Net Realized and Unrealized Gains on Investments	(129,382)
Loss on Disposal of Property and Equipment	4,495
Change in Value of Assets Held by Others	(33,528)
Change in Discount to Present Value of Contributions	
Receivable	(1,368)
(Increase) Decrease in Assets and Liabilities:	
Contributions Receivable	(13,669)
Due from Related Entities	12,919
Prepaid Expenses	(19,711)
Other Assets	(3,798)
Accounts Payable and Accrued Expenses	83,968
Accrued Pending Wish Costs	(450,244)
Due to Related Entities	(9,134)
Other Liabilities	(1,653)
Net Cash Used by Operating Activities	(739,928)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(911,006)
Proceeds from Sales of Investments	1,368,342
Purchases of Property and Equipment	(7,088)
Purchase of Beneficial Interest in Assets Held by Others	(37,500)
Net Cash Provided by Investing Activities	412,748

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions Restricted for Long-Term Investment	37,500
Net Cash Provided by Financing Activities	37,500

NET DECREASE IN CASH AND CASH EQUIVALENTS

(289,680)

Cash and Cash Equivalents - Beginning of Year

422,159

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 132,479

SUPPLEMENTAL CASH FLOW INFORMATION

Donated Inventory	\$ 70
-------------------	-------

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Missouri (the Foundation) is a Missouri 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 entered into 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. Included in cash and cash equivalents at August 31, 2018 is \$23,167 of money market mutual funds.

Investments

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

Contributions Receivable

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 10 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes. The Foundation does not have any permanently restricted net assets as of August 31, 2018.

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 statement 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 MISSOURI
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation received in-kind contributions of assets, services, and materials that are reported in the statement of activities as follows at August 31, 2018:

	Programs	Fundraising	Management and General	Total
Program and Support Service				
Wish Related	\$ 1,806,503	\$ -	\$ -	\$ 1,806,503
Professional Services	6,464	7,235	3,844	17,543
Rent	3,702	4,102	2,201	10,005
Advertising and Media	-	44,954	-	44,954
Other	3,613	10,725	134	14,472
Total Program and Support Service Expenses	<u>\$ 1,820,282</u>	<u>\$ 67,016</u>	<u>\$ 6,179</u>	1,893,477
Special Events				14,060
Inventory (Asset)				70
Total				<u>\$ 1,907,607</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 or public information 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. Advertising costs total \$44,954 for the year ended August 31, 2018.

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 Section 144.0302(20) of the Revised Statutes of Missouri. 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 MISSOURI
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. During the fiscal year ended August 31, 2018, the Foundation incurred no joint costs for activities that included fundraising appeals.

Management and General

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

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

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent included within other liabilities was \$2,618 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.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

The fair values of the financial instruments shown in the following table as of August 31, 2018 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 Audit and Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2018:

	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:				
Domestic Equity	\$ 62,773	\$ -	\$ -	\$ 62,773
Bonds	112,924	-	-	112,924
Equity Securities:				
U.S. Corporate Equity Securities	1,046,473	-	-	1,046,473
Foreign Equity Securities	226,144	-	-	226,144
Certificates of Deposit	-	992,260	-	992,260
Debt Securities:				
U.S. Treasury	18,525	-	-	18,525
U.S. Agency	57,499	-	-	57,499
Corporate	-	303,748	-	303,748
Total Recurring	<u>1,524,338</u>	<u>1,296,008</u>	<u>-</u>	<u>2,820,346</u>
Nonrecurring:				
Beneficial Interests in Trust	-	-	665,647	665,647
Beneficial Interest in Assets Held by Others	<u>-</u>	<u>-</u>	<u>125,135</u>	<u>125,135</u>
Total Nonrecurring	<u>-</u>	<u>-</u>	<u>790,782</u>	<u>790,782</u>
Total	<u>\$ 1,524,338</u>	<u>\$ 1,296,008</u>	<u>\$ 790,782</u>	<u>\$ 3,611,128</u>

For the valuation of Certificates of Deposit and Corporate Debt Securities at August 31, 2018, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2018:

Beginning Balance	\$ 712,265
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets	41,017
Purchases	<u>37,500</u>
Ending Balance	<u><u>\$ 790,782</u></u>

Change in Unrealized Gains or Losses for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	<u><u>\$ 41,017</u></u>
--	-------------------------

Total investment income, gains, and losses for the year ended August 31, 2018 consist of the following:

Interest and Dividend Income	\$ 88,732
Realized and Unrealized Gains (Losses), Net	129,382
Less Investment Expenses	<u>(24,946)</u>
Investment Income, Net	<u><u>\$ 193,168</u></u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at a rate of 5.44% at August 31, 2018. The following is a summary of the Foundation's contributions receivable at August 31, 2018:

Total Amounts Due in:	
Within One Year	<u>\$ 195,376</u>
Gross Contributions Receivable	195,376
Less Discount to Present Value	<u>(672)</u>
Contributions Receivable, Net	<u><u>\$ 194,704</u></u>

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

NOTE 5 SPLIT-INTEREST AGREEMENTS

Beneficial Interest in Assets Held by Others

The Foundation is a named income beneficiary on a perpetual trust, the corpus of which is not controlled by the management of the Foundation. Under this arrangement, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation received notice that the agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statement of activities as a change in value of beneficial interest in assets held by others. The Foundation's beneficial interest in the trust is \$665,647 as of August 31, 2018.

As of August 31, 2016, the Foundation had received a gift for an endowment. As it is received, it is being transferred by the Foundation to the Wishes Forever Endowment Fund at the National Organization. The original corpus is not redeemable by the Foundation at any time. Distributions from earnings will be made by the National Organization to the Foundation according to the National Organizations' Endowment Spending Policy. The Foundation's beneficial interest in this endowment being held by the National Organization is \$125,135 as of August 31, 2018.

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, 2018, the Foundation received \$856,478 from these national revenue streams.

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. Amounts totaling \$239,488 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 \$2,700 for the year ended August 31, 2018 which is recorded in the accompanying statement of activities as other income.

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

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:	
Due from National Organization	\$ 66,779
Due from Other Chapters	386
Total Due from Related Entities	<u>\$ 67,165</u>
Due to National Organization	\$ 364
Due to Other Chapters	17,564
Total Due to Related Entities	<u>\$ 17,928</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation. Amounts due to the National Organization generally represent unpaid chapter dues and services.

During 2018, the Foundation received contributions, both cash and in-kind, from board members totaling \$138,647.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

Computer Equipment and Software	\$ 104,514
Office Furniture	15,675
Other Equipment	31,759
Leasehold Improvements	59,316
Total	<u>211,264</u>
Less Accumulated Depreciation and Amortization	<u>(173,117)</u>
Property and Equipment, Net	<u>\$ 38,147</u>

Depreciation and amortization expense totaled \$26,704 for the year ended August 31, 2018.

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

NOTE 8 ACCRUED PENDING WISH COSTS

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

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

Estimated cash and in-kind costs are accrued 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 all the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total change in net assets at August 31, 2018 would increase by \$358,630 resulting in adjusted net assets of \$3,068,657.

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.

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

NOTE 9 LEASES

The Foundation is obligated under various operating leases for office space and equipment, which expire at various dates through April 2021. Total rent expense for all operating leases for the year ended August 31, 2018 totaled \$63,499.

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>
2019	\$ 57,974
2020	36,618
2021	4,480
Total	<u>\$ 99,072</u>

NOTE 10 ENDOWMENT

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

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

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Missouri 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 permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily 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.

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

NOTE 10 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

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, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds				
Held by National	\$ -	\$ 12,635	\$ 112,500	\$ 125,135
Total Funds	<u>\$ -</u>	<u>\$ 12,635</u>	<u>\$ 112,500</u>	<u>\$ 125,135</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds - Beginning of Year	\$ -	\$ 5,146	\$ 75,000	\$ 80,146
Investment Return:				
Investment Income	-	7,489	-	7,489
Total Investment Return	<u>-</u>	<u>7,489</u>	<u>-</u>	<u>7,489</u>
Contributions	<u>-</u>	<u>-</u>	<u>37,500</u>	<u>37,500</u>
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 12,635</u>	<u>\$ 112,500</u>	<u>\$ 125,135</u>

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

NOTE 10 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

Permanently Restricted Net Assets:

The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Donor or by UPMIFA	\$ <u>112,500</u>
---	-------------------

Temporarily Restricted Net Assets:

The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:	
Without Purpose Restrictions	\$ <u>12,635</u>
Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ <u>12,635</u>

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 have been no such deficiencies in 2018.

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.

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 does not have a spending policy that mandates specific annual distributions. As operational needs are identified, the board may elect to make distributions from the endowment assets.

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

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

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

Time Restrictions	\$ 18,750
Purpose Restrictions	<u>157,868</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 176,618</u></u>

For the year ended August 31, 2018, permanently restricted net assets are restricted to:

Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	<u><u>\$ 814,975</u></u>
--	--------------------------

NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of six months of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code 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, 2018 were \$36,479.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling \$967,309 were received from a single donor for the year ended August 31, 2018 which represents 23.2% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 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.

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

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 23, 2019, the date at which the financial statements were available to be issued. Effective September 1, 2018, the Make-A-Wish Foundation® of Kansas' entire assigned territory, which was comprised of 99 counties in the state of Kansas, is reassigned to the Foundation. The Foundation will also formally change its name to Make-A-Wish Foundation® of Missouri & Kansas, effective September 1, 2018.