

**MAKE-A-WISH FOUNDATION® OF IOWA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2019**



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**MAKE-A-WISH FOUNDATION® OF IOWA  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Iowa  
Des Moines, Iowa

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Iowa (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 Statements***

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

### ***Auditors' Responsibility***

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

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

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

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

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

***Emphasis of Matter***

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

**CliftonLarsonAllen LLP**

West Des Moines, Iowa  
February 11, 2020

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

**ASSETS**

**ASSETS**

Cash and Cash Equivalents	\$	132,588
Short-Term Investments		32,981
Due from Related Entities		5,789
Prepaid Expenses		192,583
Contributions Receivable, Net		585,391
Other Assets		300
Inventory		11,622
Split-Interest Agreements		8,983
Investments Held for Long-Term Purposes		2,402,145
Property and Equipment, Net		<u>162,319</u>
Total Assets	\$	<u><u>3,534,701</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$	208,839
Due to Related Entities		13,805
Line of Credit		<u>300,000</u>
Total Liabilities		<u>522,644</u>

**NET ASSETS**

Without Donor Restrictions		2,237,371
With Donor Restrictions		<u>774,686</u>
Total Net Assets		<u><u>3,012,057</u></u>
Total Liabilities and Net Assets	\$	<u><u>3,534,701</u></u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF IOWA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions	\$ 1,769,973	\$ 387,326	\$ 2,157,299
Grants	65,000	-	65,000
Total Public Support	<u>1,834,973</u>	<u>387,326</u>	<u>2,222,299</u>
Internal Special Events	1,610,622	271,605	1,882,227
Less: Costs of Direct Benefits to Donors	(553,514)	-	(553,514)
Total Internal Special Events	<u>1,057,108</u>	<u>271,605</u>	<u>1,328,713</u>
Investment Income, Net	67,924	-	67,924
Other Income	12,413	-	12,413
Net Assets Released from Restrictions	<u>581,417</u>	<u>(581,417)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	3,553,835	77,514	3,631,349
<b>EXPENSES</b>			
Program Services:			
Wish Granting	<u>2,767,864</u>	-	<u>2,767,864</u>
Total Program Services	2,767,864	-	2,767,864
Support Services:			
Fundraising	733,244	-	733,244
Management and General	<u>263,891</u>	-	<u>263,891</u>
Total Support Services	<u>997,135</u>	<u>-</u>	<u>997,135</u>
Total Program and Support Services Expenses	3,764,999	-	3,764,999
<b>CHANGE IN VALUE OF SPLIT-INTEREST AGREEMENTS</b>	-	(79)	(79)
Total Expenses and Losses (Gains)	<u>3,764,999</u>	<u>(79)</u>	<u>3,764,920</u>
<b>CHANGE IN NET ASSETS</b>	(211,164)	77,593	(133,571)
Net Assets - Beginning - Before Change in Accounting Policy	310,431	697,093	1,007,524
Change in Accounting Policy	<u>2,138,104</u>	-	<u>2,138,104</u>
Net Assets - Beginning of Year - As Adjusted	<u>2,448,535</u>	<u>697,093</u>	<u>3,145,628</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,237,371</u>	<u>\$ 774,686</u>	<u>\$ 3,012,057</u>

See accompanying Notes to Financial Statements.

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

	Program Services		Support Services		Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 2,186,434	\$ -	\$ -	\$ -	\$ -	\$ 2,186,434
Salaries, Taxes, and Benefits	321,215	417,742	187,510	605,252	-	926,467
Printing, Subscriptions, and Publications	1,344	70,330	686	71,016	-	72,360
Professional Fees	39,288	46,093	16,585	62,678	-	101,966
Rent and Utilities	36,195	49,431	20,084	69,515	-	105,710
Postage and Delivery	5,364	6,919	968	7,887	-	13,251
Travel	4,297	14,134	925	15,059	-	19,356
Meetings and Conferences	930	34,931	610	35,541	-	36,471
Office Supplies	2,387	3,399	1,254	4,653	-	7,040
Communications	5,150	7,192	2,500	9,692	-	14,842
Repairs and Maintenance	1,129	3,172	613	3,785	-	4,914
Insurance	1,456	1,743	790	2,533	-	3,989
Membership Dues	1,085	1,150	521	1,671	-	2,756
National Partnership Dues	132,302	18,422	16,747	35,169	-	167,471
Miscellaneous	15,008	39,086	6,352	45,438	-	60,446
Depreciation and Amortization	14,280	19,500	7,746	27,246	-	41,526
Special Event - Direct Donor Benefits	-	-	-	-	553,514	553,514
Total	<u>2,767,864</u>	<u>733,244</u>	<u>263,891</u>	<u>997,135</u>	<u>553,514</u>	<u>4,318,513</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event - Direct Donor Benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(553,514)</u>	<u>(553,514)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,767,864</u>	<u>\$ 733,244</u>	<u>\$ 263,891</u>	<u>\$ 997,135</u>	<u>\$ -</u>	<u>\$ 3,764,999</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF IOWA  
STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (133,571)
Adjustments to reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	41,526
Net Realized and Unrealized Loss on Investments	6,560
Contributed Property and Equipment and Inventory	(3,015)
Change in Value of Split-Interest Agreements	(79)
Change in Assets and Liabilities:	
Contributions Receivable	(10,241)
Due from Related Entities	10,367
Prepaid Expenses	(172,119)
Other Assets	1,070
Accounts Payable and Accrued Expenses	(10,093)
Due to Related Entities	(10,612)
Net Cash Used by Operating Activities	(280,207)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Investments	(573,918)
Proceeds from Sales of Investments	460,951
Purchase of Property and Equipment	(10,017)
Net Cash Used by Investing Activities	(122,984)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Line of Credit	300,000
Net Cash Provided by Financing Activities	300,000

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(103,191)

Cash and Cash Equivalents - Beginning of Year

235,779

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

\$ 132,588

**SUPPLEMENTAL CASH FLOW INFORMATION**

Contributed Property and Equipment and Inventory	\$ 3,015
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**MAKE-A-WISH FOUNDATION® OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Iowa (the Foundation) is an Iowa 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 (GAAP) applicable to nonprofit entities.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in without donor-restricted net assets unless its use is limited by donor-imposed restrictions or law.

**Contributions Receivable**

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

**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 three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). 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 IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**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.

**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.

**MAKE-A-WISH FOUNDATION® OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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

**Net Assets (Continued)**

*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 revenue when received and released from restriction 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.

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

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 1,095,538	\$ -	\$ -	\$ 1,095,538
Professional Services	12,264	-	-	12,264
Other	740	3,119	-	3,859
Total	<u>\$ 1,108,542</u>	<u>\$ 3,119</u>	<u>\$ -</u>	1,111,661
Special Events				202,927
Inventory (Asset)				3,015
Total				<u>\$ 1,317,603</u>

**MAKE-A-WISH FOUNDATION® OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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

**Revenue Recognition (Continued)**

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.

Donated advertising and media is reported as contribution revenue and fundraising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

**Designated Funds Held by Community Foundation**

A designated fund for the benefit of the Foundation has been established at the Community Foundation of Greater Des Moines (CFGDM). Donors select a specific nonprofit institution, which may include the Foundation as the recipient, as long as the named institution remains in existence and continues to fulfill its intended purpose. Those funds are not recognized as an asset by the Foundation, as donors have granted variance power to CFGDM in a nonreciprocal transfer. Distributions received from CFGDM from this fund are recognized as revenue by the Foundation upon receipt. For the year ended August 31, 2019, no distributions were received from this fund.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income and Iowa taxes under the provisions of Internal Revenue Code Section 501 (c)(3) and Section 504(a) of the Iowa 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, 2019. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

**MAKE-A-WISH FOUNDATION® OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**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, 2019, the Foundation incurred no significant joint costs for activities that included fund raising appeals.

**Management and General**

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

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

**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.

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

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

**MAKE-A-WISH FOUNDATION® OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**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 principle, net assets without restrictions as of September 1, 2018 have increased by \$2,138,104.

**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	\$ 3,167,877
Donor-Imposed Restrictions:	
Restricted Funds	<u>(774,686)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,393,191</u>

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

**MAKE-A-WISH FOUNDATION® OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Investments**

Overall Investment Objective

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

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values.

Allocation of Investment Strategies

Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

**MAKE-A-WISH FOUNDATION® OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**NOTE 4 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, 2019:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Recurring:				
Investments:				
Mutual Funds	\$ 1,217,535	\$ -	\$ -	\$ 1,217,535
Exchange-Traded Funds	1,111,170	-	-	1,111,170
Cash	-	-	-	106,421
Total Recurring	2,328,705	-	-	2,435,126
Nonrecurring:				
Split-Interest Agreements	-	-	8,983	8,983
Total Nonrecurring	-	-	8,983	8,983
Total	\$ 2,328,705	\$ -	\$ 8,983	\$ 2,444,109

The Foundation has no Level 2 assets at August 31, 2019.

For the valuation of Level 3 investments at August 31, 2019, the Foundation used significant unobservable inputs as follows:

<u>Quantitative Information About Level 3 Fair Value Measurements</u>		
<u>Type of Investments</u>	<u>Fair Value at August 31, 2019</u>	<u>Valuation Technique</u>
Split-Interest Agreements	\$ 8,983	Present value of the estimated future payments to be received

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

Beginning Balance	\$ 8,904
Total Gains (Realized/Unrealized) Included in Changes in Net Assets	79
Ending Balance	<u>\$ 8,983</u>
 Change in Unrealized Gains for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	 <u>\$ 79</u>

**MAKE-A-WISH FOUNDATION® OF IOWA**  
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**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include unconditional promises to give due within the next 12 months and a contribution of in-kind rent under the office space lease agreement that has been discounted at a rate of 4% for a total receivable of \$105,773. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2019. The following is a summary of the Foundation's contributions receivable at August 31:

Total Amounts Due in:	
One Year	\$ 498,168
Two to Five Years	68,900
More than Five Years	47,700
Gross Contributions Receivable	<u>614,768</u>
Less: Discount to Present Value	(29,377)
Contributions Receivable, Net	<u><u>\$ 585,391</u></u>

**NOTE 6 SPLIT-INTEREST AGREEMENTS**

**Charitable Gift Annuities**

The Foundation is a named income beneficiary on various perpetual trusts, the corpus of which is not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying statement of activities as a component of temporarily restricted realized gains and losses on investments.

The Foundation's beneficial interest in the trust is \$8,983 as of August 31, 2019. The Foundation used significant unobservable inputs including asset valuation statements from the asset trustees and the terms of the underlying agreements, which includes a calculation of the present value of the estimated future payments to be received (Level 3).

**NOTE 7 TRANSACTIONS WITH RELATED PARTIES**

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 \$232,104 from these national revenue streams.

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**NOTE 7 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

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 \$167,470 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 \$-0- for the year ended August 31, 2019.

Amounts due from and to related entities are as follows:

	2019
Balance at August 31:	
Due from National Organization	\$ 5,489
Due from Other Chapters	300
Total Due from Related Entities	\$ 5,789
Due to National Organization	\$ 1,650
Due to Other Chapters	12,155
Total Due to Related Entities	\$ 13,805

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 2019, the Foundation received contributions, both cash and in-kind, from board members totaling \$47,120.

**NOTE 8 PROPERTY AND EQUIPMENT, NET**

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

Computer Equipment and Software	\$ 76,014
Office Furniture	78,484
Other Equipment	35,501
Leasehold Improvements	120,792
Total	310,791
Less: Accumulated Depreciation and Amortization	(148,472)
Property and Equipment, Net	\$ 162,319

Depreciation and amortization expense totaled \$41,526 for the year ended August 31, 2019.

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**NOTE 9 LINE OF CREDIT**

The Foundation has a line of credit with a financial institution totaling \$300,000, bearing interest at 5.0% (prime rate on August 31, 2019) and expires on January 31, 2020. There was \$300,000 outstanding on this line of credit as of August 31, 2019. The line of credit is subject to various nonfinancial covenants.

**NOTE 10 LEASES**

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through September 2027. Total rent expense for all operating leases for the year ended August 31, 2019 was \$53,055.

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

<u>Year Ending August 31:</u>	<u>Operating Leases</u>
2020	\$ 53,055
2021	50,387
2022	45,492
2023	47,700
2024	47,700
Thereafter	147,075
Total Minimum Lease Payments	<u>\$ 391,409</u>

**NOTE 11 NET ASSETS**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes or periods as of August 31, 2019:

Subject to Expenditure for Specified Purpose:	
Wish Granting	\$ 353,539
Jolly Holiday Lights	234,875
Adopt-A-Wish	33,633
Other Purposes	37,730
Total	<u>659,777</u>
Subject to Passage of Time:	
Assets Held under Split Interest Agreements	8,983
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	105,926
Total	<u>114,909</u>
Total Donor-Restricted Net Assets	<u>\$ 774,686</u>

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**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 one year 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 (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 \$25,908.

**NOTE 13 CONCENTRATIONS OF CREDIT RISK**

In-kind contributions totaling \$543,395 were received from a single donor for the year ended August 31, 2019, which represents 24% 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.

**NOTE 15 COMMITMENTS**

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal year ending August 31, 2019, the Foundation granted 181 wishes. As of the end of the year, there were approximately 250 wish children who are eligible for a wish. The average cost of a wish for the fiscal year was \$7,154 in cash and \$5,787 in in-kind for a total cost of \$12,941.

**NOTE 16 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through February 11, 2020, the date at which the financial statements were available to be issued.

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