

**MAKE-A-WISH FOUNDATION® OF THE
MID-SOUTH**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2020 AND 2019



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YEARS ENDED AUGUST 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of the Mid-South
Memphis, Tennessee

We have audited the accompanying financial statements of Make-A-Wish Foundation® of the Mid-South which comprise the statements of financial position as of August 31, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 the Mid-South

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 the Mid-South as of August 31, 2020 and 2019 and change in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
December 17, 2020

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 788,221	\$ 505,940
Restricted Cash	5,000	5,000
Investments	4,504,656	4,171,372
Due from Related Entities	50,361	19,182
Prepaid Expenses	124,902	199,845
Contributions Receivable, Net	47,407	302,048
Other Assets	223	698
Investments Held for Long-Term Purposes	323,213	283,920
Property and Equipment, Net	19,382	33,826
Total Assets	\$ 5,863,365	\$ 5,521,831
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 99,799	\$ 226,179
Due to Related Entities	152	16,125
Paycheck Protection Program	278,800	-
Other Liabilities	-	2,500
Total Liabilities	378,751	244,804
NET ASSETS		
Without Donor Restrictions	5,091,710	4,614,132
With Donor Restrictions	392,904	662,895
Total Net Assets	5,484,614	5,277,027
Total Liabilities and Net Assets	\$ 5,863,365	\$ 5,521,831

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 3,184,406	\$ 50,665	\$ 3,235,071
Grants	127,555	-	127,555
Total Public Support	3,311,961	50,665	3,362,626
Internal Special Events	672,618	17,288	689,906
Less Costs of Direct Benefits to Donors	(63,358)	-	(63,358)
Total Internal Special Events	609,260	17,288	626,548
Investment Income, Net	342,727	29,408	372,135
Other Income	1,259	-	1,259
Net Assets Released from Restrictions	367,352	(367,352)	-
Total Revenues, Gains, and Other Support	4,632,559	(269,991)	4,362,568
EXPENSES			
Program Services:			
Wish Granting	3,126,527	-	3,126,527
Support Services:			
Fundraising	494,705	-	494,705
Management and General	533,749	-	533,749
Total Support Services	1,028,454	-	1,028,454
Total Expenses	4,154,981	-	4,154,981
CHANGE IN NET ASSETS	477,578	(269,991)	207,587
Net Assets - Beginning of Year	4,614,132	662,895	5,277,027
NET ASSETS - END OF YEAR	\$ 5,091,710	\$ 392,904	\$ 5,484,614

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 3,766,300	\$ 305,498	\$ 4,071,798
Grants	39,175	1,325	40,500
Total Public Support	3,805,475	306,823	4,112,298
Internal Special Events	866,367	79,830	946,197
Less Costs of Direct Benefits to Donors	(135,807)	-	(135,807)
Total Internal Special Events	730,560	79,830	810,390
Investment Income, Net	33,455	2,448	35,903
Other Income	2,250	-	2,250
Net Assets Released from Restrictions	341,491	(341,491)	-
Total Revenues, Gains, and Other Support	4,913,231	47,610	4,960,841
EXPENSES			
Program Services:			
Wish Granting	4,148,196	-	4,148,196
Support Services:			
Fundraising	513,791	-	513,791
Management and General	424,150	-	424,150
Total Support Services	937,941	-	937,941
Total Expenses	5,086,137	-	5,086,137
CHANGE IN NET ASSETS	(172,906)	47,610	(125,296)
Net Assets - Beginning of Year	4,787,038	615,285	5,402,323
NET ASSETS - END OF YEAR	\$ 4,614,132	\$ 662,895	\$ 5,277,027

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020**

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 2,056,956	\$ -	\$ -	\$ -	\$ -	\$ 2,056,956
Salaries, Taxes, and Benefits	681,997	362,918	405,443	768,361	-	1,450,358
Printing, Subscriptions, and Publications	5,494	5,757	1,322	7,079	-	12,573
Professional Fees	5,717	864	5,040	5,904	-	11,621
Rent and Utilities	76,200	37,111	41,758	78,869	-	155,069
Postage and Delivery	3,181	6,420	2,210	8,630	-	11,811
Travel	7,134	9,155	2,253	11,408	-	18,542
Meetings and Conferences	5,168	1,919	1,475	3,394	-	8,562
Office Supplies	14,976	8,867	1,974	10,841	-	25,817
Communications	16,289	8,951	6,110	15,061	-	31,350
Advertising and Media	500	2,070	-	2,070	-	2,570
Repairs and Maintenance	8,322	4,096	4,394	8,490	-	16,812
Membership Dues	147	72	81	153	-	300
National Partnership Dues	232,186	32,329	29,389	61,718	-	293,904
Miscellaneous	3,732	9,999	27,601	37,600	-	41,332
Depreciation and Amortization	8,528	4,177	4,699	8,876	-	17,404
Special Event - Direct Donor Benefits	-	-	-	-	63,358	63,358
Total	<u>3,126,527</u>	<u>494,705</u>	<u>533,749</u>	<u>1,028,454</u>	<u>63,358</u>	<u>4,218,339</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(63,358)	(63,358)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,126,527</u>	<u>494,705</u>	<u>\$ 533,749</u>	<u>\$ 1,028,454</u>	<u>\$ -</u>	<u>\$ 4,154,981</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
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	\$ 3,040,450	\$ -	\$ -	\$ -	\$ -	\$ 3,040,450
Salaries, Taxes, and Benefits	736,854	362,761	252,477	615,238	-	1,352,092
Printing, Subscriptions, and Publications	9,668	19,870	1,861	21,731	-	31,399
Professional Fees	9,115	845	40,626	41,471	-	50,586
Rent and Utilities	84,411	38,080	28,584	66,664	-	151,075
Postage and Delivery	5,498	7,462	3,493	10,955	-	16,453
Travel	16,761	20,806	1,882	22,688	-	39,449
Meetings and Conferences	1,999	832	469	1,301	-	3,300
Office Supplies	28,911	15,161	1,747	16,908	-	45,819
Communications	16,985	10,641	3,762	14,403	-	31,388
Advertising and Media (Cash)	5,313	1,657	-	1,657	-	6,970
Repairs and Maintenance	12,573	5,993	4,301	10,294	-	22,867
Membership Dues	510	334	159	493	-	1,003
National Partnership Dues	169,692	23,628	21,480	45,108	-	214,800
Miscellaneous	-	1,500	60,102	61,602	-	61,602
Depreciation and Amortization	9,456	4,221	3,207	7,428	-	16,884
Special Event - Direct Donor Benefits	-	-	-	-	135,807	135,807
Total	<u>4,148,196</u>	<u>513,791</u>	<u>424,150</u>	<u>937,941</u>	<u>135,807</u>	<u>5,221,944</u>
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(135,807)	(135,807)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,148,196</u>	<u>513,791</u>	<u>\$ 424,150</u>	<u>\$ 937,941</u>	<u>\$ -</u>	<u>\$ 5,086,137</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 207,587	\$ (125,296)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	17,404	16,884
Contributions Restricted for Long-Term Investment	(3,256)	(12,673)
Net Realized and Unrealized (Gains) Losses on Investments	(259,850)	75,578
Contributed Property and Equipment and Inventory	-	(5,050)
(Increase) Decrease in Assets:		
Contributions Receivable	254,641	(46,160)
Due from Related Entities	(31,179)	6,704
Prepaid Expenses	74,943	(154,877)
Other Assets	475	163
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(126,380)	(59,915)
Due to Related Entities	(15,973)	(9,731)
Other Liabilities	(2,500)	2,500
Net Cash Provided (Used) by Operating Activities	115,912	(311,873)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,446,161)	(258,706)
Proceeds from Sales of Investments	1,333,434	199,871
Purchases of Property and Equipment	(2,960)	(10,263)
Net Cash Used by Investing Activities	(115,687)	(69,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	3,256	12,673
Proceeds from Paycheck Protection Program	278,800	-
Net Cash Provided by Financing Activities	282,056	12,673
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	282,281	(368,298)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	510,940	879,238
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 793,221	\$ 510,940
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contributed Property and Inventory	\$ -	\$ 5,050

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of the Mid-South (the Foundation) is a Tennessee 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 develops and implements 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 (U.S. GAAP) applicable to nonprofit entities.

Cash and Cash Equivalents and Restricted Cash

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, 2020 and 2019 is \$123,459 and \$237,502, respectively, of money market mutual funds. Restricted cash represents monies that are restricted for investment within an endowment fund.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or law. Investments in the Common Collective Trust are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the values of investments will occur in the near term and that such changes could be material to the amounts reported in the statements of financial position.

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 THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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).

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

The Foundation utilizes the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

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.

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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to give are not recognized as contribution revenue and receivables until the conditions have been substantially met.

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 reported in the statements of activities as follows:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>August 31, 2020</u>				
Wish Related	\$ 734,533	\$ -	\$ -	\$ 734,533
Rent	4,455	2,035	2,289	8,779
Advertising and Media	-	454	-	454
Other	5,536	3,666	2,884	12,086
Total	<u>\$ 744,524</u>	<u>\$ 6,155</u>	<u>\$ 5,173</u>	<u>755,852</u>
Special Events				<u>29,784</u>
Total				<u>\$ 785,636</u>
<u>August 31, 2019</u>				
Wish Related	\$ 1,433,290	\$ -	\$ -	\$ 1,433,290
Rent	806	383	251	1,440
Advertising and Media	879	781	40	1,700
Other	6,318	9,199	1,314	16,831
Total	<u>\$ 1,441,293</u>	<u>\$ 10,363</u>	<u>\$ 1,605</u>	<u>1,453,261</u>
Special Events				91,374
Property and Equipment (Capitalized)				<u>5,050</u>
Total				<u>\$ 1,549,685</u>

**MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 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 fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes.

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

Cash Flows

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts shown in the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 788,221	\$ 505,940
Restricted Cash	5,000	5,000
Total	<u>\$ 793,221</u>	<u>\$ 510,940</u>

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Tennessee 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, 2020 and 2019. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 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.

Management and General

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

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

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$4,206 and \$7,575, respectively, at August 31, 2020 and 2019, and is included with accounts payable and accrued expenses on the statement of financial position.

Management Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Foundation's financial statements reflect adoption of ASU 2018-08 guidance beginning in fiscal year 2020. The adoption of ASU 2018-08 did not impact the Foundation's reported revenue.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU addresses diversity in presenting direct cash receipts into and direct cash payments made from accounts that hold restricted cash on the statements of cash flows. The main provision of the standard is to include amounts described as restricted cash or restricted cash equivalents with cash and cash equivalents when reconciling the beginning and end of period amounts shown on the statements of cash flows. ASU 2016-18 was adopted retrospectively to all periods presented.

NOTE 3 LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Total Financial Assets	\$ 5,718,858	\$ 5,287,462
Donor-Imposed Restrictions:		
Restricted Funds	(64,691)	(373,975)
Endowments	<u>(328,213)</u>	<u>(288,920)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,325,954</u>	<u>\$ 4,624,567</u>

Financial Assets include cash and cash equivalents, investments, due from related entities, contributions receivable, and investments held for long-term purposes. For purposes of analyzing resources available to meet general expenditures over one year, the Foundation considers all expenditures related to its ongoing program activities, as well as the functions in support of those activities, to be general expenditures.

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NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

Endowment funds consist of donor-restricted 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.

As part of the Foundation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments, CDs, and money market funds.

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, 2020 and 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 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 common collective trust funds that invest in equity securities, short duration fixed income funds, and multistrategy funds. The fair values of the Foundation's interests in shares or units of these funds, because of liquidity or redemption restrictions that vary depending on the specific fund, may differ from the fair value of the fund's underlying net assets.

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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, except those measured at cost or by NAV per share as a practical expedient, at August 31, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Held at Fair</u>	<u>Total</u>
<u>August 31, 2020</u>					
Assets					
Investments:					
Money Market	\$ -	\$ -	\$ -	\$ 289,234	\$ 289,234
Mutual Funds:					
Multiple Strategies	-	-	-	336,908	336,908
Alternative Investments:					
Common Collective Trust					
Invested in Equity Securities	-	-	-	2,670,631	2,670,631
Common Collective Trust					
Invested in Short Duration					
Fixed Income Funds	<u>138,369</u>	<u>-</u>	<u>-</u>	<u>1,392,727</u>	<u>1,531,096</u>
Total Investments and					
Investments for Long-Term					
Purposes	<u>\$ 138,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,689,500</u>	<u>\$ 4,827,869</u>
<u>August 31, 2019</u>					
Assets					
Investments:					
Mutual Funds:					
Multiple Strategies	\$ -	\$ -	\$ -	\$ 526,504	\$ 526,504
Alternative Investments:					
Common Collective Trust					
Invested in Equity Securities	123,226	-	-	2,453,708	2,576,934
Common Collective Trust					
Invested in Short Duration					
Fixed Income Funds	<u>261,099</u>	<u>-</u>	<u>-</u>	<u>1,090,755</u>	<u>1,351,854</u>
Total Investments and					
Investments for Long-Term					
Purposes	<u>\$ 384,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,070,967</u>	<u>\$ 4,455,292</u>

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at August 31, 2020 and 2019:

Investment Strategy	2020			
	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds:				
Multiple Strategies	\$ 336,908	\$ -	Monthly	2 Days
Alternative Investments:				
Common Collective Trust Invested in Equity Securities	2,670,631	-	Monthly	2 Days
Common Collective Trust Invested in Short Duration				
Fixed Income Funds	1,392,727	-	Monthly	2 Days
Total	<u>\$ 4,400,266</u>	<u>\$ -</u>		
Investment Strategy	2019			
	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual Funds:				
Multiple Strategies	\$ 526,504	\$ -	Monthly	2 Days
Alternative Investments:				
Common Collective Trust Invested in Equity Securities	2,453,708	-	Monthly	2 Days
Common Collective Trust Invested in Short Duration				
Fixed Income Funds	1,090,755	-	Monthly	2 Days
Total	<u>\$ 4,070,967</u>	<u>\$ -</u>		

NOTE 5 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable as of August 31, 2020 and 2019 were \$47,407 and \$302,048, respectively. All contributions receivable are due within the next 12 months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2020 and 2019.

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NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The Foundation received the following distributions from the National Organization for the years ended August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Corporate, Online, Whitemail, and General Contributions	\$ 461,102	\$ 399,269
Grants	4,581	500
Wish Fulfillment Fund	704	-
Adopt-A-Wish	36,500	-
Other	35,334	-
Total Distributions Received	<u>\$ 538,221</u>	<u>\$ 399,769</u>

These amounts are recorded in the statements of activities as public support revenue.

The Foundation paid to the National Organization the following amounts for the years ended August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Chapter Dues	\$ 293,906	\$ 217,798
Services and Other	26,707	18,224
Total Amounts Paid	<u>\$ 320,613</u>	<u>\$ 236,022</u>

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 \$350 and \$2,250, respectively, for the years ended August 31, 2020 and 2019, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities at August 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Due from National Organization	\$ 50,361	\$ 18,403
Due from Other Chapters	-	779
Total Due from Related Entities	<u>\$ 50,361</u>	<u>\$ 19,182</u>
Due to National Organization	\$ -	\$ 1,784
Due to Other Chapters	152	14,341
Total Due to Related Entities	<u>\$ 152</u>	<u>\$ 16,125</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.

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NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

During the years ended August 31, 2020 and 2019, the Foundation received contributions, both cash and in-kind, from board members totaling \$97,328 and \$111,257, respectively. Amounts paid to other chapters for goods and services used in the Foundation's operations totaled \$55,657 and \$136,741, respectively, in 2020 and 2019.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2020</u>	<u>2019</u>
Computer Equipment and Software	\$ 73,385	\$ 75,674
Office Furniture	19,957	19,957
Leasehold Improvements	<u>14,718</u>	<u>14,718</u>
Total	108,060	110,349
Less Accumulated Depreciation and Amortization	<u>(88,678)</u>	<u>(76,523)</u>
Property and Equipment, Net	<u>\$ 19,382</u>	<u>\$ 33,826</u>

Depreciation and amortization expense totaled \$17,404 and \$16,884, respectively, for the years ended August 31, 2020 and 2019.

NOTE 8 LEASES

The Foundation is obligated under various and operating leases for offices and equipment, which expire at various dates through July 2023. Total rent expense for all operating leases for the year ended August 31, 2020 and 2019 totaled \$155,068 and \$151,077, respectively.

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>
2021	\$ 105,852
2022	8,495
2023	<u>8,360</u>
Total Minimum Lease Payments	<u>\$ 122,707</u>

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
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NOTE 9 NET ASSETS

Net Assets With Donor Restrictions

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

	2020	2019
Subject to Expenditure for Specified Purpose:		
In-Kind Pledge Receivable	\$ 3,110	\$ 254,126
Subject to Passage of Time:		
Cash Pledge Receivable	44,297	47,922
Special Events	17,284	71,927
Total	61,581	119,849
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	137,277	101,240
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Diversified Trust Endowment	190,936	187,680
Total	328,213	288,920
Total Donor-Restricted Net Assets	\$ 392,904	\$ 662,895

NOTE 10 ENDOWMENTS

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

The Foundation's endowment consists of one individual fund established by donors to grant wishes in perpetuity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets 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 Tennessee 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.

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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

The accumulated earnings on the endowment funds remain treated as donor-restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment fund composition by type of fund as of August 31 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>August 31, 2020</u>			
Donor-Restricted Endowment Funds :			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 190,936	\$ 190,936
Accumulated Investment Gains	-	137,277	137,277
Total Funds	\$ -	\$ 328,213	\$ 328,213
 <u>August 31, 2019</u>			
Donor-Restricted Endowment Funds :			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 187,680	\$ 187,680
Accumulated Investment Gains	-	101,240	101,240
Total Funds	\$ -	\$ 288,920	\$ 288,920

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NOTE 10 ENDOWMENTS (CONTINUED)

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

August 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds - Beginning of Year	\$ -	\$ 288,920	\$ 288,920
Investment Return:			
Investment Income	-	8,558	8,558
Net Appreciation (Realized and Unrealized)	-	20,850	20,850
Total Investment Return	-	29,408	29,408
Contributions	-	9,885	9,885
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 328,213</u>	<u>\$ 328,213</u>
<u>August 31, 2019</u>			
Endowment Funds - Beginning of Year	\$ -	\$ 294,626	\$ 294,626
Investment Return:			
Investment Income	-	7,230	7,230
Net Depreciation (Realized and Unrealized)	-	(4,782)	(4,782)
Total Investment Return	-	2,448	2,448
Contributions	-	12,673	12,673
Appropriation of Endowment Asset for Expenditure	-	(20,827)	(20,827)
Endowment Funds - End of Year	<u>\$ -</u>	<u>\$ 288,920</u>	<u>\$ 288,920</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 are no fund deficiencies as of August 31, 2020 and 2019.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment funds 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.

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NOTE 10 ENDOWMENTS (CONTINUED)

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 given the insignificant balance of the endowment and its annual return.

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 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 IRC limitations. The Foundation matches 50% of employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2020 and 2019 were \$25,784 and \$22,751, respectively.

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.

In-kind contributions totaling \$508,109 and \$1,023,910, respectively, were received from a single donor for the year ended August 31, 2020 and 2019, which represents 13% and 25% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 13 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal year ended August 31, 2020 and 2019, the Foundation granted 190 and 300 wishes, respectively. As of August 31, 2020 and 2019, respectively, there were approximately 339 and 261 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2020 was \$5,580 in cash and \$5,125 in in-kind for a total cost of \$10,705. The average cost of a wish for the year ended August 31, 2019 was \$5,945 in cash and \$4,642 in in-kind for a total cost of \$10,587.

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NOTE 14 RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began. On March 10, 2020, in conjunction with the Make-A-Wish America National Medical Advisory Council, Make-A-Wish America issued instructions to pause travel and large gathering wishes until deemed medically safe for our vulnerable population and their families. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

As of August 31, 2020, with only a few local exceptions, travel wishes are still paused. Over the past three years, travel wishes have been approximately 75% of wishes granted and the number of granted wishes averaged approximately 278. The number of wishes granted in the current year was 190.

In addition to the impact on travel and large gathering wishes, the Foundation has also cancelled or converted fundraising events to virtual events. The Foundation continues to evaluate all expenses and fundraising efforts in light of the impact of COVID-19. National efforts are underway to return to wish granting and fundraising efforts when it is deemed medically safe.

From an operational perspective, the Foundation's office closed and transitioned the staff to work from home as of March 17, 2020. The office has been partially opened. Temporary internal control policies were written to accommodate for the closure.

NOTE 15 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved for a \$278,800 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on April 22, 2020. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the federal government. The repayment schedule is below.

<u>Year Ending August 31,</u>	<u>Amount</u>
2021	\$ 171,730
2022	107,070
Total	<u>\$ 278,800</u>

NOTE 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through December 17, 2020, the date at which the financial statements were available to be issued.

