

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**

**FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2019**

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

Board of Directors  
Make-A-Wish Foundation® of North Texas  
Addison, Texas

We have audited the accompanying financial statements of Make-A-Wish Foundation® of North Texas, 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.

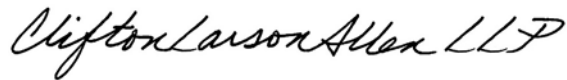
Board of Directors  
Make-A-Wish Foundation® of North Texas

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

**Emphasis of Matters**

As discussed in Note 2 to the financial statements, Make-A-Wish Foundation® of North Texas 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 North Texas also changed an accounting policy with the elimination of the pending wish liability from the Foundation’s statement of financial position. Our opinion is not modified with respect to these matters.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
February 25, 2020

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

**ASSETS**

Cash and Cash Equivalents	\$	2,709,549
Investments		109,390
Due from Related Entities		233,694
Prepaid Expenses		210,354
Contributions Receivable, Net		3,795,608
Other Assets		137,884
Restricted Cash		2,158,610
Property and Equipment, Net		10,409,778
Beneficial Interest in Assets Held by Others		<u>154,875</u>
Total Assets	\$	<u><u>19,919,742</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$	774,467
Due to Related Entities		28,167
Other Liabilities		31,981
Deferred Rent		2,662
Capital Lease Obligations		64,567
Notes Payable		<u>7,948,286</u>
Total Liabilities		8,850,130

**NET ASSETS**

Without Donor Restrictions		6,977,691
With Donor Restrictions		<u>4,091,921</u>
Total Net Assets		<u><u>11,069,612</u></u>
Total Liabilities and Net Assets	\$	<u><u>19,919,742</u></u>

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions	\$ 7,249,055	\$ 2,714,177	\$ 9,963,232
Grants	821,136	284,907	1,106,043
Total Public Support	8,070,191	2,999,084	11,069,275
Internal Special Events	3,883,504	14,500	3,898,004
Less Costs of Direct Benefits to Donors	(860,324)	-	(860,324)
Total Internal Special Events	3,023,180	14,500	3,037,680
Investment Income (Loss), Net	(21,789)	-	(21,789)
Change in Value of Beneficial Interest in Assets Held by Others	-	4,068	4,068
Other Income	703,702	-	703,702
Net Assets Released from Restrictions	1,239,484	(1,239,484)	-
Total Revenues, Gains, and Other Support	13,014,768	1,778,168	14,792,936
<b>EXPENSES</b>			
Program Services:			
Wish Granting	8,263,417	-	8,263,417
Total Program Services	8,263,417	-	8,263,417
Support Services:			
Fundraising	2,831,486	-	2,831,486
Management and General	1,712,139	-	1,712,139
Total Support Services	4,543,625	-	4,543,625
Total Expenses	12,807,042	-	12,807,042
<b>OTHER LOSSES</b>			
Loss on Sale of Property and Equipment	698,929	-	698,929
<b>CHANGE IN NET ASSETS</b>	(491,203)	1,778,168	1,286,965
Net Assets - Beginning of Year - Before Change in Accounting Policy	2,850,613	2,313,753	5,164,366
Change in Accounting Policy	4,618,281	-	4,618,281
Net Assets - Beginning of Year - As Adjusted	7,468,894	2,313,753	9,782,647
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 6,977,691</b>	<b>\$ 4,091,921</b>	<b>\$ 11,069,612</b>

See accompanying Notes to Financial Statements.

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

	Program	Support Services			Direct	Total
	Services		Management	Total Support		
	Wish	Fundraising	and General	Services	Donor Benefits	
	Granting					
Direct Costs of Wishes	\$ 5,816,403	\$ -	\$ -	\$ -	\$ -	\$ 5,816,403
Salaries, Taxes, and Benefits	1,510,000	1,594,234	550,196	2,144,430	-	3,654,430
Printing, Subscriptions, and Publications	8,311	46,083	3,114	49,197	-	57,508
Professional Fees	41,427	163,375	236,718	400,093	-	441,520
Rent and Utilities	106,743	108,929	259,187	368,116	-	474,859
Postage and Delivery	9,282	13,620	8,441	22,061	-	31,343
Travel	27,190	52,718	15,468	68,186	-	95,376
Meetings and Conferences	28,366	67,637	13,579	81,216	-	109,582
Office Supplies	70,583	16,785	2,879	19,664	-	90,247
Communications	29,773	30,451	12,144	42,595	-	72,368
Advertising and Media (Cash)	-	7,831	4,692	12,523	-	12,523
Advertising and Media (In-Kind)	-	256,255	-	256,255	-	256,255
Repairs and Maintenance	3,279	3,650	1,085	4,735	-	8,014
Insurance	-	-	14,660	14,660	-	14,660
Bad Debt Expense	-	137,377	-	137,377	-	137,377
Membership Dues	2,110	2,746	1,721	4,467	-	6,577
National Partnership Dues	404,540	51,208	56,328	107,536	-	512,076
Interest	69,413	69,554	363,766	433,320	-	502,733
Miscellaneous	34,240	106,637	33,502	140,139	-	174,379
Depreciation and Amortization	101,757	102,396	134,659	237,055	-	338,812
Special Event - Direct Donor Benefits	-	-	-	-	860,324	860,324
Total	8,263,417	2,831,486	1,712,139	4,543,625	860,324	13,667,366
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(860,324)	(860,324)
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 8,263,417</u>	<u>\$ 2,831,486</u>	<u>\$ 1,712,139</u>	<u>\$ 4,543,625</u>	<u>\$ -</u>	<u>\$ 12,807,042</u>

See accompanying Notes to Financial Statements.

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 1,286,965
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	338,812
Bad Debt Expense	137,377
Amortization of Bond Issuance Costs	15,739
Net Realized and Unrealized Loss on Investments	55,355
Loss on Sale of Property and Equipment	698,929
Contributed Property and Equipment and Inventory	(650,407)
Change in Value of Beneficial Interest Held by Others	(4,068)
Change in Discount to Present Value of Contributions Receivable	71,362
(Increase) Decrease in Assets:	
Contributions Receivable	(1,741,141)
Due from Related Entities	(42,490)
Prepaid Expenses	(176,887)
Other Assets	(4,356)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	129,148
Due to Related Entities	(32,554)
Other Liabilities	5,111
Deferred Rent	1,879
Net Cash Provided by Operating Activities	88,774

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Investments	(101,883)
Proceeds from Sales of Investments	1,779,684
Purchases of Property and Equipment	(187,844)
Proceeds from Sales of Property and Equipment	1,789,451
Net Cash Provided by Investing Activities	3,279,408

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal Payments on Capital Lease Obligations	(15,545)
Change in Restricted Cash	(176,176)
Principal Payments on Note Payable	(1,500,000)
Net Cash Used by Financing Activities	(1,691,721)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

1,676,461

Cash and Cash Equivalents - Beginning of Year

1,033,088

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

\$ 2,709,549

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash Paid for Interest	\$ 503,955
Acquisition of Equipment through a Capital Lease Agreement	\$ 17,825
Contributed Property and Equipment and Inventory	\$ 650,407
Acquisition of Property through a Note Payable	\$ 1,000,000

See accompanying Notes to Financial Statements.



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

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of North Texas (the Foundation) is a Texas nonprofit corporation, organized for the purpose of creating life changing wishes to 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 net assets without donor restrictions 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 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 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS**  
**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.

**Deferred Financing Costs**

Costs incurred to obtain loans are deferred and amortized using the straight-line method over the length of the respective loan. Amortization expense of \$15,739 was taken for the year ended August 31, 2019 and included in interest expense on the statement of functional expenses.

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

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

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*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 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.

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

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

**Revenue Recognition (Continued)**

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

	Programs	Fundraising	Management and General	Total
Program and Support Service				
Expenses:				
Wish Related	\$ 3,330,253	\$ -	\$ -	\$ 3,330,253
Rent	1,014	1,037	253	2,304
Advertising and Media	-	256,255	-	256,255
Other	52,169	22,047	900	75,116
Total Program and Support				
Service Expense	<u>\$ 3,383,436</u>	<u>\$ 279,339</u>	<u>\$ 1,153</u>	3,663,928
Special Events				346,339
Inventory (Asset)				6,109
Property and Equipment (Capitalized)				644,298
Total				<u>\$ 4,660,674</u>

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes.

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.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income and Texas taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 171.063 of the Texas Tax 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 NORTH TEXAS**  
**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.

**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.

**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 \$2,662 at August 31, 2019.

**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.

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

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

**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.

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

Through the fiscal year ended August 31, 2018, the Foundation accrued for estimated costs of reportable pending wishes when five certain, measurable wish criteria were met. This accrual did not represent a legally binding liability but was considered a moral obligation to the child by the Foundation arising when the five criteria were met. Given the changes to the wish granting environment that have occurred in recent years, the Foundation determined that the calculation was no longer representative of the future obligations. The Foundation remains committed to its mission. Please see the commitment footnote for details about future wish granting obligations. As a result of this change in accounting policy, net assets without restriction as of September 1, 2018 have increased by \$4,618,281.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

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

Total Financial Assets	\$ 9,161,726
Donor Imposed Restrictions:	
Restricted Funds	(3,937,046)
Endowments	(154,875)
Restricted Cash:	<u>(2,158,610)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,911,195</u>

Our 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.

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

**NOTE 4 RESTRICTED CASH**

The Foundation's security agreement related to the note payable requires the Foundation to maintain a minimum cash balance in escrow of the collateral pledged to secure the note payable. At August 31, 2019, the restricted cash balance was \$2,158,610.

**NOTE 5 FAIR VALUE MEASUREMENTS**

**Fair Value of Financial Instruments**

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

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

**Investments**

**Investment Objective and Allocation of Investment Strategies**

The Foundation's cash management objectives are liquidity and protection of principal. As such, the Foundation will maintain all funds in one of the forms listed below. Funds will not be invested in fixed income securities, equities, or other investments without a majority vote of the Finance Committee.

- Cash
- Preferred deposit accounts
- Treasury bills
- Banker's acceptances
- Repurchase agreements
- Commercial paper
- Certificates of deposit

Note: Money market funds that invest in these securities are preferable over individual investment in any of the securities, to maximize liquidity.

Existing alternative investments, purchased under a previous investment policy, are grandfathered and are not required to be liquidated until such time as the Finance Committee deems appropriate.

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

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Investments (Continued)**

**Fair Value Hierarchy**

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Recurring:				
Investments:				
Alternative Investments	\$ 49,665	\$ -	\$ 59,725	\$ 109,390
Total Investments	49,665	-	59,725	109,390
Beneficial Interest in Assets				
Held by National	-	-	154,875	154,875
Total	<u>\$ 49,665</u>	<u>\$ -</u>	<u>\$ 214,600</u>	<u>\$ 264,265</u>

For the valuation of alternative investments at August 31, 2019, the Foundation used significant unobservable inputs including information from owner-to-owner transactions (Level 3).

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

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

	Alternative Investments	Beneficial Interest in Assets Held by National
Beginning Balance	\$ 59,725	\$ 150,807
Total Gains or Losses (Realized/Unrealized)		
Included in Changes in Net Assets	-	4,068
Ending Balance	<u>\$ 59,725</u>	<u>\$ 154,875</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>	<u>\$ 4,068</u>



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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Beneficial Interests in Assets Held by Others**

As of August 31, 2019, the Foundation had a beneficial interest in assets held by others of \$154,875. This interest consists of funds contributed to the Wishes Forever Endowment Fund at the National Office. An endowment agreement has been signed between the chapter and National Office. Distributions from the National Office are made in accordance with the spending policies adopted by the National Office. The National Office have variance power as it relates to these assets. The beneficial interest in assets held by others consists of funds contributed and the earnings thereon, net of distributions received, and is classified as net assets with donor restrictions in the statements of financial position.

**NOTE 6 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include pledges that have been discounted at rates ranging from 3.5% to 5.12% as of August 31, 2019. The following is a summary of the Foundation's contributions receivable at August 31, 2019:

Total Amounts Due in:	
Within One Year	\$ 2,045,909
One to Five Years	1,924,502
More than Five Years	-
Gross Contributions Receivable	<u>3,970,411</u>
Less: Allowance for Doubtful Accounts	(20,000)
Less: Discount to Present Value	<u>(154,803)</u>
Contributions Receivable, Net	<u>\$ 3,795,608</u>

At August 31, 2019, two donors make up 58% of the receivable balance.

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**NOTE 7 TRANSACTIONS WITH RELATED ENTITIES**

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the year ended August 31, 2019, the Foundation received \$1,534,652 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 \$653,707 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 \$12,000 for the year ended August 31, 2019, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance - August 31, 2019:	
Due from National Organization	\$ 231,751
Due from Other Chapters	1,943
Total Due from Related Entities	<u>\$ 233,694</u>
Due to National Organization	\$ 125
Due to Other Chapters	28,042
Total Due to Related Entities	<u>\$ 28,167</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 7 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

During 2019, the Foundation received contributions, both cash and in-kind, from board members totaling \$345,896. In 2019, amounts due from board members totaled \$655,425, and are included in contributions receivable in the accompanying statement of financial position.

**NOTE 8 PROPERTY AND EQUIPMENT, NET**

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

Land	\$ 2,206,016
Buildings and Building Improvements	7,903,091
Computer Equipment and Software	184,350
Office Furniture	419,722
Other Equipment	<u>214,046</u>
Total	10,927,225
Less: Accumulated Depreciation and Amortization	<u>(517,447)</u>
Property and Equipment, Net	<u><u>\$ 10,409,778</u></u>

Depreciation and amortization expense totaled \$338,812 for the year ended August 31, 2019.

**NOTE 9 NOTES PAYABLE**

On June 14, 2018, the Foundation entered into a note payable with a financial institution for an amount up to \$9,500,000. The note bears interest at 5.5%. The note requires interest-only payments through December 25, 2019. After that time, monthly payments of principal and interest of \$55,396 will be made until the maturity date of June 14, 2023. At maturity, the remaining principal will be due.

The property in Addison, Texas has been pledged as collateral on the note. In addition, assignment of 50% of campaign donations without donor restrictions and a minimum escrow amount of no less than \$1.7 million has been pledged as collateral. This is described further in Note 4.

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**NOTE 9 NOTES PAYABLE (CONTINUED)**

Notes payable are made of up the following as of August 31, 2019:

Bank Note	\$ 8,000,000
Less: Unamortized Debt Issuance Costs	<u>(51,714)</u>
Total Notes Payable, Net Unamortized Debt Issuance Costs	<u>\$ 7,948,286</u>

The remaining principal payments subsequent to August 31, 2019 are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2020	\$ 149,293
2021	234,434
2022	247,658
2023	<u>7,368,615</u>
Total	<u>\$ 8,000,000</u>

The Foundation's note payable contains certain financial and nonfinancial covenants.

The Foundation had a line of credit with a financial institution totaling \$750,000, bearing interest at a variable rate and expired on November 29, 2018. On January 25, 2019, the Foundation entered into a new line of credit for \$1,000,000, bearing interest at a variable rate and expires on January 24, 2020. The variable rate as of August 31, 2019 was 4.75%. The line of credit is secured by collateral of the Addison, Texas property and rents on that property. There was no outstanding amount on the line of credit as of August 31, 2019. The line of credit is subject to various financial and nonfinancial covenants.

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**NOTE 10 LEASES**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through April 2024. As of August 31, 2019, the cost of leased property and equipment under capital leases was \$88,782 and accumulated depreciation was \$26,554. Total rent expense for all operating leases for the year ended August 31, 2019 totaled \$129,924.

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2020	\$ 113,037	\$ 21,859
2021	69,376	21,859
2022	61,563	20,173
2023	43,102	8,230
2024	11,316	-
Total Minimum Lease Payments	<u>\$ 298,394</u>	<u>72,121</u>
Less: Amounts Representing Interest		<u>(7,554)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 64,567</u>

The Foundation leases space in its building to unrelated parties under an agreement that expires on July 31, 2021. Revenue from the leased spaced for the year ended August 31, 2019 totaled \$635,100.

Future minimum payments to the Foundation under the lease of space in its building are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2020	\$ 652,533
2021	614,645
Total	<u>\$ 1,267,178</u>

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**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	\$ 1,223,834
Wish Granting in West Texas	261,907
Wish Granting in Midland Texas	3,000
Campaign Building	5,821
Delicious Wishes	<u>14,500</u>
Total	<u>1,509,062</u>
Subject to Passage of Time:	
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	2,427,984
Endowments:	
Subject to Endowment Spending Policy and Appropriation:	
Earnings on Endowment Funds	4,068
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:	
Stephens Family Endowment	<u>150,807</u>
Total	<u>154,875</u>
Total Donor Restricted Net Assets	<u><u>\$ 4,091,921</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 hire. 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 6% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2019 was \$148,331.

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**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 \$2,070,042 were received from a single donor for the year ended August 31, 2019, which represents 19% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**NOTE 14 COMMITMENTS**

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal year ended August 31, 2019, the Foundation granted 600 wishes. As of the end of the year, there were approximately 1,160 wish children who are eligible for a wish. The average cost of a wish for the fiscal year was \$5,535 in cash and \$5,202 in in-kind for a total cost of \$10,737.

**NOTE 15 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through February 25, 2020, the date at which the financial statements were available to be issued.