

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2020 AND 2019

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
TABLE OF CONTENTS
YEARS ENDED AUGUST 31, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



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 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 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 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 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, 2020 and 2019, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 23, 2021

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

ASSETS	2020	2019
Cash and Cash Equivalents	\$ 4,681,648	\$ 2,709,549
Investments	106,112	125,890
Due from Related Entities	359,194	233,694
Prepaid Expenses	223,147	210,354
Contributions Receivable, Net	2,376,806	3,795,608
Other Assets	79,812	121,384
Restricted Cash	700,000	2,158,610
Property and Equipment, Net	10,103,077	10,409,778
Beneficial Interest in Assets Held by Others	169,555	154,875
Total Assets	\$ 18,799,351	\$ 19,919,742
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 373,600	\$ 774,467
Due to Related Entities	1,131	28,167
Other Liabilities	132,396	31,981
Deferred Rent	5,087	2,662
Capital Lease Obligations	47,321	64,567
Paycheck Protection Program	621,500	-
Notes Payable	7,803,097	7,948,286
Total Liabilities	8,984,132	8,850,130
NET ASSETS		
Without Donor Restrictions	6,946,452	6,977,691
With Donor Restrictions	2,868,767	4,091,921
Total Net Assets	9,815,219	11,069,612
Total Liabilities and Net Assets	\$ 18,799,351	\$ 19,919,742

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 3,836,862	\$ 52,541	\$ 3,889,403
Grants	567,140	646,494	1,213,634
Total Public Support	4,404,002	699,035	5,103,037
Internal Special Events	1,727,926	-	1,727,926
Less: Costs of Direct Benefits to Donors	(213,242)	-	(213,242)
Total Internal Special Events	1,514,684	-	1,514,684
Investment Income, Net	434	-	434
Change in Value of Beneficial Interest in Assets Held by Others	-	14,680	14,680
Other Income	693,955	-	693,955
Net Assets Released from Restrictions	1,936,869	(1,936,869)	-
Total Revenues, Gains, and Other Support	8,549,944	(1,223,154)	7,326,790
EXPENSES			
Program Services:			
Wish Granting	4,692,235	-	4,692,235
Total Program Services	4,692,235	-	4,692,235
Support Services:			
Fundraising	1,977,428	-	1,977,428
Management and General	1,911,520	-	1,911,520
Total Support Services	3,888,948	-	3,888,948
Total Expenses	8,581,183	-	8,581,183
CHANGE IN NET ASSETS	(31,239)	(1,223,154)	(1,254,393)
Net Assets - Beginning of Year	6,977,691	4,091,921	11,069,612
NET ASSETS - END OF YEAR	\$ 6,946,452	\$ 2,868,767	\$ 9,815,219

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
REVENUES, GAINS, AND OTHER SUPPORT			
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
EXPENSES			
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
OTHER LOSSES			
Loss on Sale of Property and Equipment	698,929	-	698,929
CHANGE IN NET ASSETS	(491,203)	1,778,168	1,286,965
Net Assets - Beginning of Year	7,468,894	2,313,753	9,782,647
NET ASSETS - END OF YEAR	\$ 6,977,691	\$ 4,091,921	\$ 11,069,612

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020

	Program	Support Services			Direct	Total
	Services					
	Wish	Fundraising	Management	Total Support		
	Granting		and General	Services		
Direct Costs of Wishes	\$ 2,379,022	\$ -	\$ -	\$ -	\$ -	\$ 2,379,022
Salaries, Taxes, and Benefits	1,201,474	1,271,472	845,967	2,117,439	-	3,318,913
Printing, Subscriptions, and Publications	6,596	40,191	4,258	44,449	-	51,045
Professional Fees	52,506	129,977	168,908	298,885	-	351,391
Rent and Utilities	113,318	87,284	281,468	368,752	-	482,070
Postage and Delivery	4,340	5,759	6,191	11,950	-	16,290
Travel	17,252	22,541	10,409	32,950	-	50,202
Meetings and Conferences	4,119	9,175	14,589	23,764	-	27,883
Office Supplies	77,521	8,037	4,718	12,755	-	90,276
Communications	24,425	18,512	13,199	31,711	-	56,136
Advertising and Media (Cash)	-	538	-	538	-	538
Advertising and Media (In-Kind)	-	16,965	-	16,965	-	16,965
Repairs and Maintenance	3,419	2,573	1,453	4,026	-	7,445
Insurance	74	55	-	55	-	129
Bad Debt Expense	-	91,235	-	91,235	-	91,235
Membership Dues	251	463	43	506	-	757
National Partnership Dues	615,587	77,922	85,715	163,637	-	779,224
Interest	60,627	45,827	311,829	357,656	-	418,283
Miscellaneous	24,986	68,765	7,450	76,215	-	101,201
Depreciation and Amortization	106,718	80,137	155,323	235,460	-	342,178
Special Event - Direct Donor Benefits	-	-	-	-	213,242	213,242
Total	4,692,235	1,977,428	1,911,520	3,888,948	213,242	8,794,425
Less Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(213,242)	(213,242)
 Total Expenses Included in the Expense Section of the Statement of Activities	 \$ 4,692,235	 \$ 1,977,428	 \$ 1,911,520	 \$ 3,888,948	 \$ -	 \$ 8,581,183

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 Donor Benefits	Total
	Services		Management	Total Support		
	Wish	Fundraising	and General	Services		
	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
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,254,393)	\$ 1,286,965
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	342,178	338,812
Bad Debt Expense	91,235	137,377
Amortization of Bond Issuance Costs	13,490	15,739
Net Realized and Unrealized Loss on Investments	15,519	55,355
Loss on Sale of Property and Equipment	-	698,929
Contributed Property and Equipment and Inventory	(8,683)	(650,407)
Change in Value of Beneficial Interest Held by Others	(14,680)	(4,068)
Change in Discount to Present Value of Contributions Receivable	(76,983)	71,362
(Increase) Decrease in Assets:		
Contributions Receivable	1,404,550	(1,741,141)
Due from Related Entities	(125,500)	(42,490)
Prepaid Expenses	(12,793)	(176,887)
Other Assets	50,255	(4,356)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(400,867)	129,148
Due to Related Entities	(27,036)	(32,554)
Other Liabilities	100,415	5,111
Deferred Rent	2,425	1,879
Net Cash Provided by Operating Activities	99,132	88,774
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	-	(101,883)
Proceeds from Sales of Investments	4,259	1,779,684
Purchases of Property and Equipment	(35,477)	(187,844)
Proceeds from Sales of Property and Equipment	-	1,789,451
Net Cash Provided (Used) by Investing Activities	(31,218)	3,279,408
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(17,246)	(15,545)
Proceeds from Paycheck Protection Program Loan	621,500	-
Principal Payments on Note Payable	(158,679)	(1,500,000)
Net Cash Provided (Used) by Financing Activities	445,575	(1,515,545)
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	513,489	1,852,637
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	4,868,159	3,015,522
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 5,381,648	\$ 4,868,159
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 423,027	\$ 503,955
Acquisition of Equipment through a Capital Lease Agreement	\$ -	\$ 17,825
Contributed Property and Equipment and Inventory	\$ 8,683	\$ 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, 2020 AND 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 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. 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 (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. Restricted cash represents monies that are restricted as collateral to secure the note payable. 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.

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.

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 NORTH TEXAS
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 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.

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

Fair Value Measurements

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

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

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

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

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

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$13,490 and \$15,739, respectively, was taken for the years ended August 31, 2020 and 2019 and included in interest expense on the statements of functional expenses.

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. 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.

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. There were no conditional promises outstanding as of August 31, 2020 and 2019.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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	\$ (2,761)	\$ -	\$ -	\$ (2,761)
Professional Services	8,986	6,740	5,444	21,170
Rent	-	402	227	629
Advertising and Media	-	16,965	-	16,965
Other	63,780	12,114	3,345	79,239
Total	<u>\$ 70,005</u>	<u>\$ 36,221</u>	<u>\$ 9,016</u>	115,242
Special Events				16,598
Inventory (Asset)				8,683
Property and Equipment (Capitalized)				-
Total				<u>\$ 140,523</u>
<u>August 31, 2019</u>				
Wish Related	\$ 3,330,253	\$ -	\$ -	\$ 3,330,253
Professional Services	-	-	-	-
Rent	1,014	1,037	253	2,304
Advertising and Media	-	256,255	-	256,255
Other	52,169	22,047	900	75,116
Total	<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>

The Foundation received \$615,694 in new wish related in-kind contributions during the year ended August 31, 2020. However, this amount was reduced by a write-down of \$618,455 to a wish related contribution receivable recorded in a prior year, resulting in a net amount of \$(2,761) attributable to wish related in-kind contributions.

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.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

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:

Cash and Cash Equivalents	\$ 4,681,648	\$ 2,709,549
Restricted Cash	700,000	2,158,610
Total	<u>\$ 5,381,648</u>	<u>\$ 4,868,159</u>

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Texas taxes under the provisions of Internal Revenue Code (IRC) 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, 2020 and 2019. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

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.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

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 \$5,087 and \$2,662, respectively at August 31, 2020 and 2019.

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.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board 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.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

In November 2016, FASB issued Accounting Standards (ASU) 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassification had no effect on the change in net assets or the total net assets as previously reported.

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.

	<u>2020</u>	<u>2019</u>
Total Financial Assets	\$ 8,393,315	\$ 9,178,226
Donor Imposed Restrictions:		
Restricted Funds	(2,699,212)	(3,937,046)
Endowments	(169,555)	(154,875)
Restricted Cash:	<u>(700,000)</u>	<u>(2,158,610)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,824,548</u>	<u>\$ 2,927,695</u>

Financial assets include cash and cash equivalents, investments, due from related entities, contributions receivable, restricted cash and beneficial interest in assets held by others. 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.

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, 2020 AND 2019

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.

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, 2020 AND 2019

NOTE 4 FAIR VALUE MEASUREMENTS (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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>August 31, 2020</u>				
Assets:				
Investments:				
Alternative Investments	\$ 36,788	\$ -	\$ 69,324	\$ 106,112
Total Investments	<u>36,788</u>	<u>-</u>	<u>69,324</u>	<u>106,112</u>
Beneficial Interest in Assets				
Held by National	-	-	169,555	169,555
Total	<u>\$ 36,788</u>	<u>\$ -</u>	<u>\$ 238,879</u>	<u>\$ 275,667</u>
<u>August 31, 2019</u>				
Assets:				
Investments:				
Alternative Investments	\$ 49,665	\$ -	\$ 76,225	\$ 125,890
Total Investments	<u>49,665</u>	<u>-</u>	<u>76,225</u>	<u>125,890</u>
Beneficial Interest in Assets				
Held by National	-	-	154,875	154,875
Total	<u>\$ 49,665</u>	<u>\$ -</u>	<u>\$ 231,100</u>	<u>\$ 280,765</u>

For the valuation of alternative investments at August 31, 2020 and 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, 2020 and 2019, the Foundation used significant unobservable inputs (Level 3).

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2020 and 2019:

	Alternative Investments	Beneficial Interest in Assets Held by National
<u>August 31, 2020</u>		
Beginning Balance	\$ 76,225	\$ 154,875
Sales	(4,259)	
Total Gains or Losses (Realized/Unrealized)		
Included in Changes in Net Assets	(2,642)	14,680
Ending Balance	\$ 69,324	\$ 169,555
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	\$ (2,642)	\$ 14,680
<u>August 31, 2019</u>		
Beginning Balance	\$ 76,225	\$ 150,807
Total Gains or Losses (Realized/Unrealized)		
Included in Changes in Net Assets	-	4,068
Ending Balance	\$ 76,225	\$ 154,875
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	\$ -	\$ 4,086

Beneficial Interests in Assets Held by Others

As of August 31, 2020 and 2019, the Foundation had a beneficial interest in assets held by others of \$169,555 and \$154,875, respectively. 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.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 3.5% to 5.12% as of August 31, 2020 and 2019. The following is a summary of the Foundation's contributions receivable at August 31:

	2020	2019
Total Amounts Due in:		
Within One Year	\$ 1,015,844	\$ 2,045,909
One to Five Years	1,482,782	1,924,502
Gross Contributions Receivable	2,498,626	3,970,411
Less: Allowance for Doubtful Accounts	(44,000)	(20,000)
Less: Discount to Present Value	(77,820)	(154,803)
Contributions Receivable, Net	\$ 2,376,806	\$ 3,795,608

At August 31, 2020 and 2019, three donors and two donors make up 60% and 58% of the receivable balance.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2020 and 2019, respectively, the Foundation received \$1,866,181 and \$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 \$898,650 and \$653,707 were paid from the Foundation to the National Organization during the years ended August 31, 2020 and 2019, respectively.

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 \$8,850 and \$12,000 for the years ended August 31, 2020 and 2019, which is recorded in the accompanying statements of activities as Other Income.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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

	2020	2019
Due from National Organization	\$ 358,495	\$ 231,751
Due from Other Chapters	699	1,943
Total Due from Related Entities	<u>\$ 359,194</u>	<u>\$ 233,694</u>
Due to National Organization	\$ -	\$ 125
Due to Other Chapters	1,131	28,042
Total Due to Related Entities	<u>\$ 1,131</u>	<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.

During the years ended August 31, 2020 and 2019, the Foundation received contributions, both cash and in-kind, from board members totaling \$213,409 and \$345,896, respectively. At August 31, 2020 and 2019, amounts due from board members totaled \$533,025 and \$655,425, respectively, and are included in contributions receivable in the accompanying statements of financial position.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	2020	2019
Land	\$ 2,206,016	\$ 2,206,016
Buildings and Building Improvements	7,924,785	7,903,091
Computer Equipment and Software	186,361	184,350
Office Furniture and Equipment	645,439	633,768
Total	<u>10,962,601</u>	<u>10,927,225</u>
Less: Accumulated Depreciation and Amortization	<u>(859,524)</u>	<u>(517,447)</u>
Property and Equipment, Net	<u>\$ 10,103,077</u>	<u>\$ 10,409,778</u>

Depreciation and amortization expense totaled \$342,178 and \$338,812, respectively, for the years ended August 31, 2020 and 2019.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 8 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 required interest-only payments through December 25, 2019. After that time, monthly payments of principal and interest of \$55,396 were to be made until the maturity date of June 14, 2023. At maturity, the remaining principal will be due. On March 26, 2020, the note payable agreement was amended to reduce the interest rate to 4.25%. The monthly payments of principal and interest of \$49,858 will be made until the maturity date of June 14, 2023.

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 was pledged as collateral. This requirement was later amended in the agreement dated March 26, 2020 to maintain a deposit amount of \$700,000 in the reserve account.

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

	<u>2020</u>	<u>2019</u>
Bank Note	\$ 7,841,321	\$ 8,000,000
Less: Unamortized Debt Issuance Costs	<u>(38,224)</u>	<u>(51,714)</u>
Total Notes Payable, Net Unamortized Debt Issuance Costs	<u>\$ 7,803,097</u>	<u>\$ 7,948,286</u>

The remaining principal payments subsequent to August 31, 2020 are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2021	\$ 265,612
2022	277,286
2023	<u>7,298,423</u>
Total	<u>\$ 7,841,321</u>

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

On January 25, 2019, the Foundation entered into a line of credit for \$1,000,000, bearing interest at a variable rate and expired on January 24, 2020. The variable rate as of August 31, 2020 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 was subject to various financial and nonfinancial covenants. The line of credit was not extended past January 24, 2020.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 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, 2020 and 2019, the cost of leased property and equipment under capital leases was \$88,782 and accumulated depreciation was \$45,159 and \$26,554, respectively. Total rent expense for all operating leases for the years ended August 31, 2020 and 2019 totaled \$133,554 and \$129,924, respectively.

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>
2021	\$ 69,388	\$ 21,859
2022	61,563	20,173
2023	43,102	8,232
2024	11,316	-
Total Minimum Lease Payments	<u>\$ 185,369</u>	<u>50,264</u>
Less: Amounts Representing Interest		(2,943)
Present Value of Net Minimum Lease Payments		<u>\$ 47,321</u>

The Foundation leases space in its building to unrelated parties under an agreement that expires on December 31, 2020. Revenue from the leased spaced for the years ended August 31, 2020 and 2019 totaled \$630,922 and \$635,100, respectively.

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>
2021	\$ 209,585
Total	<u>\$ 209,585</u>

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 10 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:		
Wish Granting	\$ -	\$ 1,223,834
Wish Granting in West Texas	230,068	261,907
Wish Granting in Midland Texas	3,000	3,000
Campaign Building	-	5,821
Wish Granting in Tarrant County	387,768	-
Wish Granting in Henderson County	747	-
Wish Granting in Northeast Texas	21	-
Wish Granting in Wichita County	3,022	-
Wishes in Amarillo	9,000	14,500
Total	633,626	1,509,062
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	2,065,586	2,427,984
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	18,748	4,068
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Stephens Family Endowment	150,807	150,807
Total	169,555	154,875
Total Donor-Restricted Net Assets	\$ 2,868,767	\$ 4,091,921

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 hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 6% of the employee's salary through December 31, 2019. Effective January 1, 2020, the Foundation matches employee contributions up to 3% and 50% for the next 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2020 and 2019 was \$108,433 and \$148,331, respectively.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 12 CONCENTRATIONS OF CREDIT RISK

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

NOTE 13 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal years ended August 31, 2020 and 2019, the Foundation granted 240 and 600 wishes. As of August 31, 2020 and 2019, respectively, there were approximately 1,429 and 1,160 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2020 was \$5,152 in cash and \$5,068 in in-kind for a total cost of \$10,220. The average cost of a wish for the year ended August 31, 2019 was \$5,535 in cash and \$5,202 in in-kind for a total cost of \$10,737.

NOTE 14 RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. 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 74% of wishes granted and the number of granted wishes averaged approximately 656. The number of wishes granted in the current year was 240.

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 16, 2020. The office has been (partially) opened. Temporary internal control policies were written to accommodate for the closure.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 15 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved a \$621,500 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 20, 2020. The loan accrues interest at 1%, but payments are not required to begin for seven 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. Subsequent to year-end, the Foundation received forgiveness on their entire loan.

NOTE 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 23, 2021, the date at which the financial statements were available to be issued.