

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2015 AND 2014

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

Board of Directors
Make-A-Wish Foundation® of North Texas
Irving, 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, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses, 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, 2015 and 2014, 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

Phoenix, Arizona
February 5, 2016

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 4,967,579	\$ 4,299,507
Investments	822,187	775,843
Due from Related Entities	161,393	240,775
Prepaid Expenses	46,920	30,398
Contributions Receivable, Net	284,898	152,286
Other Assets	67,468	44,541
Investments Held for Long-Term Purposes	-	24,000
Property and Equipment, Net	3,030,566	3,055,787
Total Assets	\$ 9,381,011	\$ 8,623,137
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 695,519	\$ 396,328
Accrued Pending Wish Costs	2,396,683	1,530,786
Due to Related Entities	97,424	36,926
Other Liabilities	-	5,813
Capital Lease Obligations	25,130	32,261
Notes Payable	-	386,589
Total Liabilities	3,214,756	2,388,703
Net Assets		
Unrestricted	5,799,850	6,014,368
Temporarily Restricted	366,405	196,066
Permanently Restricted	-	24,000
Total Net Assets	6,166,255	6,234,434
Total Liabilities and Net Assets	\$ 9,381,011	\$ 8,623,137

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 6,340,629	\$ 240,701	\$ -	\$ 6,581,330
Grants	619,043	-	-	619,043
Total Public Support	<u>6,959,672</u>	<u>240,701</u>	<u>-</u>	<u>7,200,373</u>
Internal Special Events	4,207,395	125,704	-	4,333,099
Less Costs of Direct Benefits to Donors	<u>(999,562)</u>	<u>-</u>	<u>-</u>	<u>(999,562)</u>
Total Special Events	<u>3,207,833</u>	<u>125,704</u>	<u>-</u>	<u>3,333,537</u>
Investment Income, Net	(16,266)	-	-	(16,266)
Other Income	14,086	-	-	14,086
Net Assets Released from Restrictions	<u>220,066</u>	<u>(196,066)</u>	<u>(24,000)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>10,385,391</u>	<u>170,339</u>	<u>(24,000)</u>	<u>10,531,730</u>
EXPENSES				
Program Services:				
Wish Granting	<u>8,176,939</u>	<u>-</u>	<u>-</u>	<u>8,176,939</u>
Total Program Services	<u>8,176,939</u>	<u>-</u>	<u>-</u>	<u>8,176,939</u>
Support Services:				
Fundraising	1,785,135	-	-	1,785,135
Management and General	<u>637,835</u>	<u>-</u>	<u>-</u>	<u>637,835</u>
Total Support Services	<u>2,422,970</u>	<u>-</u>	<u>-</u>	<u>2,422,970</u>
Total Program and Support Services Expense	10,599,909	-	-	10,599,909
Total Expenses and Losses	<u>10,599,909</u>	<u>-</u>	<u>-</u>	<u>10,599,909</u>
Change in Net Assets	(214,518)	170,339	(24,000)	(68,179)
Net Assets, Beginning of Year	<u>6,014,368</u>	<u>196,066</u>	<u>24,000</u>	<u>6,234,434</u>
NET ASSETS, END OF YEAR	<u>\$ 5,799,850</u>	<u>\$ 366,405</u>	<u>\$ -</u>	<u>\$ 6,166,255</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 6,274,706	\$ 122,100	\$ -	\$ 6,396,806
Grants	626,010	-	-	626,010
Total Public Support	<u>6,900,716</u>	<u>122,100</u>	<u>-</u>	<u>7,022,816</u>
Internal Special Events	3,230,831	73,966	-	3,304,797
Less Costs of Direct Benefits to Donors	<u>(788,074)</u>	<u>-</u>	<u>-</u>	<u>(788,074)</u>
Total Special Events	<u>2,442,757</u>	<u>73,966</u>	<u>-</u>	<u>2,516,723</u>
Investment Income, Net	25,018	-	-	25,018
Other Income	8,781	-	-	8,781
Net Assets Released from Restrictions	<u>120,903</u>	<u>(120,903)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>9,498,175</u>	<u>75,163</u>	<u>-</u>	<u>9,573,338</u>
EXPENSES				
Program Services:				
Wish Granting	<u>6,615,730</u>	<u>-</u>	<u>-</u>	<u>6,615,730</u>
Total Program Services	<u>6,615,730</u>	<u>-</u>	<u>-</u>	<u>6,615,730</u>
Support Services:				
Fundraising	1,549,641	-	-	1,549,641
Management and General	<u>435,473</u>	<u>-</u>	<u>-</u>	<u>435,473</u>
Total Support Services	<u>1,985,114</u>	<u>-</u>	<u>-</u>	<u>1,985,114</u>
Total Program and Support Services Expense	8,600,844	-	-	8,600,844
Change in Net Assets	897,331	75,163	-	972,494
Net Assets, Beginning of Year	<u>5,117,037</u>	<u>120,903</u>	<u>24,000</u>	<u>5,261,940</u>
NET ASSETS, END OF YEAR	<u>\$ 6,014,368</u>	<u>\$ 196,066</u>	<u>\$ 24,000</u>	<u>\$ 6,234,434</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (68,179)	\$ 972,494
Adjustments to reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	130,116	115,708
Bad Debt Expense	13,637	-
Net Realized and Unrealized (Gains) Losses on Investments	28,552	(17,130)
Contributed Property and Equipment, Inventory and Investments	(99,262)	(37,520)
Change in Attrition on Accrued Pending Wish Costs	7,535	(17,118)
Changes in Assets and Liabilities:		
Contributions Receivable	(146,249)	4,933
Due from Related Entities	79,382	(71,626)
Prepaid Expenses	(16,522)	68,949
Other Assets	(46,432)	2,359
Accounts Payable and Accrued Expenses	299,191	(110,135)
Accrued Pending Wish Costs	858,362	36,585
Due to Related Entities	60,498	15,514
Other Liabilities	(5,813)	5,814
Net Cash Provided by Operating Activities	1,094,816	968,827
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	66,871	27,837
Purchases of Property and Equipment	(99,895)	(8,089)
Net Cash Provided by (Used in) Investing Activities	(33,024)	19,748
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(7,131)	(2,068)
Principal Payments on Notes Payable	(386,589)	(70,983)
Net Cash Used in Financing Activities	(393,720)	(73,051)
 Net Increase in Cash and Cash Equivalents	668,072	915,524
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,299,507	3,383,983
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,967,579	\$ 4,299,507
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 5,907	\$ 16,827
Acquisition of Equipment with Capital Lease Agreement	\$ -	\$ 34,330
Contributed Property and Equipment, Inventory and Investments	\$ 99,262	\$ -

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 6,200,481	\$ -	\$ -	\$ -	\$ 6,200,481
Salaries, Taxes, and Benefits	1,137,419	1,166,551	523,124	1,689,675	2,827,094
Printing, Subscriptions, and Publications	28,314	49,043	5,449	54,492	82,806
Professional Fees	80,916	80,109	21,072	101,181	182,097
Rent and Utilities	56,795	55,392	13,863	69,255	126,050
Postage and Delivery	7,058	8,576	1,396	9,972	17,030
Travel	37,406	53,441	4,921	58,362	95,768
Meetings and Conferences	31,846	62,966	6,577	69,543	101,389
Office Supplies	75,905	12,794	2,268	15,062	90,967
Communications	24,862	22,992	5,749	28,741	53,603
Advertising and Media (Cash)	1,875	11,525	-	11,525	13,400
Advertising and Media (In-Kind)	-	88,744	-	88,744	88,744
Repairs and Maintenance	8,280	7,776	1,943	9,719	17,999
Insurance	-	-	613	613	613
Membership Dues	1,707	3,716	419	4,135	5,842
Grants and Scholarships	200,000	-	-	-	200,000
National Partnership Dues	217,328	30,467	29,178	59,645	276,973
Miscellaneous	8,195	60,155	6,950	67,105	75,300
Bad Debt Expense	-	13,637	-	13,637	13,637
Depreciation and Amortization	58,552	57,251	14,313	71,564	130,116
	<u>\$ 8,176,939</u>	<u>\$ 1,785,135</u>	<u>\$ 637,835</u>	<u>\$ 2,422,970</u>	<u>\$ 10,599,909</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2014

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,978,066	\$ -	\$ -	\$ -	\$ 4,978,066
Salaries, Taxes, and Benefits	913,103	942,748	304,367	1,247,115	2,160,218
Printing, Subscriptions, and Publications	12,448	36,442	4,100	40,542	52,990
Professional Fees	72,581	87,279	20,502	107,781	180,362
Rent and Utilities	52,653	60,409	15,512	75,921	128,574
Postage and Delivery	6,814	9,577	1,817	11,394	18,208
Travel	33,098	46,890	15,448	62,338	95,436
Meetings and Conferences	32,083	31,116	8,560	39,676	71,759
Office Supplies	97,222	18,377	3,083	21,460	118,682
Communications	20,957	22,756	5,810	28,566	49,523
Advertising and Media (Cash)	14	8,535	-	8,535	8,549
Advertising and Media (In-Kind)	30,434	122,795	-	122,795	153,229
Repairs and Maintenance	12,949	15,020	3,771	18,791	31,740
Insurance	-	234	-	234	234
Membership Dues	1,707	3,173	527	3,700	5,407
Grants and Scholarships	76,000	-	-	-	76,000
National Partnership Dues	218,517	30,816	30,816	61,632	280,149
Miscellaneous	9,644	59,091	7,275	66,366	76,010
Depreciation and Amortization	47,440	54,383	13,885	68,268	115,708
	<u>\$ 6,615,730</u>	<u>\$ 1,549,641</u>	<u>\$ 435,473</u>	<u>\$ 1,985,114</u>	<u>\$ 8,600,844</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of North Texas (the Foundation) is a Texas not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. 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 U.S. generally accepted accounting principles (GAAP) applicable to not-for-profit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2015 and 2014 is \$506,979 and \$481,794, respectively, of money market mutual funds. The Foundation has classified any cash or money market accounts held by external investment custodians as investments as these funds are not intended for current operations.

Investments

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

Contributions Receivable

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

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having 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 Inputs: 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 Inputs: 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 Inputs: 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, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily Restricted Net Assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions or law.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

	2015	2014
Contributions:		
Wish Related	\$ 2,697,042	\$ 2,508,971
Advertising and Media	-	30,434
Property and Equipment	5,000	9,810
Other	2,271	25,737
Total	\$ 2,704,313	\$ 2,574,952
Special Event Revenue		
Internal Special Events	\$ 588,575	\$ 517,918

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

Program or supporting services expenses were recorded at fair value totaling \$2,699,313 and \$2,565,142 in 2015 and 2014, respectively, with the difference recorded as other assets representing primarily contributed property and equipment.

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. Advertising and media are reported as contribution revenue when received 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 not-for-profit organization exempt from federal income and Texas 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, 2015 and 2014. The Foundation files income tax returns in the U.S. federal jurisdiction.

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 that grant wishes to children with life-threatening medical conditions.

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, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Management and General

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

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

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments and contributions receivable, accrued pending wish costs, net of attrition on pending wish costs and whether an allowance for uncollectible contributions receivable is required. The current economic environment continues to create a high degree of uncertainty in those estimates and assumptions.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

The fair values of the financial instruments shown in the following table as of August 31, 2015 and 2014 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments

Overall Investment Objective

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

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving private equity and real asset strategies. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund may differ from the fair value of the funds' underlying net assets.

Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2015:

	Fair Value Measurements at			Total
	August 31, 2015			
	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Recurring:				
Investments:				
Equity Securities:				
U.S. Corporate Equity Securities	\$ 49,766	\$ -	\$ -	\$ 49,766
Real Estate Investment Trust	13,309	-	59,725	73,034
Money Market Funds	589,580	-	-	589,580
Cash	-	-	-	109,807
Total Recurring	<u>\$ 652,655</u>	<u>\$ -</u>	<u>\$ 59,725</u>	<u>\$ 822,187</u>

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2014:

	Fair Value Measurements at August 31, 2014			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Recurring:				
Investments:				
Equity Securities:				
U.S. Corporate Equity Securities	\$ 61,223	\$ -	\$ -	\$ 61,223
Real Estate Investment Trust	-	-	59,725	59,725
Money Market Funds	678,895	-	-	678,895
Cash	-	-	-	19,564
Total Recurring	\$ 740,118	\$ -	\$ 59,725	\$ 799,843

For the valuation of real estate investment trust investments at August 31, 2015, and 2014, the Foundation used significant unobservable inputs including information from owner-to-owner transactions (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, 2015:

Beginning Balance	(Level 3) \$ 59,725
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets	-
Ending Balance	\$ 59,725
 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	 \$ -

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2014:

	(Level 3)
Beginning Balance	\$ 58,662
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets	1,063
Ending Balance	\$ 59,725
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	\$ 1,063

Total investment income, gains, and losses for the years ended August 31, 2015 and 2014 consist of the following:

	2015	2014
Interest and Dividend Income	\$ 12,486	\$ 8,038
Realized and Unrealized Gains, Net	(28,552)	17,130
Investment Expenses	(200)	(150)
Investment Income, Net	\$ (16,266)	\$ 25,018

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2015 and 2014 were \$284,898 and \$152,286, respectively, which is due within the next twelve months. At August 31, 2015 and 2014 one donor makes up 83% and 80%, respectively, of the receivable balance. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2015 and 2014.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 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, 2015 and 2014, the Foundation received \$1,540,295 and \$1,296,053, respectively, from these national revenue streams.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$433,536 and \$423,295 were paid from the Foundation to the National Organization during the years ended August 31, 2015 and 2014, 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 Foundation received \$9,020 and \$7,050 for the years ended August 31, 2015 and 2014, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	2015	2014
Balance at August 31:		
Due from National Organization	\$ 155,134	\$ 234,644
Due from Other Chapters	6,259	6,131
Total Due from Related Entities	\$ 161,393	\$ 240,775
Due to National Organization	\$ 8,800	\$ 13,274
Due to Other Chapters	88,624	23,652
Total Due to Related Entities	\$ 97,424	\$ 36,926

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.

During 2015 and 2014, the Foundation received contributions, both cash and in-kind, from employees and board members totaling \$382,382 and \$567,599, respectively. In 2015 and 2014, amounts due from board members totaled \$11,246 and \$10,000, respectively, and are included in contributions receivable in the accompanying statements of financial position.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2015	2014
Land	\$ 380,439	\$ 380,439
Buildings and Building Improvements	3,018,615	3,018,615
Computer Equipment and Software	139,501	89,361
Office Furniture	30,101	23,311
Other Equipment	366,786	318,822
	<u>3,935,442</u>	<u>3,830,548</u>
Less Accumulated Depreciation and Amortization	(904,876)	(774,761)
Property and Equipment, Net	<u>\$ 3,030,566</u>	<u>\$ 3,055,787</u>

Depreciation and amortization expense totaled \$130,116 and \$115,708 for the years ended August 31, 2015 and 2014, respectively.

NOTE 7 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

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

Estimated cash and in-kind costs owed as of year end for all reportable pending wishes are accrued as pending wish liability.

The in-kind portion of the pending wish liability represents the estimated in-kind outlay that is expected to be incurred in fulfilling each wish; note that the matching in-kind revenues are recognized when an unconditional promise is received for the required goods or services or in the future period when the wish is granted.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
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NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2015 and 2014, the Foundation had approximately 271 and 206 reportable pending wishes, respectively.

NOTE 8 NOTES PAYABLE

During the year ended August 31, 2014, the Foundation had an unsecured line of credit with a financial institution totaling \$450,000, bearing interest at 4% that expired on June 6, 2015. There was no outstanding balance on this line of credit as of August 31, 2015 and 2014. As of August 31, 2015, the Foundation was in the process of obtaining a new line of credit with a larger line of credit.

NOTE 9 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through February 28, 2019. As of August 31, 2015 and 2014, the cost of leased property and equipment under capital leases was \$34,330, and accumulated depreciation was \$10,438 and \$2,463, respectively. Total rent expense for all operating leases for the years ended August 31, 2015 and 2014 totaled \$68,149 and \$90,864, respectively.

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

	Operating Leases	Capital Leases
<u>Year Ending August 31:</u>		
2016	\$ 80,468	\$ 9,455
2017	75,156	9,455
2018	57,654	8,276
2019	28,443	1,192
2020 and Following	34,500	-
Total Minimum Lease Payments	\$ 276,221	28,378
Less Amounts Representing Interest		(3,248)
Present Value of Net Minimum Lease Payments		\$ 25,130

Subsequent to year end, the Chapter entered into one new operating lease and two new capital leases for equipment which expire at various dates through November 30, 2021. The future minimum lease payments of these two new leases have not been included in the schedule above.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
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NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2015	2014
Time Restrictions	\$ 130,558	\$ 122,100
Purpose Restrictions	235,847	73,966
Total Temporarily Restricted Net Assets	\$ 366,405	\$ 196,066

During the year ended August 31, 2015, the chapter received donor permission to release their \$24,000 permanently restricted net asset for general use.

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. Foundation contributions to the Plan for the years ended August 31, 2015 and 2014 were \$122,081 and \$147,951, respectively.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the 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 \$1,155,012 and \$1,111,781 were received from a single donor for the years ended August 31, 2015 and 2014, respectively, which represents 16%, of total public support in both years. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 13 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 5, 2016, the date at which the financial statements were available to be issued.