

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018



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**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
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YEAR ENDED AUGUST 31, 2018**

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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 statement of financial position as of August 31, 2018, 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, 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
March 1, 2019

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018

ASSETS

Cash and Cash Equivalents	\$	1,033,088
Investments		1,842,546
Due from Related Entities		191,204
Prepaid Expenses		33,467
Contributions Receivable, Net		2,263,206
Other Assets		127,419
Restricted Cash		1,982,434
Investments Held for Long-Term Purposes		150,807
Property and Equipment, Net		<u>11,387,003</u>
Total Assets	\$	<u><u>19,011,174</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$	645,319
Accrued Pending Wish Costs, Cash		2,257,774
Accrued Pending Wish Costs, In-Kind		2,360,507
Due to Related Entities		60,721
Other Liabilities		26,870
Deferred Rent		783
Capital Lease Obligations		62,287
Notes Payable		<u>8,432,547</u>
Total Liabilities		<u>13,846,808</u>

NET ASSETS

Unrestricted		2,850,613
Temporarily Restricted		2,162,946
Permanently Restricted		<u>150,807</u>
Total Net Assets		<u><u>5,164,366</u></u>
Total Liabilities and Net Assets	\$	<u><u>19,011,174</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions	\$ 7,270,491	\$ 1,396,004	\$ 150,807	\$ 8,817,302
Grants	682,650	-	-	682,650
Total Public Support	7,953,141	1,396,004	150,807	9,499,952
Internal Special Events	4,040,654	-	-	4,040,654
Less Costs of Direct Benefits to Donors	(933,751)	-	-	(933,751)
Total Internal Special Events	3,106,903	-	-	3,106,903
Investment Income, Net	68,736	-	-	68,736
Other Income	155,418	-	-	155,418
Net Assets Released from Restrictions	1,760,823	(1,760,823)	-	-
Total Revenues, Gains, and Other Support	13,045,021	(364,819)	150,807	12,831,009
EXPENSES				
Program Services:				
Wish Granting	9,434,519	-	-	9,434,519
Total Program Services	9,434,519	-	-	9,434,519
Support Services:				
Fundraising	2,496,596	-	-	2,496,596
Management and General	830,024	-	-	830,024
Total Support Services	3,326,620	-	-	3,326,620
Total Expenses	12,761,139	-	-	12,761,139
OTHER LOSSES				
Loss on Disposal of Property and Equipment	1,842	-	-	1,842
Loss on Flood Damage	13,303	-	-	13,303
Total Other Losses	15,145	-	-	15,145
CHANGE IN NET ASSETS	268,737	(364,819)	150,807	54,725
Net Assets - Beginning of Year	2,581,876	2,527,765	-	5,109,641
NET ASSETS - END OF YEAR	<u>\$ 2,850,613</u>	<u>\$ 2,162,946</u>	<u>\$ 150,807</u>	<u>\$ 5,164,366</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2018

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 7,088,678	\$ -	\$ -	\$ -	\$ 7,088,678
Change in Pending Wish Liability	(18,223)	-	-	-	(18,223)
Salaries, Taxes, and Benefits	1,448,955	1,395,539	536,974	1,932,513	3,381,468
Printing, Subscriptions, and Publications	20,729	67,635	8,563	76,198	96,927
Professional Fees	109,667	354,065	97,860	451,925	561,592
Rent and Utilities	123,000	115,011	43,934	158,945	281,945
Postage and Delivery	8,927	12,222	2,123	14,345	23,272
Travel	45,338	59,630	11,515	71,145	116,483
Meetings and Conferences	32,612	64,037	14,097	78,134	110,746
Office Supplies	77,347	12,599	2,252	14,851	92,198
Communications	32,568	29,673	8,617	38,290	70,858
Advertising and Media (Cash)	-	13,650	-	13,650	13,650
Advertising and Media (In-Kind)	-	20,173	-	20,173	20,173
Repairs and Maintenance	4,876	4,351	1,344	5,695	10,571
Insurance	-	-	2,374	2,374	2,374
Bad Debt Expense	-	16,568	-	16,568	16,568
Membership Dues	1,242	5,119	394	5,513	6,755
National Partnership Dues	245,303	34,156	31,051	65,207	310,510
Miscellaneous	130,663	214,854	44,995	259,849	390,512
Depreciation and Amortization	82,837	77,314	23,931	101,245	184,082
Special Event Expenses	-	933,751	-	933,751	933,751
Total	<u>9,434,519</u>	<u>3,430,347</u>	<u>830,024</u>	<u>4,260,371</u>	<u>13,694,890</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	<u>-</u>	<u>(933,751)</u>	<u>-</u>	<u>(933,751)</u>	<u>(933,751)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 9,434,519</u>	<u>\$ 2,496,596</u>	<u>\$ 830,024</u>	<u>\$ 3,326,620</u>	<u>\$ 12,761,139</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 54,725
Adjustments to reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	184,082
Bad Debt Expense and Other	16,568
Net Realized and Unrealized Gains on Investments	(21,269)
Property Taxes Financed through Note Payable	53,958
Loss on Sale of Property and Equipment	1,842
Loss on Flood Damage	13,303
Contributions Restricted for Long-Term Investment	(150,807)
Contributed Property and Equipment and Inventory	(61,554)
Change in Discount to Present Value of Contributions Receivable	(73,680)
(Increase) Decrease in Assets:	
Contributions Receivable	154,809
Due from Related Entities	(5,593)
Prepaid Expenses	(4,365)
Other Assets	(34,187)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	(251,135)
Accrued Pending Wish Costs	(18,223)
Due to Related Entities	3,544
Other Liabilities	20,590
Deferred Rent	783
Net Cash Used by Operating Activities	(116,609)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(565,791)
Proceeds from Sales of Investments	334,246
Purchases of Property and Equipment	(126,724)
Net Cash Used by Investing Activities	(358,269)

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions Restricted for Long-Term Investment	150,807
Principal Payments on Capital Lease Obligations	(10,185)
Debt Issuance Costs Paid	(67,453)
Change in Restricted Cash	(1,982,434)
Net Cash Used by Financing Activities	(1,909,265)

NET DECREASE IN CASH AND CASH EQUIVALENTS (2,384,143)

Cash and Cash Equivalents - Beginning of Year 3,417,231

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 1,033,088

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED AUGUST 31, 2018

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid for Interest	\$ 83,598
Acquisition of Equipment through a Capital Lease Agreement	34,708
Contributed Property and Equipment and Inventory	61,554
Acquisition of Property through a Note Payable	8,500,000

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

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. Included in cash and cash equivalents at August 31, 2018 is \$59,599 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, 2018

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, 2018

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. No amortization expense was taken for the year ended August 31, 2018.

Net Assets

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

Permanently Restricted – 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 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 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 contributions 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 statement 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.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

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	\$ 3,497,723	\$ -	\$ -	\$ 3,497,723
Professional Services	846	789	244	1,879
Advertising and Media	-	20,173	-	20,173
Other	79,788	25,027	5,791	110,606
Total Program and Support				
Service Expense	<u>\$ 3,578,357</u>	<u>\$ 45,989</u>	<u>\$ 6,035</u>	3,630,381
Special Events				386,253
Investments (Asset)				152,770
Inventory (Asset)				35,893
Property and Equipment (Capitalized)				25,661
Total				<u>\$ 4,230,958</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 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.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2018. 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.

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 \$783 at August 31, 2018.

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, 2018

NOTE 3 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, 2018, the restricted cash balance was \$1,982,434.

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, 2018 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

Investments

Overall Investment Objective

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

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments (Continued)

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.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

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, 2018:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual Funds:				
Bonds	\$ 343,694	\$ -	\$ -	\$ 343,694
Exchange-Traded Funds:				
Domestic Equity	556,847	-	-	556,847
International Equity	251,138	-	-	251,138
Equity Securities:				
U.S. Corporate Equity Securities	151,128	-	-	151,128
Debt Securities:				
U.S. Treasury	-	56,584	-	56,584
U.S. Agency Corporate	-	170,379 124,557	-	170,379 124,557
Real Estate Investment Trust	43,390	-	59,725	103,115
Cash	-	-	-	235,911
Total	<u>\$ 1,346,197</u>	<u>\$ 351,520</u>	<u>\$ 59,725</u>	<u>\$ 1,993,353</u>

For the valuation of real estate investment trust investments at August 31, 2018, 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, 2018:

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

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Total investment income, gains, and losses for the year ended August 31, 2018 consist of the following:

Interest and Dividend Income	\$ 65,293
Realized and Unrealized Gains, Net	21,269
Investment Expenses	<u>(17,826)</u>
Investment Income, Net	<u>\$ 68,736</u>

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at a rate of 3.5% as of August 31, 2018. The following is a summary of the Foundation's contributions receivable at August 31, 2018:

Total Amounts Due in:	
Within One Year	\$ 1,488,003
One to Five Years	858,644
More than Five Years	-
Gross Contributions Receivable	<u>2,346,647</u>
Less: Allowance for Doubtful Accounts	-
Less: Discount to Present Value	<u>(83,441)</u>
Contributions Receivable, Net	<u>\$ 2,263,206</u>

At August 31, 2018, one donor makes up 35% 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 year ended August 31, 2018, the Foundation received \$1,787,882 from these national revenue streams.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation contributed \$-0- during the year August 31, 2018.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$539,448 were paid from the Foundation to the National Organization during the year ended August 31, 2018.

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 \$9,000 for the year ended August 31, 2018, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:

Due from National Organization	\$ 187,775
Due from Other Chapters	3,429
Total Due from Related Entities	\$ 191,204
Due to National Organization	\$ 23,289
Due to Other Chapters	37,432
Total Due to Related Entities	\$ 60,721

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 2018, the Foundation received contributions, both cash and in-kind, from board members totaling \$588,454. In 2018, amounts due from board members totaled \$837,800, and are included in contributions receivable in the accompanying statement of financial position.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 31, 2018 consists of the following:

Land	\$ 2,571,939
Buildings and Building Improvements	9,360,515
Computer Equipment and Software	236,729
Office Furniture	126,700
Other Equipment	438,735
Total	<u>12,734,618</u>
Less: Accumulated Depreciation and Amortization	<u>(1,347,615)</u>
Property and Equipment, Net	<u><u>\$ 11,387,003</u></u>

Depreciation and amortization expense totaled \$184,082 for the year ended August 31, 2018.

NOTE 8 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is not considered an obligation due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish. This accrual does not represent a legally binding liability but is considered a moral obligation to the child by the Foundation arising when the five criteria are met. 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,
5. The wish is expected to be granted within the next 12 months

Estimated cash and in-kind costs are accrued as pending wish liability at year-end for all reportable approved pending wishes. The in-kind portion of the pending wish liability includes the estimated in-kind expenses that are expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2018 would be increased by \$1,567,495 resulting in adjusted net assets of \$6,731,861.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 ACCRUED PENDING WISH COSTS (CONTINUED)

In 2018, the Foundation made a change in calculation of accrued pending wish costs. The change simplified the methodology to more closely align the calculation with criteria five “The wish is expected to be granted in the next 12 months.” The Foundation limited the number of wishes anticipated to be completed to the lesser of approved wishes or the historical average of wishes granted in the past three years. As a result, the organization may have experienced a change in liability beyond the change in approved wishes.

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. A total of \$8,500,000 was drawn on the note payable as of August 31, 2018. 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 \$58,858 will be made until the maturity date of June 14, 2023. At maturity, the remaining principal will be due.

The property in Irving, Texas and Addison, Texas has been pledged as collateral on the note. In addition, assignment of 50% of unrestricted campaign donations and a minimum escrow amount of no less than \$1.7 million has been pledged as collateral. This is described further in Note 3.

Notes payable are made of up the following as of August 31, 2018:

Bank Note	\$ 8,500,000
Less: Unamortized Debt Issuance Costs	<u>(67,453)</u>
Total Notes Payable, Net Unamortized Debt Issuance Costs	<u><u>\$ 8,432,547</u></u>

The remaining principal payments subsequent to August 31, 2018 are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2019	\$ -
2020	156,542
2021	247,281
2022	261,428
2023	<u>7,834,749</u>
Total	<u><u>\$ 8,500,000</u></u>

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

The Foundation has a line of credit with a financial institution totaling \$750,000, bearing interest at a variable rate and expires on November 29, 2018. The line of credit was not extended past November 29, 2018. The variable rate as of August 31, 2018 was 4.25%. The line of credit is secured by collateral of the Irving, Texas property and rents on that property. There was no outstanding amount on the line of credit as of August 31, 2018. The line of credit is subject to various financial and nonfinancial covenants.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
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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 August 2023. As of August 31, 2018, the cost of leased property and equipment under capital leases was \$77,914 and accumulated depreciation was \$16,463. Total rent expense for all operating leases for the year ended August 31, 2018 totaled \$135,672.

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>
2019	\$ 114,848	\$ 16,350
2020	95,973	16,350
2021	69,526	16,350
2022	48,995	14,880
2023	26,285	7,530
Total Minimum Lease Payments	<u>\$ 355,627</u>	71,460
Less: Amounts Representing Interest		(9,173)
Present Value of Net Minimum Lease Payments		<u>\$ 62,287</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, 2018 totaled \$131,364.

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>
2019	\$ 633,520
2020	652,533
2021	614,645
Total	<u>\$ 1,900,698</u>

NOTE 11 ENDOWMENTS

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

The Foundation's endowment consists of one donor-restricted endowment fund. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as investments held for long-term purposes on the statement of financial position.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Texas UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

Endowment fund composition by type of fund as of August 31, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 150,807	\$ 150,807
Total Funds	\$ -	\$ -	\$ 150,807	\$ 150,807

Changes in endowment funds for the year ended August 31, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds - Beginning of Year	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	150,807	150,807
Endowment Funds - End of Year	\$ -	\$ -	\$ 150,807	\$ 150,807

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

Permanently Restricted Net Assets:

The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	\$ 150,807
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Temporarily Restricted Net Assets:

The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:	
Without Purpose Restrictions	\$ -
With Purpose Restrictions	-
Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ 150,807

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There are no fund deficiencies as of August 31, 2018.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment fund(s) while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation does not have a specified average rate of return expectation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 11 ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation does not have a policy to appropriate a certain percentage of its endowment for distribution each year. Instead, the donor has specified the distribution to cover the cost of one wish annually. While the Foundation does not have a specified rate of return expectation, the Foundation's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 12 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2018:

Time Restrictions	\$ 1,318,119
Purpose Restrictions	844,827
Total Temporarily Restricted Net Assets	<u>\$ 2,162,946</u>

For the year ended August 31, 2018 permanently restricted net assets are restricted to:

Investments in Perpetuity, the Income from Which is Expendable to Grant One Wish Each Year	<u>\$ 150,807</u>
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NOTE 13 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, 2018 was \$107,216.

NOTE 14 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 \$1,889,601 were received from a single donor for the year ended August 31, 2018, which represents 20% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
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NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through March 1, 2019, the date at which the financial statements were available to be issued.

On January 25, 2019, the Foundation entered into a new line of credit for \$1,000,000, which expires on January 24, 2020. The line is secured by collateral of the Irving, Texas property and rents on that property.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
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