

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



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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Michigan
Brighton, Michigan

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Michigan which comprise the statement of financial position as of August 31, 2018 and the related statement of activities, functional expenses, and cash flows for the year 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Make-A-Wish Foundation® of Michigan

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 Michigan as of August 31, 2018 and change in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
January 17, 2019

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

ASSETS

Cash and Cash Equivalents	\$	325,442
Investments		2,772,728
Due from Related Entities		84,143
Prepaid Expenses		112,095
Contributions Receivable, Net		789,308
Other Assets		29,284
Investments Held for Long-Term Purposes		104,224
Property and Equipment, Net		<u>53,685</u>
Total Assets	\$	<u><u>4,270,909</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$	508,920
Accrued Pending Wish Costs - Cash		1,863,844
Accrued Pending Wish Costs - In-Kind		2,147,206
Due to Related Entities		88,827
Deferred Rent		14,957
Capital Lease Obligations		<u>2,770</u>
Total Liabilities		<u><u>4,626,524</u></u>

NET ASSETS (Deficit)

Unrestricted		(1,002,071)
Temporarily Restricted		542,232
Permanently Restricted		<u>104,224</u>
Total Net Assets		<u><u>(355,615)</u></u>

Total Liabilities and Net Assets	\$	<u><u>4,270,909</u></u>
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See accompanying Notes to Financial Statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions	\$ 5,278,205	\$ 409,594	\$ -	\$ 5,687,799
Grants	<u>292,283</u>	<u>-</u>	<u>-</u>	<u>292,283</u>
Total Public Support	5,570,488	409,594	-	5,980,082
Internal Special Events	4,362,134	2,975	-	4,365,109
Less: Costs of Direct Benefits to Donors	<u>(1,141,364)</u>	<u>-</u>	<u>-</u>	<u>(1,141,364)</u>
Total Internal Special Events	3,220,770	2,975	-	3,223,745
Investment Income, Net	183,944	6,747	-	190,691
Other Income	2,816	-	-	2,816
Net Assets Released from Restrictions	<u>419,334</u>	<u>(419,334)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>9,397,352</u>	<u>(18)</u>	<u>-</u>	<u>9,397,334</u>
EXPENSES				
Program Services:				
Wish Granting	7,332,337	-	-	7,332,337
Support Services:				
Fundraising	1,937,467	-	-	1,937,467
Management and General	<u>673,719</u>	<u>-</u>	<u>-</u>	<u>673,719</u>
Total Support Services	2,611,186	-	-	2,611,186
Total Expenses	9,943,523	-	-	9,943,523
CHANGE IN NET ASSETS	(546,171)	(18)	-	(546,189)
Net Assets - Beginning of Year	<u>(455,900)</u>	<u>542,250</u>	<u>104,224</u>	<u>190,574</u>
NET ASSETS - END OF YEAR	<u><u>\$ (1,002,071)</u></u>	<u><u>\$ 542,232</u></u>	<u><u>\$ 104,224</u></u>	<u><u>\$ (355,615)</u></u>

See accompanying Notes to Financial Statements.

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

	Program Services	Support Services			Total
	Wish Granting and Program Related Support	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 5,164,144	\$ -	\$ -	\$ -	\$ 5,164,144
Change in Pending Wish Liability	50,437	-	-	-	50,437
Salaries, Taxes, and Benefits	1,409,553	1,165,737	496,837	1,662,574	3,072,127
Printing, Subscriptions, and Publications	28,173	91,845	5,911	97,756	125,929
Professional Fees	82,272	82,251	34,981	117,232	199,504
Rent and Utilities	101,964	85,223	35,593	120,816	222,780
Postage and Delivery	21,563	25,007	7,380	32,387	53,950
Travel	24,774	89,050	7,825	96,875	121,649
Meetings and Conferences	51,319	85,101	12,795	97,896	149,215
Office Supplies	74,134	22,391	8,494	30,885	105,019
Communications	19,909	15,015	5,762	20,777	40,686
Advertising and Media (Cash)	-	19,441	-	19,441	19,441
Advertising and Media (In-Kind)	-	10,688	-	10,688	10,688
Repairs and Maintenance	5,302	4,380	1,845	6,225	11,527
Insurance	123	102	43	145	268
Bad Debt Expense	-	13,410	-	13,410	13,410
Membership Dues	994	1,716	608	2,324	3,318
National Partnership Dues	218,259	30,391	27,628	58,019	276,278
Miscellaneous	61,368	180,809	21,739	202,548	263,916
Depreciation and Amortization	18,049	14,910	6,278	21,188	39,237
Special Event Expenses	-	1,141,364	-	1,141,364	1,141,364
	7,332,337	3,078,831	673,719	3,752,550	11,084,887
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(1,141,364)	-	(1,141,364)	(1,141,364)
	-	(1,141,364)	-	(1,141,364)	(1,141,364)
 Total Expenses Included in the Expense Section of the Statement of Activities	 \$ 7,332,337	 \$ 1,937,467	 \$ 673,719	 \$ 2,611,186	 \$ 9,943,523

See accompanying Notes to Financial Statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (546,189)
Adjustments to reconcile Change in Net Assets to Net Cash	
Used in Operating Activities:	
Depreciation and Amortization	39,237
Bad Debt Expense and Other	13,410
Net Realized and Unrealized Gains on Investments	(42,830)
Contributed Property and Equipment, Inventory and Investments	(1,921)
Change in Discount to Present Value of Contributions Receivable	2,609
(Increase) Decrease in Assets:	
Contributions Receivable	(27,898)
Due from Related Entities	(23,072)
Prepaid Expenses	(74,941)
Other Assets	10,962
Increase in Liabilities:	
Accounts Payable and Accrued Expenses	40,461
Accrued Pending Wish Costs	50,437
Due to Related Entities	21,868
Other Liabilities	3,454
Net Cash Used by Operating Activities	<u>(534,413)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(125,671)
Proceeds from Sales of Investments	136,708
Purchases of Property and Equipment	<u>(38,250)</u>
Net Cash Used by Investing Activities	<u>(27,213)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Capital Lease Obligations	<u>(2,800)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS

(564,426)

Cash and Cash Equivalents - Beginning of Year

889,868

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 325,442

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for Interest Expense	\$ 16,213
Contributed Inventory	\$ 1,921

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Michigan (the Foundation) is a Michigan 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 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 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 \$68,768 of money market mutual funds.

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 MICHIGAN
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 of greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

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 MICHIGAN
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 at August 31, 2018:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 2,556,119	\$ -	\$ -	\$ 2,556,119
Professional Services	-	1,000	1,000	2,000
Advertising and Media	-	10,688	-	10,688
Other	<u>38,953</u>	<u>6,993</u>	<u>892</u>	<u>46,838</u>
	<u>\$ 2,595,072</u>	<u>\$ 18,681</u>	<u>\$ 1,892</u>	2,615,645
Special Events				165,283
Inventory (Asset)				1,921
Total				<u>\$ 2,782,849</u>

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

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

Donated advertising and media is reported as contribution revenue and fundraising or public information 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Michigan taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 208.1207 of the state of Michigan. 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, 2018. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

Functional Expenses

The Foundation performs four functions: wish granting, program related-support, 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.

Program-Related Support

Activities performed by the Foundation related to the wish program including the identification of wish children and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 2018, the Foundation incurred no significant joint costs for activities that include fundraising appeals.

Management and General

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$14,957 at August 31, 2018.

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.

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, 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. 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 MICHIGAN
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 3 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:				
Mutual Funds:				
Domestic Equity	\$ 822,633	\$ -	\$ -	\$ 822,633
International Equity	702,492	-	-	702,492
Asset Allocation	256,061	-	-	256,061
Bonds	405,275	-	-	405,275
Exchange-Traded Funds:				
Bonds	-	78,463	-	78,463
Equity Securities:				
U.S. Corporate	556	-	-	556
Certificates of Deposit	-	586,391	-	586,391
Debt Securities:				
U.S. Agency	-	25,081	-	25,081
Total Investments and Investments Held for Long Term Purposes	<u>\$ 2,187,017</u>	<u>\$ 689,935</u>	<u>\$ -</u>	<u>\$ 2,876,952</u>

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

Interest and Dividend Income	\$ 147,861
Realized and Unrealized Gains, Net	<u>42,830</u>
Investment Income, Net	<u>\$ 190,691</u>

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

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 0% to 3.5% at 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	\$ 761,774
One to Five Years	30,000
Gross Contributions Receivable	<u>791,774</u>
Less Discount to Present Value	<u>(2,466)</u>
Contributions Receivable, Net	<u><u>\$ 789,308</u></u>

Management determined that all contributions receivable are collectible, therefore no allowance for uncollectible accounts is considered necessary at August 31, 2018.

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 year ended August 31, 2018, the Foundation received \$1,366,965 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 received \$65,851 during the year August 31, 2018.

Conversely, the Foundation pays amounts to the National Organization for chapter 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. A total of \$469,223 was 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 \$2,700 for the year ended August 31, 2018, which is recorded in the accompanying statement of activities as other income.

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

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:	
Due from National Organization	\$ 81,240
Due from Other Chapters	2,903
Total Due from Related Entities	<u>\$ 84,143</u>
Due to National Organization	\$ 14,572
Due to Other Chapters	74,255
Total Due to Related Entities	<u>\$ 88,827</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 2018 the Foundation received contributions, both cash and in-kind, from board members totaling \$70,433. In 2018, amounts due from board members totaled \$101,000 and are included in contributions receivable in the accompanying statement of financial position.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

Computer Equipment and Software	\$ 291,684
Office Furniture	38,274
Other Equipment	59,262
Leasehold Improvements	30,708
Total	<u>419,928</u>
Less Accumulated Depreciation and Amortization	<u>(366,243)</u>
Property and Equipment, Net	<u>\$ 53,685</u>

Depreciation and amortization expense totaled \$39,237 for the year ended August 31, 2018.

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

NOTE 7 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, and
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 increase by \$1,740,412 resulting in adjusted net assets of \$1,384,797.

In 2018, the National Organization made a change in the calculation of accrued pending wish costs that is reflected in the Foundation financial statements. 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. As of August 31, 2018, the Foundation had 416 reportable pending wishes.

NOTE 8 NOTES PAYABLE

The Foundation has an unsecured line of credit with a financial institution totaling \$500,000, bearing interest at a variable rate with a maturity date of September 20, 2019. As of August 31, 2018, the Foundation had no amounts outstanding on this line of credit.

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NOTE 9 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through April 30, 2023. As of August 31, 2018, the cost of leased property and equipment under capital leases was \$10,732, and accumulated depreciation was \$8,273. Total rent expense for all operating leases for the year ended August 31, 2018 totaled \$203,555.

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	\$ 200,684	\$ 2,882
2020	204,336	-
2021	209,788	-
2022	70,218	-
2023	<u>28,178</u>	<u>-</u>
Total Minimum Lease Payments	713,204	2,882
Less: Amounts Representing Interest	-	(112)
Present Value of Net Minimum Lease Payments	<u>\$ 713,204</u>	<u>\$ 2,770</u>

NOTE 10 ENDOWMENTS

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

The Foundation's endowment consists of one individual 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.

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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted Michigan 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 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 104,224	\$ 104,224

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds - Beginning of Year	\$ -	\$ -	\$ 104,224	\$ 104,224
Investment Return:				
Investment Income	-	5,232	-	5,232
Net Appreciation (Realized and Unrealized)	-	1,515	-	1,515
Total Investment Return	-	6,747	-	6,747
Contributions	-	-	-	-
Appropriation of Endowment Asset for Expenditure	-	(6,747)	-	(6,747)
Endowment Funds - End of Year	\$ -	\$ -	\$ 104,224	\$ 104,224

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NOTE 10 ENDOWMENTS (CONTINUED)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) at August 31, 2018:

The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	<u>\$ 104,224</u>
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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 were no 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 while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year approximately 3% of its endowment fund's ending balance. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate of return that would meet or exceed the Balanced Market Index. This is consistent with the Foundation's objective 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.

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NOTE 11 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	\$ 115,035
Purpose Restrictions	<u>427,197</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 542,232</u></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 Support Any Activities of the Foundation	<u><u>\$ 104,224</u></u>
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NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan on the first day of the month coinciding with or immediately following their date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. Upon completion of two years for full-time employees or upon completion of 1,000 hours annually for two years for part-time employees, the Foundation contributes 5% of the employee's salary into their account. Foundation contributions to the Plan for the year ended August 31, 2018 were \$64,919.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

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

In-kind contributions totaling \$1,510,548 were received from a single donor for the year ended August 31, 2018, which represents 25% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

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NOTE 14 LIQUIDITY IN OPERATIONS

The Foundation has negative unrestricted net assets of \$1,002,071 as of August 31, 2018, a decrease of \$546,171 from August 31, 2017. Total net assets are \$(355,615) as of August 31, 2018, a decrease of \$546,189 from August 31, 2017.

The largest liability on the Foundation's statement of financial position is the accrued pending wish liability of \$4,011,050 (both cash and in-kind). From a legal perspective, the Foundation has no obligation to record the accrued pending wishes in its financial statements because there is no contract between the Foundation and wish families. However, the Foundation has taken the position that, once a wish family has been contacted, a relationship has been created and the impact of that relationship should be reflected in its financial statements when it becomes measurable.

The Foundation records the estimated cost of a wish after: (a) a wish referral has been received; (b) proof of medical eligibility has been obtained; (c) the child's wish has been ascertained and determined to fall within the Foundation's wish-granting policies; and (d) it is probable the wish will be granted during the next 12 months.

Recording this non-contractual liability can cause the Foundation to have higher liabilities and lower net assets (sometimes negative net assets) than other nonprofit organizations. In addition, recording the liability may impact the Foundation's program percentage from year to year.

Although the Foundation's largest expenditures generally relate to wish granting, the Foundation has the ability to manage wish expenses to some extent to ensure it has adequate resources to cover its expenses. For example:

- 1) The timing of wishes can often be controlled so the Foundation can achieve cost savings (such as not booking travel wishes during peak travel dates).
- 2) The Foundation can apply for grants from the national Wish Fulfillment Fund to help support pending wishes and reduce its wish pipeline.
- 3) The Foundation can source additional in-kind resources and/or vendor discounts to assist with cash flow, while maintaining the same high quality of the wish experience.

In addition, the National organization monitors the operational performance (including liquidity) of all of its chapters on a regular basis and is committed to working with chapters to ensure that all eligible children's wishes are granted.

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NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 17, 2019, the date at which the financial statements were available to be issued.

