

MAKE-A-WISH FOUNDATION® OF AMERICA
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2018 AND 2017



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**MAKE-A-WISH FOUNDATION® OF AMERICA
TABLE OF CONTENTS
YEARS ENDED AUGUST 31, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
STATEMENTS OF FUNCTIONAL EXPENSES	7
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of America
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Make-A-Wish Foundation® of America, which comprise the statements of financial position as of August 31, 2018 and 2017, 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 America

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 America as of August 31, 2018 and 2017, 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 26, 2019

MAKE-A-WISH FOUNDATION® OF AMERICA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 3,418,635	\$ 9,227,545
Investments	22,032,847	24,501,211
Due from Related Entities	880,308	1,267,752
Prepaid Expenses	1,248,857	1,423,023
Contributions Receivable, Net	7,460,565	6,573,425
Other Assets	983,823	1,030,797
Split-Interest Agreements	1,216,965	986,460
Investments Held for Long-Term Purposes	14,080,642	13,090,132
Property and Equipment, Net	26,230,371	15,817,055
Total Assets	\$ 77,553,013	\$ 73,917,400
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 4,574,235	\$ 3,784,040
Due to Related Entities	8,245,768	6,597,457
Other Liabilities	1,401,515	1,334,801
Note Payable	20,000,000	15,000,000
Total Liabilities	34,221,518	26,716,298
NET ASSETS		
Unrestricted	20,898,167	27,508,874
Temporarily Restricted	12,306,386	9,920,690
Permanently Restricted	10,126,942	9,771,538
Total Net Assets	43,331,495	47,201,102
Total Liabilities and Net Assets	\$ 77,553,013	\$ 73,917,400

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2017 Total
REVENUES, GAINS AND OTHER SUPPORT					
Public Support:					
Contributions	\$ 108,338,594	\$ 5,272,436	\$ 355,404	\$ 113,966,434	\$ 103,151,797
Grants	1,053,994	-	-	1,053,994	2,443,793
Total Public Support	109,392,588	5,272,436	355,404	115,020,428	105,595,590
Investment Income, Net	1,579,748	891,219	-	2,470,967	2,739,343
Chapter Assessments	8,393,543	-	-	8,393,543	8,002,703
Other Income	5,063,202	-	-	5,063,202	4,388,802
Net Assets Released from Restrictions	5,421,682	(5,421,682)	-	-	-
Total Revenues, Gains, and Other Support	129,850,763	741,973	355,404	130,948,140	120,726,438
EXPENSES					
Program Services:					
Wish Granting	737,042	-	-	737,042	558,031
Program-Related Support	81,310,618	-	-	81,310,618	77,166,523
Training and Development	1,837,252	-	-	1,837,252	2,193,821
Public Information	18,335,535	-	-	18,335,535	9,112,007
Total Program Services	102,220,447	-	-	102,220,447	89,030,382
Support Services:					
Fundraising	19,388,405	-	-	19,388,405	16,945,646
Management and General	14,548,085	-	-	14,548,085	10,537,875
Total Support Services	33,936,490	-	-	33,936,490	27,483,521
Total Program and Support Services Expense	136,156,937	-	-	136,156,937	116,513,903
OTHER EXPENSE					
Change in Value of Split-Interest Agreements	-	75,793	-	75,793	115,189
Total Expenses and Losses	136,156,937	75,793	-	136,232,730	116,629,092
CHANGE IN NET ASSETS FROM OPERATIONS	(6,306,174)	666,180	355,404	(5,284,590)	4,097,346
NONOPERATING ACTIVITIES					
Building Campaign Contributions, Net	-	1,719,516	-	1,719,516	1,322,143
Building Campaign Expenditures	(304,533)	-	-	(304,533)	(247,300)
Change in Net Assets from Nonoperating Activities	(304,533)	1,719,516	-	1,414,983	1,074,843
CHANGE IN NET ASSETS	(6,610,707)	2,385,696	355,404	(3,869,607)	5,172,189
Net Assets - Beginning of Year	27,508,874	9,920,690	9,771,538	47,201,102	42,028,913
NET ASSETS - END OF YEAR	<u>\$ 20,898,167</u>	<u>\$ 12,306,386</u>	<u>\$ 10,126,942</u>	<u>\$ 43,331,495</u>	<u>\$ 47,201,102</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 98,037,109	\$ 4,736,485	\$ 378,203	\$ 103,151,797
Grants	2,443,793	-	-	2,443,793
Total Public Support	100,480,902	4,736,485	378,203	105,595,590
Investment Loss, Net	1,802,590	936,753	-	2,739,343
Chapter Assessments	8,002,703	-	-	8,002,703
Other Income	4,388,802	-	-	4,388,802
Net Assets Released from Restrictions	5,238,119	(4,738,119)	(500,000)	-
Total Revenues, Gains, and Other Support	119,913,116	935,119	(121,797)	120,726,438
EXPENSES				
Program Services:				
Wish Granting	558,031	-	-	558,031
Program-Related Support	77,166,523	-	-	77,166,523
Training and Development	2,193,821	-	-	2,193,821
Public Information	9,112,007	-	-	9,112,007
Total Program Services	89,030,382	-	-	89,030,382
Support Services:				
Fundraising	16,945,646	-	-	16,945,646
Management and General	10,537,875	-	-	10,537,875
Total Support Services	27,483,521	-	-	27,483,521
Total Program and Support Services Expense	116,513,903	-	-	116,513,903
OTHER EXPENSE				
Change in Split-Interest Agreements	-	115,189	-	115,189
Total Expenses and Losses	116,513,903	115,189	-	116,629,092
Change in Net Assets Before Transfers	3,399,213	819,930	(121,797)	4,097,346
NONOPERATING ACTIVITIES				
Building Campaign Contributions, Net	-	1,322,143	-	1,322,143
Building Campaign Expenditures	(247,300)	-	-	(247,300)
Change in Net Assets from Nonoperating Activities	(247,300)	1,322,143	-	1,074,843
CHANGE IN NET ASSETS	3,151,913	2,142,073	(121,797)	5,172,189
Net Assets - Beginning of Year	24,356,961	7,778,617	9,893,335	42,028,913
NET ASSETS - END OF YEAR	<u>\$ 27,508,874</u>	<u>\$ 9,920,690</u>	<u>\$ 9,771,538</u>	<u>\$ 47,201,102</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,869,607)	\$ 5,172,189
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,650,987	1,223,360
Bad Debt Expense and Other	9,452	32,377
Contributions Restricted for Long-Term Investment	(355,404)	(378,203)
Contributions Restricted for Investment in Property and Equipment	(1,719,516)	(1,400,000)
Net Realized and Unrealized Gains on Investments	(1,883,387)	(2,162,284)
Loss on Disposal of Property and Equipment	185,162	-
Contributed Property and Equipment	(518,095)	(2,800)
Change in Value of Split-Interest Agreements	75,793	115,189
Change in Discount to Present Value of Contributions Receivable	47,534	189,040
(Increase) Decrease in Assets:		
Contributions Receivable	(41,532)	723,112
Due from Related Entities	387,444	(557,812)
Prepaid Expenses	174,166	(525,873)
Other Assets	5,198	(414,765)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	790,195	584,587
Due to Related Entities	1,648,311	1,050,683
Other Liabilities	66,714	14,092
Net Cash Provided (Used) by Operating Activities	(3,346,585)	3,662,892
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(8,582,361)	(12,029,830)
Proceeds from Sales of Investments	11,637,304	12,501,249
Purchases of Property and Equipment	(11,689,594)	(1,926,962)
Net Cash Used by Investing Activities	(8,634,651)	(1,455,543)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	265,404	317,098
Contributions Restricted for Investment in Property and Equipment	906,922	315,000
Proceeds from Note Payable	5,000,000	2,562,091
Net Cash Provided by Financing Activities	6,172,326	3,194,189
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,808,910)	5,401,538
Cash and Cash Equivalents - Beginning of Year	9,227,545	3,826,007
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,418,635	\$ 9,227,545
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest Expense	\$ 398,423	\$ 172,883
Contributed Property and Equipment	\$ 518,095	\$ 2,800
Acquisition of Property and Equipment Through a Note Payable	\$ -	\$ 12,437,909

See accompanying Notes to Financial Statements.

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

	Program Services				Support Services			Building Campaign Costs	Total	
	Wish Granting	Program-Related Support	Training and Development	Public Information	Total Program Services	Fundraising	Management and General			Total Support Services
Distributions to Related Entities	\$ -	\$ 66,384,456	\$ -	\$ -	\$ 66,384,456	\$ -	\$ -	\$ -	\$ 66,384,456	
Salaries, Taxes, and Benefits	564,746	7,180,374	665,560	581,560	8,992,240	4,130,440	8,059,985	12,190,425	21,182,665	
Printing, Subscriptions, and Publications	-	114,261	9,153	1,384,810	1,508,224	1,892,107	574,029	2,466,136	3,981,618	
Professional Fees	24,371	4,796,143	193,091	690,879	5,704,484	3,717,049	1,638,825	5,355,874	11,354,049	
Rent and Utilities	21,653	259,841	21,648	21,648	324,790	158,811	1,093,035	1,251,846	1,576,636	
Postage and Delivery	1,604	50,163	317	869,525	921,609	1,160,454	304,289	1,464,743	2,386,352	
Travel	85,793	396,258	93,625	33,004	608,680	243,759	352,919	596,678	1,208,942	
Meetings and Conferences	4,687	48,032	803,790	23,804	880,313	82,298	306,439	388,737	1,269,050	
Office Supplies	7,202	85,326	7,426	7,240	107,194	54,243	394,304	448,547	555,741	
Communications	1,784	15,016	5,784	2,435	25,019	14,423	35,336	49,759	74,778	
Advertising and Media (Cash)	-	22,883	11,342	91,242	125,467	252,062	7,812	259,874	385,341	
Advertising and Media (In-Kind)	-	-	-	14,596,731	14,596,731	6,844,526	14,960	6,859,486	21,456,217	
Repairs and Maintenance	1,875	22,374	1,812	2,009	28,070	25,183	20,752	45,935	74,005	
Insurance	2,443	684,762	2,303	2,303	691,811	18,196	63,409	81,605	773,416	
Bad Debt Expense	-	-	-	-	-	-	9,452	9,452	9,452	
Membership Dues	-	132,996	360	-	133,356	39,531	11,800	51,331	184,687	
Grants and Scholarships	-	690,763	-	-	690,763	-	-	-	690,763	
Miscellaneous	374	4,508	531	7,835	13,248	604,919	245,725	850,644	863,892	
Interest Expense	-	-	-	-	-	-	398,423	398,423	398,423	
Depreciation and Amortization	20,510	422,462	20,510	20,510	483,992	150,404	1,016,591	1,166,995	1,650,987	
Administrative Charges	-	-	-	-	-	-	87,357	87,357	87,357	
Total	737,042	81,310,618	1,837,252	18,335,535	102,220,447	19,388,405	14,635,442	34,023,847	304,533	136,548,827
Less Expenses Netted Against Revenues on the Statement of Activities:										
Administrative Charges	-	-	-	-	-	-	(87,357)	(87,357)	-	(87,357)
Less Expenses Listed as Nonoperating on the Statement of Activities:										
	-	-	-	-	-	-	-	(304,533)		(304,533)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 737,042	\$ 81,310,618	\$ 1,837,252	\$ 18,335,535	\$ 102,220,447	\$ 19,388,405	\$ 14,548,085	\$ 33,936,490	\$ -	\$ 136,156,937

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services				Support Services			Building Campaign Costs	Total	
	Wish Granting	Program-Related Support	Training and Development	Public Information	Total Program Services	Fundraising	Management and General			Total Support Services
Distributions to Related Entities	\$ -	\$ 64,353,783	\$ -	\$ -	\$ 64,353,783	\$ -	\$ -	\$ -	\$ 64,353,783	
Salaries, Taxes, and Benefits	433,731	6,004,635	1,135,471	640,658	8,214,495	3,752,127	5,978,690	9,730,817	17,945,312	
Printing, Subscriptions, and Publications	868	18,920	34,960	1,453,926	1,508,674	1,884,807	526,401	2,411,208	3,923,831	
Professional Fees	9,326	3,328,865	87,978	589,931	4,016,100	2,958,113	1,018,957	3,977,070	8,233,091	
Rent and Utilities	20,715	263,740	27,181	27,181	338,817	158,132	951,031	1,109,163	1,447,980	
Postage and Delivery	1,364	43,870	2,448	875,798	923,480	1,092,336	285,206	1,377,542	2,301,022	
Travel	45,412	316,201	77,609	57,311	496,533	200,645	247,598	448,243	948,206	
Meetings and Conferences	4,201	50,150	775,884	4,617	834,852	80,640	277,585	358,225	1,193,077	
Office Supplies	3,291	91,328	6,062	4,679	105,360	23,456	208,245	231,701	337,061	
Communications	1,668	18,686	2,137	2,501	24,992	15,302	36,049	51,351	76,343	
Advertising and Media (Cash)	-	3,395	-	59,752	63,147	142,498	24,855	167,353	230,500	
Advertising and Media (In-Kind)	-	-	-	5,352,155	5,352,155	5,765,354	-	5,765,354	11,117,509	
Repairs and Maintenance	3,407	41,918	4,430	4,430	54,185	37,550	45,505	83,055	137,240	
Insurance	-	661,741	-	-	661,741	-	80,972	80,972	742,713	
Bad Debt Expense	970	12,292	1,294	1,294	15,850	6,469	10,058	16,527	32,377	
Membership Dues	5	171,992	367	7	172,371	48,788	9,532	58,320	230,691	
Grants and Scholarships	-	1,369,901	-	-	1,369,901	-	-	-	1,369,901	
Miscellaneous	518	9,966	680	653	11,817	595,719	136,787	732,506	744,323	
Interest Expense	-	-	-	-	-	-	172,883	172,883	172,883	
Depreciation and Amortization	32,555	405,140	37,320	37,114	512,129	183,710	527,521	711,231	1,223,360	
Administrative Charges	-	-	-	-	-	-	105,368	105,368	105,368	
Total	558,031	77,166,523	2,193,821	9,112,007	89,030,382	16,945,646	10,643,243	27,588,889	247,300	116,866,571
Less Expenses Netted Against Revenues on the Statement of Activities:										
Administrative Charges	-	-	-	-	-	-	(105,368)	(105,368)	-	(105,368)
Less Expenses Listed as Nonoperating on the Statement of Activities:										
	-	-	-	-	-	-	-	(247,300)	(247,300)	
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 558,031	\$ 77,166,523	\$ 2,193,821	\$ 9,112,007	\$ 89,030,382	\$ 16,945,646	\$ 10,537,875	\$ 27,483,521	\$ -	\$ 116,513,903

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017**

NOTE 1 ORGANIZATION

Organization

Make-A-Wish Foundation® of America (the Foundation) is an Arizona nonprofit corporation, the mission of which is to grant the wishes of children with critical illnesses to enrich the human experience with hope, strength, and joy. The “Foundation’s Purpose” is to grant the wish of each child who has reached the age of 2-1/2 and is under the age of 18 and who has a critical illness (i.e. a progressive, degenerative or malignant medical condition) that has placed the child’s life in jeopardy. The Foundation charters local chapters throughout the United States, its territories and possessions (Chapters) and provides financial support, guidance, and other assistance to such Chapters in performing the Foundation’s Purpose. As of August 31, 2018 and 2017, the Foundation had 62 active chartered Chapters.

Chapter Agreements entered into between each Chapter and the Foundation provide for common purposes and policy direction. The Chapter Agreement also provides the Foundation with a security interest in the assets of the Chapters. The Foundation has elected not to consolidate the Chapters’ financial results into the accompanying financial statements, except when the Foundation assumes control of a Chapter. As of and for the years ended August 31, 2018 and 2017, the combined Chapters’ financial results (excluding the Foundation, the financial results of which are presented in the accompanying financial statements) were as follows:

	2018	2017
	(Dollars in Millions)	
Total Assets	\$ 334.9	\$ 306.0
Total Liabilities	142.3	129.0
Total Net Assets	192.6	177.0
Total Revenues	256.1	245.1
Total Expenses	240.0	231.3

No Chapters were under the Foundation’s control for the years ended August 31, 2018 and 2017.

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.

Measure of Operations

The statements of activities for the Foundation includes in the definition of operations all resources and expenses that are an integral part of its program and supporting activities. Nonoperating activity consists of contributions that are restricted by donors for the purchase and improvement of an office building which will serve as the national headquarters of the Foundation and certain expenses related to the building fundraising campaign.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and 2017 is \$247,626 and \$390,018, respectively, 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. Certain investments are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

Investments held for long-term purposes have been segregated due to donor-imposed restrictions that limit their use to long-term purposes.

Contributions Receivable

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

Property and Equipment, Net

Property and equipment having a unit cost of greater than \$1,000 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 39 years, with the exception of land, which is not depreciated. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets 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.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

See additional information in Note 3.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate fair values of hedge funds, which do not have readily determinable fair values.

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.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 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 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 and material that are reported in the statements of activities as follows at August 31:

	2018			Total
	Programs	Fundraising	Management and General	
Wish Related	\$ 15,470,126	\$ -	\$ -	\$ 15,470,126
Professional Services	-	17,500	98,020	115,520
Advertising and Media	14,596,731	6,844,526	14,960	21,456,217
Other	15,756	5,620	40,778	62,154
Total Program and Supported Service Expenses	<u>\$ 30,082,613</u>	<u>\$ 6,867,646</u>	<u>\$ 153,758</u>	37,104,017
Investments (Asset)				1,054,985
Property and Equipment (Capitalized)				518,095
In-Kind Receivable (Asset)				97,760
Total				<u>\$ 38,774,857</u>

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

	2017			Total
	Programs	Fundraising	Management and General	
Wish Related	\$ 13,200,099	\$ -	\$ -	\$ 13,200,099
Professional Services	13,383	207,764	48,090	269,237
Advertising and Media	5,352,155	5,765,354	-	11,117,509
Other	1,315	-	7,238	8,553
Total Program and Supported Service Expenses	\$ 18,566,952	\$ 5,973,118	\$ 55,328	24,595,398
Investments (Asset)				480,867
Property and Equipment (Capitalized)				2,800
Total				\$ 25,079,065

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 are reported as contribution revenue when received and fundraising or public information, if allocated as a joint cost, 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.

Wish related in-kind contributions consisted of the following:

	2018	2017
Computer Equipment, Games, and Toys	\$ 160,516	\$ 585,201
Cruises	716,555	454,701
Lodging	3,703,712	3,754,559
Theme Parks	1,528,375	1,274,575
Transportation	7,496,739	6,388,703
Other Wish-Related Donations	1,864,229	742,360
Total	\$ 15,470,126	\$ 13,200,099

Rental income from tenants who lease space in the Foundation's headquarters building is recognized on a straight-line basis over the term of each lease agreement.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Arizona taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Arizona Revised Statutes § 43-1201(4). 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 AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

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 and 2017. The Foundation files income tax returns in the U.S. federal jurisdiction and Arizona jurisdiction.

Functional Expenses

The Foundation performs six functions: wish granting, program-related support, training and development, public information, 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 that promote Chapter development, monitor and direct Chapters, assist Chapters in complying with policies and guidelines, provide support for day-to-day Chapter management decisions, develop wish resources, administer wish programs, handle wish referrals and provide wish assistance for Chapters and wish placement.

Training and Development

Activities performed by the Foundation consisting of national conference workshops and e-learning 'best practices' classes prepared and conducted by the Foundation for the training, and development and implementation of the wish programs of the Foundation, including but not limited to, the identification of wish candidates and the determination and delivery of the wish.

Public Information

Activities performed by the Foundation in communicating the purpose and services of the Foundation to all potential sources for wish referrals.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2018 and 2017, the Foundation incurred joint costs for activities that include fundraising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	<u>2018</u>	<u>2017</u>
Fundraising	\$ 3,112,434	\$ 3,014,814
Public Information	2,451,559	2,528,884
Management and General	786,996	764,423
Total	<u>\$ 6,350,989</u>	<u>\$ 6,308,121</u>

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Management and General

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

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

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$46,025 and \$174,082 at August 31, 2018 and 2017, respectively, and is included in other liabilities in the statements of financial position.

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, split-interest agreements and contributions receivable, in-kinds, and whether an allowance for uncollectible contributions receivable is required.

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.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

The fair values of the financial instruments shown in the following tables as of August 31, 2018 and 2017 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 audit and finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stock and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stock, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real estate asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real estate 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 or partnership agreement, may differ from the fair value of the funds' underlying net assets.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

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, except those measured at cost or by NAV per share as a practical expedient as identified in the following at August 31, 2018:

	Fair Value Measurements at August 31, 2018 Using				Investments Measured at NAV	Total
	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Investments:						
Mutual Funds:						
Domestic Equity	\$ 4,261,221	\$ -	\$ -	\$ -	\$ -	\$ 4,261,221
International Equity	2,663,369	-	-	-	-	2,663,369
Real Estate	226,259	-	-	-	-	226,259
Bonds	1,690,329	-	-	-	-	1,690,329
Equity Securities:						
U.S. Corporate Equity Securities	3,084,177	-	-	-	-	3,084,177
Debt Securities:						
U.S. Treasury	3,360,079	-	-	-	-	3,360,079
U.S. Agency	-	1,556,878	-	-	-	1,556,878
State/City Agency	-	274,220	-	-	-	274,220
Foreign Government	-	130,075	-	-	-	130,075
Corporate	-	2,088,109	-	-	-	2,088,109
Alternative Investments:						
Common Collective Trust in Futures	-	185,208	-	-	-	185,208
Common Collective Trust in Long-Short Equity Funds	-	207,960	-	-	-	207,960
Common Collective Trust in Commodities	-	55,429	-	-	-	55,429
Common Collective Trust in Multi-Strategy	-	614,380	-	-	-	614,380
Hedge Funds	-	-	-	1,568,347	-	1,568,347
Other Investments	-	-	25,003	-	-	25,003
Cash and Cash Equivalents	41,804	-	-	-	-	41,804
Total Investments	\$ 15,327,238	\$ 5,112,259	\$ 25,003	\$ 1,568,347	\$ -	\$ 22,032,847
Investments Held for Split-Interest Agreements:						
Mutual Funds:						
Domestic Equity	\$ 565,525	\$ -	\$ -	\$ -	\$ -	\$ 565,525
International Equity	100,938	-	-	-	-	100,938
Bonds	258,334	-	-	-	-	258,334
Alternative Investments:						
Common Collective Trust in Equity Mutual Funds	-	109,267	-	-	-	109,267
Cash and Cash Equivalents	182,901	-	-	-	-	182,901
Total Investments Held for Split-Interest Agreements	\$ 1,107,698	\$ 109,267	\$ -	\$ -	\$ -	\$ 1,216,965

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

	Fair Value Measurements at August 31, 2018 Using				Investments Measured at NAV	Total
	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Investments Held for Long-Term Purposes:						
Mutual Funds:						
Domestic Equity	\$ 2,883,943	\$ -	\$ -	\$ -	\$ -	\$ 2,883,943
International Equity	2,020,029	-	-	-	-	2,020,029
Real Estate	204,013	-	-	-	-	204,013
Bonds	3,931,861	-	-	-	-	3,931,861
U.S. Government Securities	309,244	-	-	-	-	309,244
Equity Securities:						
U.S. Corporate Equity Securities	3,034,495	-	-	-	-	3,034,495
Alternative Investments:						
Common Collective Trust in Futures	-	187,687	-	-	-	187,687
Common Collective Trust in Commodities	-	81,257	-	-	-	81,257
Common Collective Trust in Long/Short Equity Funds	-	585,511	-	-	-	585,511
Common Collective Trust in Multi-Strategy	-	636,696	-	-	-	636,696
Hedge Funds	-	-	-	-	-	-
Cash and Cash Equivalents	205,906	-	-	-	-	205,906
Total Investments Held for Long-Term Purposes	<u>12,589,491</u>	<u>1,491,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,080,642</u>
Total Investments	<u>\$ 29,024,427</u>	<u>\$ 6,712,677</u>	<u>\$ 25,003</u>	<u>\$ 1,568,347</u>	<u>\$ -</u>	<u>\$ 37,330,454</u>

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

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, except those measured at cost or by NAV per share as a practical expedient as identified in the following at August 31, 2017:

	Fair Value Measurements at August 31, 2017 Using				Investments Measured at NAV	Total
	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Investments:						
Mutual Funds:						
Domestic Equity	\$ 4,946,780	\$ -	\$ -	\$ -	\$ -	\$ 4,946,780
International Equity	3,009,977	-	-	-	-	3,009,977
Real Estate	242,175	-	-	-	-	242,175
Bonds	1,606,467	-	-	-	-	1,606,467
Equity Securities:						
U.S. Corporate Equity Securities	3,728,469	-	-	-	-	3,728,469
Debt Securities:						
U.S. Treasury	4,180,094	-	-	-	-	4,180,094
U.S. Agency	-	1,548,991	-	-	-	1,548,991
State Treasury	-	382,701	-	-	-	382,701
Corporate	-	2,303,549	-	-	-	2,303,549
Alternative Investments:						
Common Collective Trust in Futures	-	600,246	-	-	-	600,246
Common Collective Trust in Long-Short Equity Funds	-	181,817	-	-	-	181,817
Common Collective Trust in Equity Mutual Funds	-	200,000	-	-	-	200,000
Hedge Funds	-	-	-	1,504,270	-	1,504,270
Other Investments	-	-	25,003	-	-	25,003
Cash and Cash Equivalents	40,672	-	-	-	-	40,672
Total Investments	\$ 17,754,634	\$ 5,217,304	\$ 25,003	\$ 1,504,270	\$ -	\$ 24,501,211
Investments Held for Split-Interest Agreements:						
Mutual Funds:						
Domestic Equity	\$ 462,406	\$ -	\$ -	\$ -	\$ -	\$ 462,406
International Equity	158,910	-	-	-	-	158,910
Bonds	249,296	-	-	-	-	249,296
Alternative Investments:						
Common Collective Trust in Equity Mutual Funds	-	102,590	-	-	-	102,590
Cash and Cash Equivalents	13,258	-	-	-	-	13,258
Total Investments Held for Split-Interest Agreements	\$ 883,870	\$ 102,590	\$ -	\$ -	\$ -	\$ 986,460

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

	Fair Value Measurements at August 31, 2017 Using				Investments Measured at NAV	Total
	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Investments Held for Long-Term Purposes:						
Mutual Funds:						
Domestic Equity	\$ 2,653,064	\$ -	\$ -	\$ -	\$ -	\$ 2,653,064
International Equity	2,002,650	-	-	-	-	2,002,650
Real Estate	225,728	-	-	-	-	225,728
Bonds	2,940,600	-	-	-	-	2,940,600
U.S. Government Securities	314,613	-	-	-	-	314,613
Equity Securities:						
U.S. Corporate Equity Securities	3,012,637	-	-	-	-	3,012,637
Alternative Investments:						
Common Collective Trust in Futures	-	621,762	-	-	-	621,762
Common Collective Trust in Commodities	-	184,251	-	-	-	184,251
Common Collective Trust in Long/Short Equity Funds	-	101,364	-	-	-	101,364
Common Collective Trust in Equity Mutual Funds	-	33,667	-	-	-	33,667
Hedge Funds	-	-	-	453,414	-	453,414
Cash and Cash Equivalents	546,382	-	-	-	-	546,382
Total Investments Held for Long-Term Purposes	<u>11,695,674</u>	<u>941,044</u>	<u>-</u>	<u>453,414</u>	<u>-</u>	<u>13,090,132</u>
Total Investments	<u>\$ 30,334,178</u>	<u>\$ 6,260,938</u>	<u>\$ 25,003</u>	<u>\$ 1,957,684</u>	<u>\$ -</u>	<u>\$ 38,577,803</u>

For the valuation of investments, investments held for split-interest agreements and investments held for long-term purposes at August 31, 2018 and 2017, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at August 31, 2018 and 2017:

Type of Investments	Fair Value at August 31, 2018	Fair Value at August 31, 2017	Redemption Frequency	Redemption Notice Period
Hedge Funds:				
Investments	\$ 1,568,347	\$ 1,504,270	Quarterly	45 Days
Long-Term Investments	-	453,414	Semi-Annually	60 Days
Total	<u>\$ 1,568,347</u>	<u>\$ 1,957,684</u>		

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

For the valuation of one investment at August 31, 2018 and 2017, the Foundation used significant unobservable inputs (Level 3).

Quantitative Information About Level 3 Fair Value Measurements				
Type of Investments	Fair Value at August 31, 2018	Fair Value at August 31, 2017	Valuation Technique Significant Unobservable Input	Unobservable Input Percentage of ownership applied to fair market value as stated in audited financial statements.
Other Investments	\$ 25,003	\$ 25,003		

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

	2018	2017
Beginning Balance	\$ 25,003	\$ -
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets	-	-
Purchases	-	25,003
Sales	-	-
Ending Balance	<u>\$ 25,003</u>	<u>\$ 25,003</u>
Change in Unrealized Gains or (Losses) for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	<u>\$ -</u>	<u>\$ -</u>

There are no unfunded commitments at August 31, 2018 and 2017.

Investment liquidity as of August 31, 2018 and 2017 are aggregated below based on redemption or sale period.

	Investment Values	
	2018	2017
Investment Redemption or Sale Period:		
Daily	\$ 35,737,104	\$ 36,595,116
Quarterly	1,593,350	1,529,273
Semi-Annual	-	453,414
Total	<u>\$ 37,330,454</u>	<u>\$ 38,577,803</u>

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Total investment income, gains, and losses for the years ended August 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Interest and Dividend Income	\$ 689,824	\$ 689,399
Realized and Unrealized Gains, Net	1,883,387	2,162,284
Less Investment Expenses	<u>(102,244)</u>	<u>(112,340)</u>
Investment Income, Net	<u>\$ 2,470,967</u>	<u>\$ 2,739,343</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 2.625% to 6.5% during August 31, 2018 and 2017. The following is a summary of the Foundation's contributions receivable at August 31:

	<u>2018</u>	<u>2017</u>
Total Amounts Due in:		
One Year	\$ 5,572,994	\$ 5,201,815
Two to Five Years	1,812,441	1,278,946
More than Five Years	<u>580,000</u>	<u>550,000</u>
Gross Contributions Receivable	7,965,435	7,030,761
Less Allowance for Doubtful Accounts	-	-
Less Discount to Present Value	<u>(504,870)</u>	<u>(457,336)</u>
Contributions Receivable, Net	<u>\$ 7,460,565</u>	<u>\$ 6,573,425</u>

NOTE 5 SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is a general obligation of the Foundation. The Foundation records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The present value of payments to beneficiaries under these arrangements is calculated using present value techniques. The discount rates used for the years ended August 31, 2018 and 2017 ranged from 1.2% to 6.2%. The charitable gift annuities account also includes assets from contributions and income totaling \$45,436 and \$41,611, respectively, at August 31, 2018 and 2017 for legally mandated reserves.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 5 SPLIT-INTEREST AGREEMENTS (CONTINUED)

Charitable Gift Annuities (Continued)

Liabilities to beneficiaries under charitable gift annuities totaled \$456,771 and \$373,525, respectively, at August 31, 2018 and 2017 and are included in other liabilities in the accompanying statements of financial position.

Liabilities to chapters who are designated as remainder beneficiaries under charitable gift annuities totaled \$651,179 and \$467,405, respectively, at August 31, 2018 and 2017 and are included in due to related entities in the accompanying statements of financial position.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

Chapters pay annual dues to the Foundation, which were \$8,393,543 and \$8,002,703 for the years ended August 31, 2018 and 2017, respectively. The Foundation supports the Chapters by providing funding and other support for the granting of wishes.

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and, as determined by the Foundation, are shared with the Chapters. 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, 2018 and 2017, the Foundation provided the Chapters with contributions which were \$47,705,966 and \$47,496,498, respectively, from these national revenue streams.

As part of the Foundation's Wishes Forever Campaign, donors may designate chapters to receive periodic distributions, if and when such distributions are approved by the Foundation. Distributions are limited to income earned by the underlying assets which are held in perpetuity by the Foundation. Under this program, the Foundation provided the Chapters with contributions which were \$335,583 and \$339,265 for the years ended August 31, 2018 and 2017, respectively.

The Foundation conducts national fundraising efforts for which in-kind donations are received and shared with the Chapters. Donations received as a result of these efforts are reported in the statements of activities as in-kind contributions to the unrestricted fund and reported as Distributions to Related Entities, or expenses of the Foundation, in the statements of functional expenses. Under this program, the Foundation provided the Chapters with contributions which were \$15,547,056 and \$13,341,005 for the years ended August 31, 2018 and 2017, respectively.

As part of the Foundation's Wish Fulfillment Fund (a designated fund), Chapters may apply for funds that have been donated by corporate sponsors or other Chapters to underwrite the cost of wishes. Under this program, the Foundation provided 12 and 18 Chapters with contributions, totaling \$2,795,851 and \$3,177,015 during the years ended August 31, 2018 and 2017, which are reported in the statements of functional expenses as Distributions to Related Entities.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

As part of the Foundation's grant and scholarship programs, Chapters may apply for funds to supplement existing programs to attend Foundation sponsored events. Under these programs, the Foundation provided 24 and 62 Chapters with contributions, totaling \$690,763 and \$1,369,901 during the years ended August 31, 2018 and 2017, respectively which are reported in the statements of functional expenses as Grants and Scholarships.

As of August 31, 2018 and 2017, respectively, the Foundation had amounts due from related entities of \$880,308 and \$1,267,752 and amounts due to related entities of \$8,245,768 and \$6,597,457.

Amounts due from Related Entities represent annual chapter dues, Wish Fulfillment Fund contributions, and unreimbursed costs for joint administrative activities that have not been paid to the Foundation as of year-end. Amounts due to Related Entities represent contributions remitted to the Foundation that are specified for Chapters' use but were not yet transferred to the Chapters as of year-end or interests in Charitable Gift Annuities or Endowments for which Chapters are the beneficiary.

During 2018 and 2017, the Foundation received contributions, both cash and in kind, from employees and board members totaling \$61,344 and \$660,666, respectively. As of August 31, 2018 and 2017, amounts due from employees and board members totaled \$947,972 and \$1,337,633 and are included in contributions receivable in the accompanying statements of financial position. Amounts due to employees totaled \$30,371 and \$-0- as of August 31, 2018 and 2017, respectively, and are included in accounts payable in the accompanying statements of financial position.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2018</u>	<u>2017</u>
Land	\$ 2,000,000	\$ 2,000,000
Building and Building Improvements	14,614,608	10,771,565
Computer Equipment and Software	4,099,991	3,410,382
Website and Website Templates	2,512,167	2,512,167
Office Furniture	106,477	703,295
Other Equipment	219,292	487,571
Leasehold Improvements	6,475,279	927,085
Total	<u>30,027,814</u>	<u>20,812,065</u>
Less Accumulated Depreciation and Amortization	<u>(3,797,443)</u>	<u>(4,995,010)</u>
Property and Equipment, Net	<u><u>\$ 26,230,371</u></u>	<u><u>\$ 15,817,055</u></u>

Depreciation and amortization expense totaled \$1,650,987 and \$1,223,360 for the years ended August 31, 2018 and 2017, respectively.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 8 CREDIT AGREEMENT

The Foundation sponsors a corporate travel card account program (the Card Program) with a financial institution. In the event of default by the sponsored account holder, the Foundation has the primary and continuing obligation of payment. The total credit limit under this credit agreement is \$12,500,000, while \$6,464,784 and \$4,876,915, respectively, were outstanding on this credit agreement as of August 31, 2018 and 2017.

NOTE 9 NOTE PAYABLE

The Foundation has a term loan (the Loan) of up to \$20,000,000 which was used to purchase and renovate its national headquarters. Interest on the loan is paid monthly and accrues at a rate per year equal to the LIBOR Daily Floating Rate plus 0.78% (2.7% on August 31, 2018). The Loan principal and any outstanding interest must be repaid no later than November 30, 2022. The Loan requires the Foundation to comply with certain financial and nonfinancial covenants. As of August 31, 2018 and 2017, outstanding balances on the loan were \$20,000,000 and \$15,000,000, respectively. Total interest for the loan was \$398,423 and \$172,883 for the years ended August 31, 2018 and 2017, respectively.

NOTE 10 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through October 31, 2019. Total rent expense for all operating leases, net of sublease payments for the years ended August 31, 2018 and 2017, totaled \$759,270 and \$868,986, respectively. Total sublease payments to the Foundation for the years ended August 31, 2018 and 2017 totaled \$53,797 and \$64,557, respectively.

As of August 31, 2017, the Foundation had made the decision to give notice to its landlord in October 2017 that the Foundation would be leaving its current office space in July 2018. This resulted in the accrual of an early termination penalty of \$460,231, the write-off of \$381,630 in deferred rent and tenant improvements, and the write-off of \$16,645 in sublease rent receivable. The net of these amounts, \$95,246, was recognized as additional rent expense for the year ended August 31, 2017.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 10 LEASES (CONTINUED)

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>	<u>Operating Sublease</u>	<u>Operating Leases, net</u>
2019	\$ 13,302	\$ -	\$ 13,302
2020	1,110	-	1,110
Total Minimum Lease Payments	<u>\$ 14,412</u>	<u>\$ -</u>	<u>\$ 14,412</u>

The Foundation leases space in its headquarters building to unrelated parties under noncancelable operating leases that expire at various dates through November 2024. Revenue from the leased space for the years ended August 31, 2018 and 2017 totaled \$895,710 and \$910,187, respectively.

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2019	\$ 677,093
2020	556,811
2021	420,769
2022	192,290
2023	104,968
Thereafter	134,202
Total	<u>\$ 2,086,133</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 two general endowments and a group of funds established for the purpose of granting children's wishes, which together total 48 individual donor-restricted funds. 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 statements of financial position.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Arizona 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 net asset composition by type of fund as of August 31 is as follows:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (1,536)	\$ 2,735,117	\$ 10,126,942	\$ 12,860,523
Board-Designated Endowment Funds	-	-	-	-
Total Funds	<u>\$ (1,536)</u>	<u>\$ 2,735,117</u>	<u>\$ 10,126,942</u>	<u>\$ 12,860,523</u>

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 2,172,248	\$ 9,771,538	\$ 11,943,786
Board-Designated Endowment Funds	-	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ 2,172,248</u>	<u>\$ 9,771,538</u>	<u>\$ 11,943,786</u>

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 11 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the years ended August 31, 2018 and 2017 are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 2,172,248	\$ 9,771,538	\$ 11,943,786
Investment Return:				
Investment Income	2,260	199,333	-	201,593
Net Appreciation (Realized and Unrealized)	7,610	691,886	-	699,496
Total Investment Return	9,870	891,219	-	901,089
Contributions	-	-	355,404	355,404
Appropriation of Endowment Assets for Expenditure	(11,406)	(328,350)	-	(339,756)
Other Changes:				
Release of Endowment Pledges	-	-	-	-
Endowment Net Assets - End of Year	<u>\$ (1,536)</u>	<u>\$ 2,735,117</u>	<u>\$ 10,126,942</u>	<u>\$ 12,860,523</u>
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ (1,368)	\$ 1,634,395	\$ 9,893,335	\$ 11,526,362
Investment Return:				
Investment Income	-	195,432	-	195,432
Net Appreciation (Realized and Unrealized)	1,368	739,953	-	741,321
Total Investment Return	1,368	935,385	-	936,753
Contributions	-	-	378,203	378,203
Release of Permanent Donor Restriction by Donor	-	-	(72,901)	(72,901)
Appropriation of Endowment Assets for Expenditure	-	(397,532)	-	(397,532)
Other Changes:				
Release of Endowment Pledges	-	-	(427,099)	(427,099)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 2,172,248</u>	<u>\$ 9,771,538</u>	<u>\$ 11,943,786</u>

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 11 ENDOWMENTS (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
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	\$ 10,126,942	\$ 9,771,538
Temporarily Restricted Net Assets:		
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:		
Without Purpose Restrictions	-	-
With Purpose Restrictions	<u>2,735,117</u>	<u>2,172,248</u>
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$ 2,735,117</u>	<u>\$ 2,172,248</u>

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 was \$1,536 and \$-0-, respectively, as of August 31, 2018 and 2017. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

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 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 purpose. Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to generate a level of current income (interest and dividends) consistent with the overriding investment goal of the Fund while avoiding excessive risk. The Foundation expects its endowment funds, over time, to achieve a total return in excess of the rate of inflation plus cash flow needs over the investment horizon in order to preserve purchasing power of Fund assets. The overriding investment goal of the Fund is to conserve and enhance the capital value of the Fund in real terms, through asset appreciation and income generation. Actual returns in any given year may vary from this goal.

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 11 ENDOWMENTS (CONTINUED)

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 between 3% and 5% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. However, if the market value of 'Named' and 'Legacy' funds, as defined in the Endowment Policy are less than the Fund's threshold level, the distribution will be less than the Targeted Distribution, as defined in the Endowment Policy. If the market value of 'Named' and 'Legacy' endowment funds, are less than the Fund's corpus but more than the threshold level, the distribution will be limited to the lower of its Targeted Distribution or Realized Increase, as defined in the Endowment Policy. The Endowment Policy also entitles the Foundation to receive, from each Fund, a reasonable percentage, not to exceed 3% of the Fund's market value, for administering the Fund. 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 an average of 2% annually. 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.

NOTE 12 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of August 31:

	2018	2017
Time Restrictions	\$ 5,067,843	\$ 4,654,662
Purpose Restrictions	7,238,543	5,266,028
Total Temporarily Restricted Net Assets	\$ 12,306,386	\$ 9,920,690

As of August 31, permanently restricted net assets are restricted to:

	2018	2017
Investments in Perpetuity, the Income from which is Expendable to Support Defined Activities of the Foundation	\$ 10,126,942	\$ 9,771,538

MAKE-A-WISH FOUNDATION® OF AMERICA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 13 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan if they have reached 21 years of age and are employed upon the applicable entry date. 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 100% of employee contributions up to 5% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2018 and 2017 were \$519,879 and \$460,974, respectively.

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.

Contributions totaling \$9,012,158 and \$9,489,873 were received from a single donor for the years ended August 31, 2018 and 2017, respectively, which represent 7.9% and 9.0%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 15 LITIGATION AND CLAIMS

The Foundation is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, based on consultation with legal counsel, possible losses, if any, are immaterial to the Foundation's financial position, change in net assets, or liquidity, consequently, no provision has been made in the accompanying financial statements for losses, if any, which might result from the ultimate outcome of such matters.

NOTE 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 26, 2019, the date at which the financial statements were available to be issued.

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