

**MAKE-A-WISH FOUNDATION® OF
EASTERN NORTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018



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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Eastern North Carolina
Raleigh, North Carolina

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Eastern North Carolina, which comprise the statement of financial position as of August 31, 2018 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Eastern North Carolina

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
March 12, 2019

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

ASSETS

Cash and Cash Equivalents	\$	549,772
Investments		8,684
Due from Related Entities		36,777
Prepaid Expenses		18,177
Contributions Receivable, Net		291,962
Other Assets		21,267
Property and Equipment, Net		<u>35,319</u>
Total Assets	\$	<u><u>961,958</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES

Accounts Payable and Accrued Expenses	\$	59,343
Accrued Pending Wish Costs, Cash		753,417
Accrued Pending Wish Costs, In-Kind		963,963
Due to Related Entities		18,016
Deferred Rent		29,704
Capital Leases		<u>16,169</u>
Total Liabilities		<u>1,840,612</u>

NET ASSETS (DEFICIT)

Unrestricted		(1,197,915)
Temporarily Restricted		<u>319,261</u>
Total Net Assets (Deficit)		<u>(878,654)</u>
Total Liabilities and Net Assets	\$	<u><u>961,958</u></u>

See accompanying Notes to Financial Statements.

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

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 2,261,069	\$ 291,962	\$ 2,553,031
Grants	185,036	8,300	193,336
Total Public Support	2,446,105	300,262	2,746,367
Internal Special Events	1,161,805	-	1,161,805
Less: Costs of Direct Benefits to Donors	(261,037)	-	(261,037)
Total Special Events	900,768	-	900,768
Investment Income, Net	1,110	-	1,110
Other Income	3,015	-	3,015
Net Assets Released from Restrictions	363,895	(363,895)	-
Total Revenues, Gains, and Other Support	3,714,893	(63,633)	3,651,260
EXPENSES			
Program Services:			
Wish Granting	2,053,884	-	2,053,884
Total Program Services	2,053,884	-	2,053,884
Support Services:			
Fundraising	831,281	-	831,281
Management and General	212,086	-	212,086
Total Support Services	1,043,367	-	1,043,367
Total Expenses	3,097,251	-	3,097,251
OTHER EXPENSE			
Loss on Disposal of Property and Equipment	763	-	763
Total Other Expense	763	-	763
CHANGE IN NET ASSETS	616,879	(63,633)	553,246
Net Assets (Deficit) - Beginning of Year	(1,814,794)	382,894	(1,431,900)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (1,197,915)	\$ 319,261	\$ (878,654)

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	553,246
Adjustments to Reconcile Change in Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization		13,966
Net Realized and Unrealized Gains on Investments		(891)
Loss on Disposal of Property and Equipment		763
Contributed Property and Equipment and Inventory		(11,358)
Changes in Assets and Liabilities:		
Contributions Receivable		47,801
Due from Related Entities		73,062
Prepaid Expenses		4,297
Other Assets		10,167
Accounts Payable and Accrued Expenses		(16,098)
Accrued Pending Wish Costs		(527,879)
Due to Related Entities		11,755
Deferred Rent		27,242
Net Cash Provided by Operating Activities		186,073

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments		(158)
Purchases of Property and Equipment		(14,117)
Net Cash Used by Investing Activities		(14,275)

CASH FLOWS USED BY FINANCING ACTIVITIES

Principal Payments on Capital Lease Obligations		(3,039)
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NET INCREASE IN CASH AND CASH EQUIVALENTS

168,759

Cash and Cash Equivalents - Beginning of Year

381,013

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 549,772

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	\$	1,145
Contributed Inventory	\$	3,948
Contributed Property and Equipment	\$	7,410
Equipment Purchased Through a Capital Lease	\$	19,208

See accompanying Notes to Financial Statements.

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

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 1,811,942	\$ -	\$ -	\$ -	\$ 1,811,942
Change in Pending Wish Liability	(527,878)	-	-	-	(527,878)
Salaries, Taxes, and Benefits	578,207	497,386	161,273	658,659	1,236,866
Printing, Subscriptions, and Publications	1,739	9,499	510	10,009	11,748
Professional Fees	30,371	34,114	14,783	48,897	79,268
Rent and Utilities	51,261	43,627	14,201	57,828	109,089
Postage and Delivery	2,556	1,990	613	2,603	5,159
Travel	4,349	18,647	341	18,988	23,337
Meetings and Conferences	3,019	20,605	1,418	22,023	25,042
Office Supplies	3,520	2,408	494	2,902	6,422
Communications	4,535	3,693	1,200	4,893	9,428
Advertising and Media (Cash)	-	19,392	-	19,392	19,392
Advertising and Media (In-Kind)	-	96,945	-	96,945	96,945
Repairs and Maintenance	48	1,786	13	1,799	1,847
Membership Dues	247	1,930	388	2,318	2,565
National Partnership Dues	66,800	9,301	8,456	17,757	84,557
Miscellaneous	16,604	64,372	6,580	70,952	87,556
Depreciation and Amortization	6,564	5,586	1,816	7,402	13,966
Special Event Expenses	-	261,037	-	261,037	261,037
Total	<u>2,053,884</u>	<u>1,092,318</u>	<u>212,086</u>	<u>1,304,404</u>	<u>3,358,288</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	<u>-</u>	<u>(261,037)</u>	<u>-</u>	<u>(261,037)</u>	<u>(261,037)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,053,884</u>	<u>\$ 831,281</u>	<u>\$ 212,086</u>	<u>\$ 1,043,367</u>	<u>\$ 3,097,251</u>

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Eastern North Carolina (the Foundation) is a North Carolina 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 accounting principles generally accepted in the United States of America (GAAP) applicable to nonprofit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2018 was \$200,154 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 EASTERN NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

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

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

Fair Value Measurements

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

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes. There are no permanently restricted net assets recorded as of August 31, 2018.

Temporarily Restricted Net Assets – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions or law.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the 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 EASTERN NORTH CAROLINA
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 for the year ended August 31, 2018:

	Programs	Fundraising	Management and General	Total
Wish Related	\$ 970,614	\$ -	\$ -	\$ 970,614
Professional Services	-	-	4,500	4,500
Advertising	-	96,945	-	96,945
Other	2,124	764	53	2,941
Total	<u>\$ 972,738</u>	<u>\$ 97,709</u>	<u>\$ 4,553</u>	1,075,000
Special Events				7,005
Inventory				3,948
Property and Equipment (Capitalized)				7,410
Total				<u>\$ 1,093,363</u>

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

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

Donated advertising and media is reported as contribution revenue and fundraising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
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 North Carolina income or franchise taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Chapter 55A of the General Statutes of North Carolina. 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 three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation in granting wishes to children with critical illnesses.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. 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 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.

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. Unamortized deferred rent was \$29,704 at August 31, 2018.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 and managers. Major investment decisions are authorized by the board of directors, which oversees the Foundation's investment program in accordance with established guidelines.

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets that are measured at fair value on a recurring basis at August 31, 2018:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 8,684	\$ -	\$ -	\$ 8,684
Total	<u>\$ 8,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,684</u>

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

Interest and Dividend Income	\$ 219
Realized and Unrealized Gains, Net	891
Investment Income, Net	<u>\$ 1,110</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable as of August 31, 2018 was \$291,962 which are due from one donor as of August 31, 2018. All contributions receivable are due within the next 12 months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts was 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 \$484,471 from these national revenue streams.

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

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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 \$150,000 during the year ended August 31, 2018.

Conversely, the Foundation pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services it provides for the Foundation. Amounts totaling \$156,054 were paid from the Foundation to the National Organization during the year ended August 31, 2018.

Chapters who assist with the organization and granting of wishes from other chapters are paid a “fee for service” called the wish assist fee. Under this program, the originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking, and facilitating of the wish for the home chapter. Under this program, the Foundation received \$3,000 for the year ended August 31, 2018, which has been recorded as other income on the statement of activities.

Amounts due from and to related entities are as follows:

Balance at August 31, 2018	
Due from National Organization	\$ 36,127
Due from Other Chapters	650
Total Due from Related Entities	<u>\$ 36,777</u>
Due to National Organization	\$ 8,120
Due to Other Chapters	9,896
Total Due to Related Entities	<u>\$ 18,016</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 \$130,746.

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

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

Computer Equipment and Software	\$ 55,168
Office Furniture and Equipment	47,631
Leasehold Improvements	8,762
Total	<u>111,561</u>
Less: Accumulated Depreciation and Amortization	<u>(76,242)</u>
Property and Equipment, Net	<u>\$ 35,319</u>

Depreciation and amortization expense totaled \$13,966 for the year ended 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,
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 deficit at August 31, 2018 would be decreased by \$672,001, resulting in adjusted net deficit of \$(206,653).

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

NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)

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

NOTE 8 LEASES

The Foundation is obligated under capital and operating leases for office rent and office equipment, which expire at various points through December 31, 2024. As of August 31, 2018 the cost of leased property and equipment under capital lease was \$19,208 and the accumulated depreciation was \$3,521. Total rent expense for all operating leases totaled \$110,914 for the year ended August 31, 2018.

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

<u>Year Ending August 31,</u>	Operating Leases Amount	Capital Leases
2019	\$ 99,591	\$ 4,564
2020	102,367	4,564
2021	105,415	4,564
2022	108,555	4,564
2023	111,020	381
Thereafter	154,380	-
Total Minimum Lease Payments	<u>681,328</u>	<u>18,637</u>
Less Amounts Representing Interest	-	2,468
Present Value of Net Minimum Lease Payments	<u><u>\$ 681,328</u></u>	<u><u>\$ 16,169</u></u>

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

Time Restrictions	\$ -
Purpose Restrictions	319,261
Total Temporarily Restricted Net Assets	<u><u>\$ 319,261</u></u>

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

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of three months of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2018 were \$18,395.

NOTE 11 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 \$526,579 were received from a single donor for the year ended August 31, 2018 which represents 19% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 12 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through March 12, 2019, the date at which the financial statements were available to be issued.

NOTE 13 LIQUIDITY IN OPERATIONS

The Foundation has negative unrestricted net assets of (\$1,197,915) as of August 31, 2018, an increase of \$616,879 from August 31, 2017. Total net assets are \$(878,654) as of August 31, 2018, an increase of \$553,246 from August 31, 2017.

The largest liability on the Foundation's statement of financial position is the accrued pending wish liability of \$1,717,380 (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.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
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NOTE 13 LIQUIDITY IN OPERATIONS (CONTINUED)

Recording this noncontractual 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.

