

MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
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YEAR ENDED AUGUST 31, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of the Mid-Atlantic
Bethesda, Maryland

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the Mid-Atlantic

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 the Mid-Atlantic 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

Greenbelt, Maryland
January 28, 2019

MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018

ASSETS

ASSETS

Cash and Cash Equivalents	\$ 1,035,420
Investments	3,275,257
Due from Related Entities	194,075
Prepaid Expenses	59,796
Contributions and Grants Receivable	358,502
Other Assets	166,758
Property and Equipment, Net	<u>1,185,261</u>
 Total Assets	 <u><u>\$ 6,275,069</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 569,379
Accrued Pending Wish Costs - Cash	1,287,174
Accrued Pending Wish Costs - In-Kind	1,624,176
Due to Related Entities	33,469
Other Liabilities	160,109
Deferred Rent	<u>739,355</u>
Total Liabilities	4,413,662

NET ASSETS

Unrestricted	1,566,523
Temporarily Restricted	<u>294,884</u>
Total Net Assets	<u>1,861,407</u>
 Total Liabilities and Net Assets	 <u><u>\$ 6,275,069</u></u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 7,534,280	\$ 294,038	\$ 7,828,318
Grants	231,000	-	231,000
Total Public Support	7,765,280	294,038	8,059,318
Internal Special Events	2,480,349	-	2,480,349
Less: Costs of Direct Benefits to Donors	(592,445)	-	(592,445)
Total Internal Special Events	1,887,904	-	1,887,904
Investment Income, Net	185,712	-	185,712
Other Income	249,282	-	249,282
Net Assets Released from Restrictions	375,038	(375,038)	-
Total Revenues, Gains, and Other Support	10,463,216	(81,000)	10,382,216
EXPENSES			
Program Services:			
Wish Granting	5,790,774	-	5,790,774
Total Program Services	5,790,774	-	5,790,774
Support Services:			
Fundraising	1,370,180	-	1,370,180
Management and General	717,175	-	717,175
Total Support Services	2,087,355	-	2,087,355
Total Expense	7,878,129	-	7,878,129
CHANGE IN NET ASSETS (DEFICIT)	2,585,087	(81,000)	2,504,087
Net Assets (Deficit) - Beginning of Year	(1,018,564)	375,884	(642,680)
NET ASSETS (DEFICIT) - END OF YEAR	\$ 1,566,523	\$ 294,884	\$ 1,861,407

See accompanying Notes to Financial Statements.

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

	<u>Program Services</u>		<u>Support Services</u>		<u>Total</u>
	<u>Wish Granting</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Support Services</u>	
Direct Costs of Wishes	\$ 5,067,075	\$ -	\$ -	\$ -	\$ 5,067,075
Change in Pending Wish Liability	(1,635,536)	-	-	-	(1,635,536)
Salaries, Taxes, and Benefits	997,250	762,254	465,068	1,227,322	2,224,572
Printing, Subscriptions, and Publications	39,880	37,588	3,999	41,587	81,467
Professional Fees	31,772	43,174	55,035	98,209	129,981
Rent and Utilities	160,163	146,836	62,223	209,059	369,222
Postage and Delivery	5,753	15,108	2,860	17,968	23,721
Travel	14,445	21,483	7,320	28,803	43,248
Meetings and Conferences	28,895	27,023	4,979	32,002	60,897
Office Supplies	9,082	12,757	5,100	17,857	26,939
Communications	17,465	14,228	6,329	20,557	38,022
Advertising and Media (Cash)	32,397	8,533	-	8,533	40,930
Advertising and Media (In-Kind)	821,487	140,070	-	140,070	961,557
Repairs and Maintenance	9,736	8,923	4,014	12,937	22,673
Insurance	2,470	2,264	951	3,215	5,685
Membership Dues	884	1,750	1,079	2,829	3,713
National Partnership Dues	126,723	18,672	41,321	59,993	186,716
Miscellaneous	60,833	109,517	28,732	138,249	199,082
Depreciation and Amortization	-	-	28,165	28,165	28,165
Special Event Expenses	-	592,445	-	592,445	592,445
Total	<u>5,790,774</u>	<u>1,962,625</u>	<u>717,175</u>	<u>2,679,800</u>	<u>8,470,574</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	<u>-</u>	<u>(592,445)</u>	<u>-</u>	<u>(592,445)</u>	<u>(592,445)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 5,790,774</u>	<u>\$ 1,370,180</u>	<u>\$ 717,175</u>	<u>\$ 2,087,355</u>	<u>\$ 7,878,129</u>

See accompanying Notes to Financial Statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,504,087
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	28,165
Net Realized and Unrealized Gain on Investments	(120,231)
Contributed Property and Equipment	(276,864)
(Increase) Decrease in Assets:	
Contributions and Grants Receivable	265,275
Due from Related Entities	10,765
Prepaid Expenses	77,155
Other Assets	(48,622)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	107,293
Accrued Pending Wish Costs	(1,635,536)
Due to Related Entities	1,563
Other Liabilities	(391,569)
Deferred Rent	(37,130)
Net Cash Provided by Operating Activities	<u>484,351</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(196,458)
Proceeds from Sales of Investments	137,754
Purchases of Property and Equipment	<u>(193,253)</u>
Net Cash Used by Investing Activities	<u>(251,957)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

232,394

Cash and Cash Equivalents - Beginning of Year

803,026

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 1,035,420

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Leasehold Improvement Acquired Through Improvement Allowance	\$ 716,500
Contributed Property and Equipment	\$ 276,864

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of the Mid-Atlantic (the Foundation) is a Maryland nonprofit corporation organized for the purpose of creating life changing wishes for children with critical illnesses. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) applicable to nonprofit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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.

Inventory

Inventory, consisting of gifts for wish children and items to be used at special events, is stated at the lower of cost or market. Cost is determined using the direct method. Management does not believe there are any obsolete items as of August 31, 2018.

MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
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 \$1,000 and a useful life of more than one year are capitalized at cost when purchased for the year ended August 31, 2018. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released. 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 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). 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 THE MID-ATLANTIC
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 subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.

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

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

Revenue Recognition

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

MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
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 statements of activities as follows:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Program and Support Services				
Expenses:				
Wish Related	\$ 2,676,013	\$ -	\$ -	\$ 2,676,013
Professional Services	17,078	46,131	27,965	91,174
Advertising and Media	853,884	148,603	-	1,002,487
Other	-	12,133	-	12,133
Total Program and Supported Service Expenses	<u>\$ 3,546,975</u>	<u>\$ 206,867</u>	<u>\$ 27,965</u>	3,781,807
Special Events				91,363
Donated Inventory (Asset)				(50,953)
Property and Equipment (Capitalized)				276,864
Total				<u>\$ 4,099,081</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 are reported as contribution revenue and fundraising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Maryland income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 81 of the State of Maryland Tax Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2018. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 joint costs for activities that include fundraising appeals (primarily public service announcements, direct mail campaigns and newsletters), which have been allocated as follows:

Fundraising	\$ 141,556
Wish Granting	880,911
Total	<u>\$ 1,022,467</u>

Management and General

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

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

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 \$739,355 at August 31, 2018.

Management Estimates

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

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

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.

Fair Value Hierarchy

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Recurring:				
Investments:				
Cash and Cash Equivalents	\$ 202,716	\$ -	\$ -	\$ 202,716
Exchange-Traded Funds:				
Domestic Equity	1,609,050	-	-	1,609,050
International Equity	204,179	-	-	204,179
Bonds	1,237,562	-	-	1,237,562
Limited Partnership	-	-	21,750	21,750
Total	<u>\$ 3,253,507</u>	<u>\$ -</u>	<u>\$ 21,750</u>	<u>\$ 3,275,257</u>

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

For the valuation of the limited partnership in a real estate investment at August 31, 2018, the Foundation used the initial carrying value of the investment at the date of receipt of the contributed ownership in the partnership. (Level 3).

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

Interest and Dividend Income	\$	65,481
Realized and Unrealized Gains, Net		120,231
Investment Income, Net		185,712

NOTE 4 CONTRIBUTIONS RECEIVABLE

All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2018.

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

The Foundation received the following distributions from the National Organization for the year ended August 31, 2018:

Corporate, Online, Whitemail and General Contributions	\$	1,450,827
High Cost Wishes		31,000
Gifts and Travel Reimbursements		200
Wish Fulfillment Fund		200,000
Other		28,893
Total Distributions Received from National		1,710,920

These amounts are recorded in the Statement of Activities as public support revenue.

The Foundation paid to the National Organization the following amounts for the year ended August 31, 2018:

Chapter Dues	\$	186,716
Other		88,230
Total Amounts Paid		274,946

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Chapters that assist with the organization and granting of wishes from other chapters are paid a “fee for service” called the wish assist fee. Under this program, the Foundation received \$13,350 for the year ended August 31, 2018, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:	
Due from National Organization	\$ 163,381
Due from Other Chapters	30,694
Total Due from Related Entities	<u>\$ 194,075</u>
Due to National Organization	\$ 5,439
Due to Other Chapters	28,030
Total Due to Related Entities	<u>\$ 33,469</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 and raised by board members totaling \$1,117,727. In 2018, there were no amounts due from board members.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

Computer Equipment and Software	\$ 59,925
Furniture and Equipment	170,215
Leasehold Improvements	1,005,649
Total	<u>1,235,789</u>
Less: Accumulated Depreciation and Amortization	<u>(50,528)</u>
Property and Equipment, Net	<u>\$ 1,185,261</u>

Depreciation and amortization expense totaled \$28,165 for the year ended August 31, 2018.

MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 7 ACCRUED PENDING WISH COSTS

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

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

Estimated cash and in-kind costs are accrued as pending wish liability at year-end for all reportable approved pending wishes. The in-kind portion of the pending wish liability includes the estimated in-kind expenses that are expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2018, would increase by \$1,624,176 resulting in adjusted net assets of \$3,485,583.

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 various operating leases for offices and equipment, which expire at various dates through July 1, 2029. The Foundation received certain lease incentives with these leases. These incentives are recognized over the life of the leases and are reflected in the statement of financial position as deferred lease benefit. Total rent expense for all operating leases for the year ended August 31, 2018, totaled \$368,540.

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018**

NOTE 8 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>Amounts</u>
2019	\$ 131,002
2020	332,114
2021	334,988
2022	343,376
2023	351,983
After 2023	<u>2,269,566</u>
Total Minimum Lease Payments	<u><u>\$ 3,763,029</u></u>

NOTE 9 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

Time Restrictions	\$ 67,144
Purpose Restrictions	<u>227,740</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 294,884</u></u>

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 18 years of age and upon completion of one year 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 6% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2018, were \$63,378.

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 \$1,198,448 were received from one donor for the year ended August 31, 2018, which represents 15% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

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NOTE 12 LITIGATION AND CLAIMS

The Foundation is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

NOTE 13 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 28, 2019, the date at which the financial statements were available to be issued.