

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
TABLE OF CONTENTS
YEAR ENDED AUGUST 31, 2018

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
STATEMENT OF FUNCTIONAL EXPENSES	6
NOTES TO FINANCIAL STATEMENTS	7



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc.
Boston, Massachusetts

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
January 2, 2019

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018

ASSETS

Cash and Cash Equivalents	\$ 2,961,849
Investments	10,833,192
Due from Related Entities	103,946
Prepaid Expenses and Other Assets	71,519
Contributions Receivable, Net	823,676
Property and Equipment, Net	<u>117,214</u>
 Total Assets	 <u><u>\$ 14,911,396</u></u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 257,295
Accrued Pending Wish Costs - Cash	1,309,300
Accrued Pending Wish Costs - In-Kind	1,341,347
Due to Related Entities	20,927
Other Liabilities	<u>12,700</u>
Total Liabilities	<u><u>2,941,569</u></u>

NET ASSETS

Unrestricted:	
Operating	3,662,824
Board-Designated	<u>7,145,263</u>
Total Unrestricted	10,808,087
Temporarily Restricted	1,107,296
Permanently Restricted	<u>54,444</u>
Total Net Assets	<u><u>11,969,827</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 14,911,396</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions	\$ 6,557,944	\$ 637,161	\$ -	\$ 7,195,105
Grants	74,028	10,000	-	84,028
Total Public Support	<u>6,631,972</u>	<u>647,161</u>	<u>-</u>	<u>7,279,133</u>
Internal Special Events	1,840,580	54,000	-	1,894,580
Less: Costs of Direct Benefits to Donors	(507,123)	-	-	(507,123)
Total Internal Special Events	<u>1,333,457</u>	<u>54,000</u>	<u>-</u>	<u>1,387,457</u>
Appropriation of Nonoperating Assets for Operations	453,000	-	-	453,000
Other Income	20,036	-	-	20,036
Net Assets Released from Restrictions	<u>510,127</u>	<u>(510,127)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>8,948,592</u>	<u>191,034</u>	<u>-</u>	<u>9,139,626</u>
EXPENSES				
Program Services:				
Wish Granting	4,847,487	-	-	4,847,487
Program-Related Support	1,544,687	-	-	1,544,687
Total Program Services	<u>6,392,174</u>	<u>-</u>	<u>-</u>	<u>6,392,174</u>
Support Services:				
Fundraising	628,519	-	-	628,519
Management and General	1,123,964	-	-	1,123,964
Total Support Services	<u>1,752,483</u>	<u>-</u>	<u>-</u>	<u>1,752,483</u>
Total Program and Support Services Expense	<u>8,144,657</u>	<u>-</u>	<u>-</u>	<u>8,144,657</u>
Change in Net Assets from Operations	803,935	191,034	-	994,969
NONOPERATING ACTIVITIES				
Interest Income and Investment Gains, Net	941,402	7,230	-	948,632
Appropriation of Endowment Assets for Operations	(448,826)	(4,174)	-	(453,000)
Change in Net Assets from Nonoperating Activities	<u>492,576</u>	<u>3,056</u>	<u>-</u>	<u>495,632</u>
CHANGE IN NET ASSETS	1,296,511	194,090	-	1,490,601
Net Assets - Beginning of Year	<u>9,511,576</u>	<u>913,206</u>	<u>54,444</u>	<u>10,479,226</u>
NET ASSETS, END OF YEAR	<u>\$ 10,808,087</u>	<u>\$ 1,107,296</u>	<u>\$ 54,444</u>	<u>\$ 11,969,827</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,490,601
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	22,183
Net Realized and Unrealized Gains on Investments	(602,656)
Change in Discount to Present Value of Contributions Receivable	10,356
(Increase) Decrease in Assets:	
Contributions Receivable	(203,680)
Due from Related Entities	(4,666)
Prepaid Expenses and Other Assets	6,860
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	(93,201)
Accrued Pending Wish Costs	(17,721)
Due to Related Entities	(19,885)
Other Liabilities	900
Net Cash Provided by Operating Activities	589,091

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(1,234,329)
Proceeds from Sales of Investments	911,052
Net Cash Used by Investing Activities	(323,277)

NET INCREASE IN CASH AND CASH EQUIVALENTS

265,814

Cash and Cash Equivalents - Beginning of Year

2,696,035

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,961,849

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2018

	Program Services			Support Services			Total
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,829,766	\$ -	\$ 4,829,766	\$ -	\$ -	\$ -	\$ 4,829,766
Change in Pending Wish Liability	17,721	-	17,721	-	-	-	17,721
Salaries, Taxes, and Benefits	-	1,027,391	1,027,391	397,115	837,759	1,234,874	2,262,265
Printing, Subscriptions, and Publications	-	6,423	6,423	21,879	1,778	23,657	30,080
Professional Fees	-	64,274	64,274	52,685	120,614	173,299	237,573
Rent and Utilities	-	133,227	133,227	59,837	80,035	139,872	273,099
Postage and Delivery	-	6,889	6,889	6,217	3,635	9,852	16,741
Travel	-	11,007	11,007	3,971	12,065	16,036	27,043
Meetings and Conferences	-	5,158	5,158	34,600	6,075	40,675	45,833
Office Supplies	-	7,316	7,316	5,068	4,328	9,396	16,712
Communications	-	7,386	7,386	3,015	6,363	9,378	16,764
Repairs and Maintenance	-	15,203	15,203	6,003	9,896	15,899	31,102
Membership Dues	-	-	-	-	55	55	55
Volunteer Training	-	7,755	7,755	-	-	-	7,755
National Partnership Dues	-	184,554	184,554	25,697	23,361	49,058	233,612
Miscellaneous	-	57,235	57,235	7,996	11,122	19,118	76,353
Depreciation and Amortization	-	10,869	10,869	4,436	6,878	11,314	22,183
Special Event Expenses	-	-	-	507,123	-	507,123	507,123
Total	4,847,487	1,544,687	6,392,174	1,135,642	1,123,964	2,259,606	8,651,780
Less Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	(507,123)	-	(507,123)	(507,123)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 4,847,487	\$ 1,544,687	\$ 6,392,174	\$ 628,519	\$ 1,123,964	\$ 1,752,483	\$ 8,144,657

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc. (the Foundation) is a Massachusetts 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). The Foundation raises funds locally to support the mission and operations in Massachusetts and Rhode Island. The National Organization operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2018 is \$125,987 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 MASSACHUSETTS AND RHODE ISLAND, INC.
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. 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. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 5 to 10 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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.

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

Operations

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating activities consist of those items attributed to public support, special events less direct benefit costs, and related expenses for program services and support services for the purpose of granting wishes to children with life-threatening medical conditions.

Income and realized and unrealized gains and losses from investments, net of appropriation and other items not related to the Foundation's operations are reported as nonoperating activities.

Revenue Recognition

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

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 materials that are reported in the statement of activities as follows at August 31, 2018:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Program and Support Service Expenses:				
Wish Related	\$ 2,573,455	\$ -	\$ -	\$ 2,573,455
Professional Services	19,823	8,091	18,941	46,855
Other	2,120	-	-	2,120
Total Program and Support Service Expenses	<u>\$ 2,595,398</u>	<u>\$ 8,091</u>	<u>\$ 18,941</u>	<u>2,622,430</u>
Total				<u>\$ 2,622,430</u>

Income Taxes

The Foundation is a nonprofit organization exempt from federal income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and state income taxes of the Massachusetts Department of Revenue Taxation Code and state of Rhode Island Division of Taxation. 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.

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 MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The Foundation performs four functions: wish granting, program-related support, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation that grant wishes to children with critical illnesses.

Program-Related Support

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

Fundraising

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

Fundraising	\$ 4,911
Wish Granting	<u>4,911</u>
Total	<u><u>\$ 9,822</u></u>

Management and General

All costs not identifiable with a single program 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, and financial reporting.

Expenses that benefit more than one function of the Foundation, such as rent, supplies, and equipment, are allocated among the functions based generally on the amount of time spent by employees on each function.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments and contributions receivable, accrued pending wish costs, net of attrition on pending wish costs and whether an allowance for uncollectible contributions receivable is required. The current economic environment continues to create a high degree of uncertainty in those estimates and assumptions.

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's investment committee, which oversees the Foundation's investment program in accordance with guidelines established by the board of directors.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

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

	(Level 1)	(Level 2)	(Level 3)	Total
Investments:				
Mutual Funds:				
Domestic Equity	\$ 5,601,089	\$ -	\$ -	\$ 5,601,089
International Equity	1,378,935	-	-	1,378,935
Real Estate	79,499	-	-	79,499
Commodities	262,617	-	-	262,617
Bonds	3,388,508	-	-	3,388,508
Equity Securities:				
U.S. Corporate Equity Securities	122,544			122,544
Total	<u>\$ 10,833,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,833,192</u>

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

Interest and Dividend Income	\$ 361,966
Realized and Unrealized Gains, Net	602,656
Less: Investment Expenses	(16,282)
Investment Income, Net	<u>\$ 948,340</u>

The interest income and investment return, net of \$948,632 on the statement of activities, includes \$292 of operating cash interest in 2018.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 3.50% to 6.00% at August 31, 2018. The following is a summary of the Foundation's contributions receivable at August 31, 2018:

Total Amounts Due in:	
Within One Year	\$ 570,806
One to Five Years	217,500
More than Five Years	50,000
Gross Contributions Receivable	<u>838,306</u>
Less Discount to Present Value	(14,630)
Contributions Receivable, Net	<u>\$ 823,676</u>

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
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 online and through the mail, amounts for internal grants, travel and training scholarships, and other miscellaneous revenues. During the year ended August 31, 2018, the Foundation received \$1,297,598 from these national revenue streams.

As part of the National Organization’s Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation contributed \$12,000 during the year ended August 31, 2018.

The Foundation also pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation. Amounts totaling \$267,767 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 \$14,850 for the year ended August 31, 2018, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:	
Due from National Organization	\$ 90,389
Due from Other Chapters	13,557
Total Due from Related Entities	<u>\$ 103,946</u>
Due to Other Chapters	<u>\$ 20,927</u>
Total Due to Related Entities	<u>\$ 20,927</u>

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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.

During 2018, the Foundation recognized contributions, both cash and in-kind, from board members and their affiliated organizations totaling \$553,334. In 2018, amounts due from board members totaled \$193,000 and are included in Contributions Receivable in the accompanying statement of financial position. There were no amounts owed, or payments made, to related parties for goods and services used in the Foundation's operations as of, and for the year ended August 31, 2018.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

Computer Equipment and Software	\$	65,593
Other Equipment		189,599
		255,192
Less: Accumulated Depreciation and Amortization		(137,978)
Property and Equipment, Net	\$	117,214

Depreciation and amortization expense totaled \$22,183 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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)

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 was recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2018 would increase by \$1,188,029 resulting in adjusted net assets of \$13,157,856.

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 Foundation experienced an immaterial 2% 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 August 31, 2029. Total rent expense for all operating leases for the years ended August 31, 2018 totaled \$247,757.

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>
2019	\$ 316,467
2020	426,370
2021	434,670
2022	442,970
2023	414,550
Thereafter	2,361,350
Total Minimum Lease Payments	<u>\$ 4,396,377</u>

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 9 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 several individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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 on the statement of financial position.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Massachusetts 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

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 9 ENDOWMENTS (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 12,004	\$ 54,444	\$ 66,448
Board-Designated Endowment Funds	7,145,263	-	-	7,145,263
Total Funds	<u>\$ 7,145,263</u>	<u>\$ 12,004</u>	<u>\$ 54,444</u>	<u>\$ 7,211,711</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds - Beginning of Year	\$ 6,816,615	\$ 8,948	\$ 54,444	\$ 6,880,007
Investment Return:				
Investment Income	235,809	2,193	-	238,002
Net Appreciation (Realized and Unrealized)	541,665	5,037	-	546,702
Total Investment Return	777,474	7,230	-	784,704
Appropriation of Endowment Assets for Expenditure	<u>(448,826)</u>	<u>(4,174)</u>	<u>-</u>	<u>(453,000)</u>
Endowment Funds - End of Year	<u>\$ 7,145,263</u>	<u>\$ 12,004</u>	<u>\$ 54,444</u>	<u>\$ 7,211,711</u>

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

Permanently Restricted Net Assets:

The Portion of Perpetual Endowment Funds that is
Required to be Retained Permanently Either by
Explicit Donor Stipulation or by UPMIFA

\$ 54,444

Temporarily Restricted Net Assets:

The Portion of Perpetual Endowment Funds Subject
to a Time Restriction Under UPMIFA:

Without Purpose Restrictions

\$ 12,004

Total Endowment Funds Classified as

Temporarily Restricted Net Assets

\$ 12,004

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. Such deficiencies can result 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. There were no such deficiencies as of August 31, 2018.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 9 ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment fund while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to exceed an average rate of return of approximately 4% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year within a range of 4% to 6% 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. 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 rate greater than 4% annually, prior to the 4% to 6% appropriation for distribution previously noted. 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 10 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	\$ 670,359
Purpose Restrictions	436,937
Total Temporarily Restricted Net Assets	<u>\$ 1,107,296</u>

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

Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	<u>\$ 54,444</u>
---	------------------

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 11 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan as of their date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code (IRC) limitations. Eligible employees who have been employed with the Foundation for one year or more are eligible to receive an employer contribution to their 403(b) account. The Foundation contributes up to 4% of the employee's salary, per board discretion. Foundation contributions to the Plan for the year ended August 31, 2018 was \$50,879.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

The Foundation places its cash and investments with high credit quality financial institutions. The cash balances maintained exceed the Federal Deposit Insurance Corporation insurance coverage limit of \$250,000, but the Foundation has never experienced any losses in such accounts.

In-kind contributions totaling \$1,111,557 were received from a single donor for the year ended August 31, 2018, which represents 15% total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 13 LITIGATION AND CLAIMS

The Foundation, is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, there is no pending litigation that would have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 2, 2019, the date at which the financial statements were available to be issued.



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.