

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA,  
DELAWARE  
AND SUSQUEHANNA VALLEY**

**FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2018**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
AND SUSQUEHANNA VALLEY  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Philadelphia, Delaware and Susquehanna Valley  
Blue Bell, Pennsylvania

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Philadelphia, Delaware and Susquehanna Valley 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 of material misstatement.

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

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

Board of Directors  
Make-A-Wish Foundation® of Philadelphia, Delaware and Susquehanna Valley

***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 Philadelphia, Delaware and Susquehanna Valley 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**

Plymouth Meeting, Pennsylvania  
December 13, 2018

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
AND SUSQUEHANNA VALLEY  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2018**

**ASSETS**

Cash and Cash Equivalents	\$	242,791
Investments		1,864,088
Due from Related Entities		112,193
Prepaid Expenses		23,820
Contributions Receivable, Net		733,452
Other Assets		5,742
Property and Equipment, Net		<u>45,872</u>
Total Assets	\$	<u><u>3,027,958</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$	334,073
Accrued Pending Wish Costs - Cash		1,446,832
Accrued Pending Wish Costs - In-Kind		1,109,678
Due to Related Entities		<u>23,798</u>
Total Liabilities		2,914,381

**NET ASSETS (DEFICITS)**

Unrestricted		(451,963)
Temporarily Restricted		<u>565,540</u>
Total Net Assets		<u>113,577</u>
Total Liabilities and Net Assets	\$	<u><u>3,027,958</u></u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
AND SUSQUEHANNA VALLEY  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Public Support:			
Contributions	\$ 5,392,644	\$ 562,838	\$ 5,955,482
Grants	391,432	-	391,432
Total Public Support	5,784,076	562,838	6,346,914
Internal Special Events	786,050	-	786,050
Less Costs of Direct Benefits to Donors	(155,180)	-	(155,180)
Total Internal Special Events	630,870	-	630,870
Investment Income, Net	12,713	-	12,713
Other Income	4,600	-	4,600
Net Assets Released from Restrictions	587,976	(587,976)	-
Total Revenues, Gains, and Other Support	7,020,235	(25,138)	6,995,097
<b>EXPENSES</b>			
Program Services:			
Wish Granting	6,302,310	-	6,302,310
Program-Related Support	297,237	-	297,237
Public Information	355,980	-	355,980
Total Program Services	6,955,527	-	6,955,527
Support Services:			
Fundraising	471,093	-	471,093
Management and General	536,620	-	536,620
Total Support Services	1,007,713	-	1,007,713
Total Expenses	7,963,240	-	7,963,240
<b>CHANGE IN NET ASSETS</b>	(943,005)	(25,138)	(968,143)
Net Assets - Beginning of Year	491,042	590,678	1,081,720
<b>NET ASSETS - END OF YEAR (DEFICITS)</b>	\$ (451,963)	\$ 565,540	\$ 113,577

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
AND SUSQUEHANNA VALLEY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2018**

	Program Services			Support Services			Total	
	Wish Granting	Program-Related Support	Public Information	Total Program Services	Fundraising	Management and General		Total Support Services
Direct Costs of Wishes	\$ 5,105,805	\$ -	\$ -	\$ 5,105,805	\$ -	\$ -	\$ -	\$ 5,105,805
Change in Pending Wish Liability	563,347	-	-	563,347	-	-	-	563,347
Salaries, Taxes, and Benefits	427,200	207,650	247,648	882,498	362,034	450,286	812,320	1,694,818
Printing, Subscriptions, and Publications	2,166	4,698	32,614	39,478	9,499	1,491	10,990	50,468
Professional Fees	6,262	3,663	3,169	13,094	3,279	15,544	18,823	31,917
Rent and Utilities	30,091	18,191	15,455	63,737	16,058	20,719	36,777	100,514
Postage and Delivery	2,019	3,057	4,122	9,198	1,574	1,386	2,960	12,158
Travel	5,152	12,504	7,952	25,608	9,022	3,418	12,440	38,048
Meetings and Conferences	3,148	12,697	22,360	38,205	12,724	2,982	15,706	53,911
Office Supplies	4,036	6,445	2,642	13,123	2,928	2,827	5,755	18,878
Communications	24,529	13,410	11,888	49,827	12,154	16,652	28,806	78,633
Repairs and Maintenance	3,304	1,997	1,719	7,020	1,798	2,375	4,173	11,193
Insurance	-	-	-	-	944	-	944	944
Membership Dues	1,136	685	998	2,819	906	782	1,688	4,507
National Partnership Dues	117,858	-	-	117,858	17,902	13,427	31,329	149,187
Miscellaneous	1,377	9,296	2,909	13,582	17,670	1,372	19,042	32,624
Depreciation and Amortization	4,880	2,944	2,504	10,328	2,601	3,359	5,960	16,288
Special Event Expenses	-	-	-	-	155,180	-	155,180	155,180
	<u>6,302,310</u>	<u>297,237</u>	<u>355,980</u>	<u>6,955,527</u>	<u>626,273</u>	<u>536,620</u>	<u>1,162,893</u>	<u>8,118,420</u>
Less Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	(155,180)	-	(155,180)	(155,180)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 6,302,310</u>	<u>\$ 297,237</u>	<u>\$ 355,980</u>	<u>\$ 6,955,527</u>	<u>\$ 471,093</u>	<u>\$ 536,620</u>	<u>\$ 1,007,713</u>	<u>\$ 7,963,240</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
AND SUSQUEHANNA VALLEY  
STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (968,143)
Adjustments to reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	16,288
Net Realized and Unrealized Losses on Investments	27,012
(Increase) Decrease in Assets:	
Contributions Receivable	235,487
Due from Related Entities	31,416
Prepaid Expenses	(1,300)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	146,810
Accrued Pending Wish Costs	563,347
Due to Related Entities	<u>(12,912)</u>
Net Cash Provided by Operating Activities	<u>38,005</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Investments	(279,467)
Proceeds from Sales of Investments	339,678
Purchases of Property and Equipment	<u>(12,536)</u>
Net Cash Provided by Investing Activities	<u>47,675</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

85,680

Cash and Cash Equivalents - Beginning of Year

157,111

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 242,791



**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
AND SUSQUEHANNA VALLEY  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Philadelphia, Delaware and Susquehanna Valley (the Foundation) is a Pennsylvania 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. To be a Make-A-Wish chapter, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2018 is \$17,580 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 PHILADELPHIA, DELAWARE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment, Net**

Property and equipment having 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 5 to 10 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

**Fair Value Measurements**

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

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

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

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

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

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

**Net Assets**

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

Permanently Restricted – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.

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

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

**Revenue Recognition**

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the 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 PHILADELPHIA, DELAWARE  
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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>
Wish Related	\$ 2,621,749	\$ -	\$ -	\$ 2,621,749
Professional Services	-	11,249	-	11,249
Other	14,069	750	99	14,918
	<u>\$ 2,635,818</u>	<u>\$ 11,999</u>	<u>\$ 99</u>	2,647,916
Special Events				71,087
Total				<u>\$ 2,719,003</u>

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

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income and Pennsylvania income taxes under the provisions of Internal Revenue Code Section 501(c)(3). 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 PHILADELPHIA, DELAWARE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses**

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

Wish Granting

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

Program-Related Support

Activities performed by the Foundation 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.

Public Information

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

Fundraising

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

Management and General

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

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

**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 PHILADELPHIA, DELAWARE  
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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.

**Investments**

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the board's audit and finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

**Fair Value Hierarchy**

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets</b>				
Recurring:				
Investments:				
Mutual Funds:				
Bonds	\$ 771,160	\$ -	\$ -	\$ 771,160
Certificates of Deposit	-	845,394	-	845,394
Money Market Funds	247,534	-	-	247,534
Total Recurring	<u>1,018,694</u>	<u>845,394</u>	<u>-</u>	<u>1,864,088</u>
Total Assets	<u>\$ 1,018,694</u>	<u>\$ 845,394</u>	<u>\$ -</u>	<u>\$ 1,864,088</u>

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

For the valuation of Certificates for Deposits at August 31, 2018, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

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

Interest and Dividend Income	\$ 45,482
Realized and Unrealized Losses, Net	(27,012)
Less Investment Expenses	<u>(5,757)</u>
Investment Income, Net	<u>\$ 12,713</u>

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

The Foundation's contributions receivable as of August 31, 2018 were \$733,452. 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 National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the year ended August 31, 2018, the Foundation received \$1,123,061 from these national revenue streams.

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that the National Organizations pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$205,587 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 \$4,600 for the year ended August 31, 2018, which is recorded in the accompanying statements of activities as other income.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
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NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

Amounts due from and to related entities are as follows:

Due from National Organization	\$ 99,041
Due from Other Chapters	13,152
Total Due from Related Entities	<u>\$ 112,193</u>
Due to National Organization	\$ 1,931
Due to Other Chapters	21,867
Total Due to Related Entities	<u>\$ 23,798</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 \$28,340. There are no outstanding receivables on these contributions as of August 31, 2018.

**NOTE 6 PROPERTY AND EQUIPMENT, NET**

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

Computer Equipment and Software	\$ 71,447
Other Equipment	53,235
Leasehold Improvements	17,869
Total	<u>142,551</u>
Less Accumulated Depreciation and Amortization	<u>(96,679)</u>
Property and Equipment, Net	<u>\$ 45,872</u>

Depreciation and amortization expense totaled \$16,288 for the year ended August 31, 2018.



**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, DELAWARE  
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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 \$547,120 resulting in adjusted net assets of \$660,697.

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 October 29, 2020. Total rent expense for all operating leases for the year ended August 31, 2018 totaled \$101,660.

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2019	\$ 75,111
2020	7,263
Total	<u>\$ 82,671</u>

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**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

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

Time Restrictions	\$ 565,540
Total Temporarily Restricted Net Assets	<u>\$ 565,540</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 21 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 Internal Revenue Code limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2018 were \$43,966.

**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 \$1,160,309 were received from a single donor for the year ended August 31, 2018, which represents 18% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**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 December 13, 2018, the date at which the financial statements were available to be issued.

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**NOTE 14 LIQUIDITY IN OPERATIONS**

The Foundation has negative unrestricted net assets of \$451,963 as of August 31, 2018, a decrease of \$943,005 from August 31, 2017. Total net assets are \$113,577 as of August 31, 2018, a decrease of \$968,143 from August 31, 2017.

The largest liability on the Foundation's statement of financial position is the accrued pending wish liability of \$2,556,510 (both cash and in-kind). From a legal perspective, the Foundation has no obligation to record the accrued pending wishes in its financial statements because there is no contract between the Foundation and wish families. However, the Foundation has taken the position that, once a wish family has been contacted, a relationship has been created and the impact of that relationship should be reflected in its financial statements when it becomes measurable.

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

Recording this 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.



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