

**MAKE-A-WISH FOUNDATION® OF  
NORTHEASTERN CALIFORNIA AND  
NORTHERN NEVADA**

**FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2018**

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
NORTHERN NEVADA  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Northeastern  
California and Northern Nevada  
Sacramento, California

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

***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 Northeastern California and Northern Nevada 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**

Minneapolis, Minnesota  
April 5, 2019

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
NORTHERN NEVADA  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2018**

**ASSETS**

Cash and Cash Equivalents	\$	38,828
Investments		106,965
Due from Related Entities		59,437
Prepaid Expenses		26,683
Contributions Receivable, Net		1,740,272
Other Assets		775
Investments Held for Long-Term Purposes		3,000,044
Property and Equipment, Net		<u>4,060,372</u>
Total Assets	\$	<u><u>9,033,376</u></u>

**LIABILITIES AND NET ASSETS**

Accounts Payable and Accrued Expenses	\$	580,791
Notes Payable, Line of Credit		150,000
Accrued Pending Wish Costs - Cash		1,143,816
Accrued Pending Wish Costs - In-Kind		805,337
Due to Related Entities		87,010
Notes Payable		<u>587,935</u>
Total Liabilities		<u><u>3,354,889</u></u>
<b>NET ASSETS</b>		
Unrestricted		1,153,856
Temporarily Restricted		1,524,587
Permanently Restricted		<u>3,000,044</u>
Total Net Assets		<u><u>5,678,487</u></u>
Total Liabilities and Net Assets	\$	<u><u>9,033,376</u></u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
NORTHERN NEVADA  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,219,562	\$ 1,294,332	\$ -	\$ 4,513,894
Grants	446,712	6,250	-	452,962
Total Public Support	<u>3,666,274</u>	<u>1,300,582</u>	<u>-</u>	<u>4,966,856</u>
Special Events:				
Internal Special Events	1,148,804	-	-	1,148,804
Less: Costs of Direct Benefits to Donors	(462,898)	-	-	(462,898)
Total Special Events	<u>685,906</u>	<u>-</u>	<u>-</u>	<u>685,906</u>
Investment Income, Net	18	210,256	-	210,274
Management Fee	45,000	-	-	45,000
Loss on Disposal of Equipment	(18,496)	-	-	(18,496)
Other Income	3,750	-	-	3,750
Net Assets Released from Restrictions	349,179	(349,179)	-	-
Total Revenues, Gains, and Other Support	<u>4,731,631</u>	<u>1,161,659</u>	<u>-</u>	<u>5,893,290</u>
<b>EXPENSES</b>				
Program Services:				
Wish Granting	4,705,069	-	-	4,705,069
Training	69,707	-	-	69,707
Public Information	371,203	-	-	371,203
Total Program Services	<u>5,145,979</u>	<u>-</u>	<u>-</u>	<u>5,145,979</u>
Support Services:				
Fundraising	819,596	-	-	819,596
Management and General	238,279	-	-	238,279
Total Support Services	<u>1,057,875</u>	<u>-</u>	<u>-</u>	<u>1,057,875</u>
Total Program and Support Service Expense	<u>6,203,854</u>	<u>-</u>	<u>-</u>	<u>6,203,854</u>
<b>CHANGE IN NET ASSETS</b>	(1,472,223)	1,161,659	-	(310,564)
Net Assets - Beginning of Year	<u>2,626,079</u>	<u>362,928</u>	<u>3,000,044</u>	<u>5,989,051</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,153,856</u>	<u>\$ 1,524,587</u>	<u>\$ 3,000,044</u>	<u>\$ 5,678,487</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
NORTHERN NEVADA  
STATEMENT OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (310,564)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	138,426
Bad Debt Expense	36,175
Net Realized and Unrealized Gains on Investments	(162,572)
Loss on Disposal of Equipment	18,496
Change in Discount to Present Value of Contributions Receivable	(5,207)
Changes in Assets and Liabilities:	
Contributions Receivable	(893,767)
Due from Related Entities	(13,349)
Prepaid Expenses	23,047
Accounts Payable and Accrued Expenses	239,250
Accrued Pending Wish Costs	(19,974)
Deferred Revenue	(1,440)
Due to Related Entities	38,169
Net Cash Used by Operating Activities	(913,310)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Investments	(979,998)
Proceeds from Sales of Investments	1,430,133
Purchases of Property and Equipment	(28,908)
Net Cash Provided by Investing Activities	421,227

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal Payments on Notes Payable	(20,637)
Net Cash Used by Financing Activities	(20,637)

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(512,720)

Cash and Cash Equivalents - Beginning of Year

551,548

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

\$ 38,828

**SUPPLEMENTAL CASH FLOW INFORMATION**

Cash Paid for Interest	\$ 2,497
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See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND NORTHERN NEVADA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2018**

	Program Services				Support Services			Total
	Wish Granting	Training	Public Information	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,311,538	\$ -	\$ -	\$ 3,311,538	\$ -	\$ -	\$ -	\$ 3,311,538
Change in Pending Wish Liability	(19,974)	-	-	(19,974)	-	-	-	(19,974)
Salaries, Taxes, and Benefits	883,723	53,239	295,410	1,232,372	496,126	173,184	669,310	1,901,682
Printing, Subscriptions, and Publications	2,307	4,594	14,168	21,069	9,401	762	10,163	31,232
Professional Fees	37,083	1,093	38,815	76,991	23,409	3,390	26,799	103,790
Rent and Utilities	35,599	-	-	35,599	14,299	5,128	19,427	55,026
Postage and Delivery	5,609	-	133	5,742	7,859	612	8,471	14,213
Travel	24,567	2,411	10,660	37,638	69,218	6,625	75,843	113,481
Meetings and Conferences	35,011	4,458	6,416	45,885	6,218	1,190	7,408	53,293
Office Supplies	24,896	615	2,472	27,983	11,316	2,224	13,540	41,523
Communications	37,802	290	1,432	39,524	17,335	5,965	23,300	62,824
Advertising and Media (Cash)	293	-	-	293	1,209	30	1,239	1,532
Repairs and Maintenance	10,208	-	-	10,208	6,810	1,703	8,513	18,721
Bad Debt	-	-	-	-	36,175	-	36,175	36,175
Insurance	-	1,464	-	1,464	577	178	755	2,219
National Partnership Dues	124,123	-	-	124,123	17,282	15,712	32,994	157,117
Miscellaneous	80,511	1,543	1,697	83,751	58,331	8,005	66,336	150,087
Interest	20,412	-	-	20,412	8,040	2,497	10,537	30,949
Depreciation and Amortization	91,361	-	-	91,361	35,991	11,074	47,065	138,426
Special Event Expenses	-	-	-	-	462,898	-	462,898	462,898
	<u>4,705,069</u>	<u>69,707</u>	<u>371,203</u>	<u>5,145,979</u>	<u>1,282,494</u>	<u>238,279</u>	<u>1,520,773</u>	<u>6,666,752</u>
Less Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	(462,898)	-	(462,898)	(462,898)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,705,069</u>	<u>\$ 69,707</u>	<u>\$ 371,203</u>	<u>\$ 5,145,979</u>	<u>\$ 819,596</u>	<u>\$ 238,279</u>	<u>\$ 1,057,875</u>	<u>\$ 6,203,854</u>

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
NORTHERN NEVADA  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Northeastern California and Northern Nevada (the Foundation) is a California 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.

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
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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 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 over time in an amount equivalent to annual depreciation. 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 40 years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the assets or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

**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 Inputs: 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 Inputs: 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 NORTHEASTERN CALIFORNIA AND  
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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 Inputs: 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** – 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 net assets** – Net assets that are not subject to donor-imposed restrictions or law.

**Revenue Recognition**

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

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
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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 included in the accompanying statements of activities as follows at August 31, 2018:

	Program	Fundraising	Management and General	Total
Wish Related	\$ 1,436,559	\$ -	\$ -	\$ 1,436,559
Special Events				220,502
Total				\$ 1,657,061

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.

Donated advertising and media is used to help the Foundation communicate its message or mission and includes fund raising 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. Advertising and media are reported as contribution revenue and fundraising or public information 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. Advertising costs totaled \$1,532 for the year ended August 31, 2018.

**Income Taxes**

The Foundation is a nonprofit organization exempt from federal income and California franchise 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 one state jurisdiction.

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses**

The Foundation performs five functions: wish granting, training and development, public information, 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.

Training and Development

Activities performed by the Foundation include, but are not limited to, implementing programs that support the identification of wish candidates and the determination and delivery of the wish.

Public Information

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

**MAKE-A-WISH FOUNDATION® OF NORTHEASTERN CALIFORNIA AND  
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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 U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of in-kind contributions receivable, accrued pending wish costs, whether an allowance for uncollectible contributions receivable is required, and the functional allocation of expenses. 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 tables 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.

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

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

**Fair Value Hierarchy**

The following table presents the placement in the fair value hierarchy of assets 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
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,273,372	\$ -	\$ -	\$ 1,273,372
Money Market Funds	27,208	-	-	27,208
Exchange-Traded Funds:				
Domestic Equity	987,618	-	-	987,618
International Equity	754,933	-	-	754,933
REITs	63,878	-	-	63,878
Total	<u>\$ 3,107,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,107,009</u>

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

Interest and Dividend Income	\$ 79,069
Realized and Unrealized Gains, Net	162,572
Less Investment Expenses	<u>(31,367)</u>
Investment Income, Net	<u>\$ 210,274</u>

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

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include pledges that have been discounted at 4.25% 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	\$ 1,091,202
One to Five Years	636,960
More than Five Years	<u>168,000</u>
Gross Contributions Receivable	1,896,162
Less Allowance for Doubtful Accounts	(54,215)
Less Discount to Present Value	<u>(101,675)</u>
Contributions Receivable, Net	<u><u>\$ 1,740,272</u></u>

**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	\$ 661,006
Gifts and Travel Reimbursements	8,352
Scholarships	6,250
Other	<u>249</u>
Total Distributions Received	<u><u>\$ 675,857</u></u>

These amounts are recorded in the statements of activities as public support revenue.

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

National Dues	\$ 157,117
Other	<u>55,171</u>
Total Amounts Paid	<u><u>\$ 212,288</u></u>

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 Foundation received \$3,750 for the year ended August 31, 2018, which is recorded in the accompanying statement of activities as other income. The Foundation also received management fees totaling \$45,000 from Make A Wish Central California during the year ended August 31, 2018.



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

Amounts due from and to related entities as of August 31, 2018 are as follows:

Due from National Organization	\$ 51,380
Due from Other Chapters	8,057
Total Due from Related Entities	<u>\$ 59,437</u>
Due to National Organization	\$ 9,975
Due to Other Chapters	77,035
Total Due to Related Entities	<u>\$ 87,010</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.

During 2018, the Foundation received contributions, both cash and in-kind, from board members totaling \$85,181. Amounts due from board members at August 31, 2018 totaled \$58,500.

**NOTE 6 PROPERTY AND EQUIPMENT, NET**

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

Land	\$ 659,143
Buildings and Building Improvements	4,267,970
Computer Equipment and Software	102,844
Office Furniture	54,828
Other Equipment	57,497
Automobiles	18,830
	<u>5,161,112</u>
Less Accumulated Depreciation and Amortization	<u>(1,100,740)</u>
Property and Equipment, Net	<u>\$ 4,060,372</u>

Depreciation and amortization expense totaled \$138,426 for the year ended August 31, 2018.

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**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 \$805,336 resulting in adjusted net assets of \$6,483,823.

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 NOTES PAYABLE**

The Foundation has an unsecured line of credit with a financial institution totaling \$150,000, bearing interest at the Prime rate plus 1.0%, through October 24, 2020. The Prime rate was 4.50% at August 31, 2018. There was \$150,000 outstanding on this line of credit as of August 31, 2018.

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**NOTE 8 NOTES PAYABLE (CONTINUED)**

On June 16, 2012, the Foundation entered into a note payable with a financial institution totaling \$700,000. The note bears interest at 4.25%, requires principal payments in equal monthly installments of \$3,816 and a balloon payment of the remaining balance on June 18, 2022, and is secured by the building. The remaining principal payments subsequent to August 31, 2018 are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2019	\$ 21,254
2020	22,175
2021	23,136
2022	521,370
Total	<u>\$ 587,935</u>

**NOTE 9 LEASES**

The Foundation is on a month-to-month operating lease for office space in Reno, Nevada. Total rent expense for all operating leases for the year ended August 31, 2018 totaled \$10,491.

As discussed in Note 15, Make A Wish Central California merged with the Foundation effective September 1, 2018. As part of the merger, the Foundation acquired the office lease of Central California. The lease has monthly payments of \$2,700 and expires on June 30, 2020. Future commitments under the lease are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2019	\$ 32,400
2020	27,000
Total Minimum Lease Payments	<u>\$ 59,400</u>

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**NOTE 10 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 one individual fund 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 held for long-term purposes on the statements of financial position.

**Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the California 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

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**NOTE 10 ENDOWMENTS (CONTINUED)**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 3,000,044	\$ 3,000,044
Board-Designated Endowment Funds	106,965	-	-	106,965
Total Endowment Funds	<u>\$ 106,965</u>	<u>\$ -</u>	<u>\$ 3,000,044</u>	<u>\$ 3,107,009</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds, Beginning of Year	\$ 433,912	\$ -	\$ 3,000,044	\$ 3,433,956
Investment Return:				
Investment Income	-	47,684	-	47,684
Net Depreciation (Realized and Unrealized)	-	162,572	-	162,572
Total Investment Return	-	210,256	-	210,256
Appropriation of Endowment Assets for Expenditure	<u>(326,947)</u>	<u>(210,256)</u>	-	<u>(537,203)</u>
Endowment Funds, End of Year	<u>\$ 106,965</u>	<u>\$ -</u>	<u>\$ 3,000,044</u>	<u>\$ 3,107,009</u>

**Fund Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in unrestricted net assets as of August 31, 2018.

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**NOTE 10 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 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 provide an average rate of return equal to or greater than the rate of inflation (Consumer Price Index) plus any spending and administrative expenses thus, at a minimum, maintaining the purchasing power of those assets managed by the Foundation. 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 5% of its endowment fund's average fair value over the prior 12 quarters 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 of 5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Additionally, the board of directors may approve amounts in excess of the spending policy for appropriation as needed.

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**NOTE 11 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	\$ 1,424,884
Purpose Restrictions	99,703
Total Temporarily Restricted Net Assets	<u>\$ 1,524,587</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>\$ 3,000,044</u>
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**NOTE 12 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 IRC limitations. The Foundation matches employee contributions up to 3% of the employee's salary. The Foundation amended the Plan effective January 1, 2019 to make it a safe harbor plan with 4% matching contributions. Foundation contributions to the Plan for the year ended August 31, 2018 was \$15,677.

**NOTE 13 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 \$437,535 were received from one donor for the year ended August 31, 2018, which represents 8.8%, of total public support for the year then ended.

Contributions totaling \$600,000 were received from one donor for the year ended August 31, 2018, which represents 12.1%, of total public support for the year then ended. Pledges receivable from the same donor represent 34.5% of total pledges receivable as of August 31, 2018.

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**NOTE 14 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 15 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through April 5, 2019, the date at which the financial statements were available to be issued.

Effective September 1, 2018, following the adoption of resolutions of the boards of the Foundation and Make-A-Wish Foundation of Central California, the National Organization reassigned the responsibility for fulfilling the Make-A-Wish mission with the territory currently assigned to the Make-A-Wish Foundation of Central California to the Foundation. The Foundation will formally change its name to Make-A-Wish Foundation Northeastern and Central California and Northern Nevada.

In March 2019, the Foundation board of directors approved an amendment to the Endowment Charter to allow for borrowing against the Endowment Fund if the "net working capital" balance, less the endowment balance, of the Foundation is negative. If a borrowing occurs, the loan will bear interest at a reasonable rate determined by the board. In the same month, a loan of \$1.5 million was approved.