

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

**MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
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YEAR ENDED AUGUST 31, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of San Diego, Inc.
San Diego, California

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Make-A-Wish Foundation® of San Diego, 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 San Diego, Inc. as of August 31, 2018 and change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 25, 2019

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018

ASSETS

Cash and Cash Equivalents	\$ 455,463
Investments	5,837,412
Due from Related Entities	83,123
Prepaid Expenses	44,298
Contributions Receivable, Net	211,198
Other Assets	7,764
Property and Equipment, Net	26,912
Beneficial Interest in Assets Held by Others	354,150
Total Assets	<u>\$ 7,020,320</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 273,056
Accrued Pending Wish Costs - Cash	827,608
Accrued Pending Wish Costs - In-Kinds	545,530
Due to Related Entities	8,092
Other Liabilities	11,434
Total Liabilities	<u>1,665,720</u>
Net Assets	
Unrestricted	4,329,493
Temporarily Restricted	1,025,107
Total Net Assets	<u>5,354,600</u>
Total Liabilities and Net Assets	<u>\$ 7,020,320</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 2,424,882	\$ 46,888	\$ 2,471,770
Grants	303,845	10,268	314,113
Total Public Support	2,728,727	57,156	2,785,883
Internal Special Events	1,597,348	59,900	1,657,248
Less Costs of Direct Benefits to Donors	(512,985)	-	(512,985)
Total Special Events	1,084,363	59,900	1,144,263
Investment Gain, Net	447,321	-	447,321
Other Income	76,500	-	76,500
Net Assets Released from Restrictions	312,134	(312,134)	-
Total Revenues, Gains, and Other Support	4,649,045	(195,078)	4,453,967
EXPENSES			
Program Services:			
Wish Granting	2,607,683	-	2,607,683
Program-Related Support	1,275,096	-	1,275,096
Total Program Services	3,882,779	-	3,882,779
Support Services:			
Fundraising	437,852	-	437,852
Management and General	462,831	-	462,831
Total Support Services	900,683	-	900,683
Total Program and Support Services Expense	4,783,462	-	4,783,462
CHANGE IN NET ASSETS	(134,417)	(195,078)	(329,495)
Net Assets - Beginning of Year	4,463,910	1,220,185	5,684,095
NET ASSETS - END OF YEAR	\$ 4,329,493	\$ 1,025,107	\$ 5,354,600

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (329,495)
Adjustments to reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	9,041
Net Realized and Unrealized Gains on Investments	(341,111)
Changes in Assets and Liabilities:	
Contributions Receivable	11,649
Due from Related Entities	122
Prepaid Expenses	10,718
Other Assets	(7,434)
Accounts Payable and Accrued Expenses	62,381
Accrued Pending Wish Costs	466,535
Due to Related Entities	3,651
Other Liabilities	295
Net Cash Used by Operating Activities	<u>(113,648)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(124,462)
Proceeds from Sales of Investments	420,834
Purchases of Property and Equipment	(15,894)
Transfers of Assets to Community Foundation	<u>(100,000)</u>
Net Cash Provided by Investing Activities	<u>180,478</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,830
Cash and Cash Equivalents - Beginning of Year	<u>388,633</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 455,463</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2018

	Program Services			Support Services			Total
	Wish Granting	Program-Related Support	Program Services	Fundraising	Management and General	Support Services	
Direct Costs of Wishes	\$ 2,041,148	-	\$ 2,041,148	-	-	-	\$ 2,041,148
Change in Pending Wish Liability	466,535	-	466,535	-	-	-	466,535
Salaries, Taxes, and Benefits	-	929,942	929,942	258,030	319,429	577,459	1,507,401
Printing, Subscriptions, and Publications	-	5,511	5,511	14,492	338	14,830	20,341
Professional Fees	-	140	140	52,815	7,782	60,597	60,737
Rent and Utilities	-	87,725	87,725	12,311	31,179	43,490	131,215
Postage and Delivery	-	8,093	8,093	11,290	1,439	12,729	20,822
Travel	-	12,124	12,124	10,449	5,282	15,731	27,855
Meetings and Conferences	-	36,224	36,224	40,814	2,370	43,184	79,408
Office Supplies	-	26,373	26,373	8,394	3,394	11,788	38,161
Communications	-	5,785	5,785	1,660	2,395	4,055	9,840
Repairs and Maintenance	-	26,863	26,863	7,599	13,763	21,362	48,225
Insurance	-	8,059	8,059	1,112	2,882	3,994	12,053
Membership Dues	-	-	-	2,165	596	2,761	2,761
Grants and Scholarships	100,000	-	100,000	-	-	-	100,000
Volunteer Training	-	10,755	10,755	-	-	-	10,755
National Partnership Dues	-	111,467	111,467	15,520	14,110	29,630	141,097
Miscellaneous	-	-	-	-	56,067	56,067	56,067
Depreciation and Amortization	-	6,035	6,035	1,201	1,805	3,006	9,041
Special Event Fees	-	-	-	512,985	-	512,985	512,985
Total	2,607,683	1,275,096	3,882,779	950,837	462,831	1,413,668	5,296,447
Less Expenses Netted Against Revenues on Statement of Activities:							
Special Event Expenses	-	-	-	(512,985)	-	(512,985)	(512,985)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 2,607,683	\$ 1,275,096	\$ 3,882,779	\$ 437,852	\$ 462,831	\$ 900,683	\$ 4,783,462

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of San Diego, Inc. (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 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 \$9,672 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. Certain investments are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

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 SAN DIEGO, 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 useful life of more than one year are capitalized at cost when purchased with no minimum threshold. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

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

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

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

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

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

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, 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 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 SAN DIEGO, INC.
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 at August 31, 2018:

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 366,490	\$ -	\$ -	\$ 366,490
Professional Services	321,106	-	7,782	328,888
Other	25,653	5,000	-	30,653
Total	<u>\$ 713,249</u>	<u>\$ 5,000</u>	<u>\$ 7,782</u>	
Special Events				<u>204,058</u>
Total				<u>\$ 930,089</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.

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.

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

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and California income taxes under the provisions of Internal Revenue Code Section (IRC) 501(c)(3) and Section 23701d of the California Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from 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 SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The Foundation performs three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

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

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 2018, the Foundation incurred no significant joint costs for activities that include fundraising appeals.

Management and General

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

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

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$11,434 at August 31, 2018.

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, in-kinds and contributions receivable, accrued pending wish costs, net of attrition, and whether an allowance for uncollectible contributions receivable is required.

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
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, appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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 Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities.

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

Allocation of Investment Strategies (Continued)

Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

Fair Value Hierarchy

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

	Quoted Prices In Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 2,178,488	\$ -	\$ -	\$ 2,178,488
International Equity	1,376,347	-	-	1,376,347
Bonds	2,282,577	-	-	2,282,577
Beneficial Interests in Assets Held by Others	-	-	354,150	354,150
Total	<u>\$ 5,837,412</u>	<u>\$ -</u>	<u>\$ 354,150</u>	<u>\$ 6,191,562</u>

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

For the valuation of beneficial interest in assets held by others at August 31, 2018, the Foundation used significant unobservable inputs including net asset value, as practical expedient (Level 3).

Quantitative Information About Level 3 Fair Value Measurements			
Type of Investments	Fair Value at August 31, 2018	Valuation Technique	Unobservable Input
Beneficial Interests in Assets Held by Others	\$ 354,150	Percentage of annual investment return applied to outstanding account	Rate of return of investments held by others

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2018:

Beginning Balance	\$ 243,210
Total Gains or Losses (Realized/Unrealized)	22,136
Included in Changes in Net Assets	
Contributions	100,000
Distributions	(11,196)
Ending Balance	<u>\$ 354,150</u>
Change in Unrealized Gains or Losses for the Period	
Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	<u>\$ 22,136</u>

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

Interest and Dividend Income	\$ 124,532
Realized and Unrealized Gains	341,111
Less: Investment Expenses	(18,322)
Investment Income, Net	<u>\$ 447,321</u>

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include long-term pledges that have not been discounted due to the immateriality of the estimate at August 31, 2018, respectively. The following is a summary of the Foundation's contributions receivable at August 31, 2018:

Total Amounts Due in:	
Within One Year	\$ 111,198
One to Five Years	100,000
Gross Contributions Receivable	<u>211,198</u>
Less Allowance for Doubtful Accounts	-
Less Discount to Present Value	-
Contributions Receivable, Net	<u><u>\$ 211,198</u></u>

NOTE 5 SPLIT-INTEREST AGREEMENTS

Beneficial Interests in Assets Held by Others

In November 2008, the Foundation transferred \$100,000 to The San Diego Foundation (TSDf). Distributions of income earned from TSDf are to be made semiannually, in March and September, or upon request after an allocation period, in amount determined by TSDf's board of directors based on earnings as defined in the agreement, to support the mission of the Foundation.

In July 2017, the Foundation transferred \$100,000 to the Jewish Community Foundation (JCF). Distributions of income earned or principal shall be distributed upon written direction by two duly authorized officers or directors of the Foundation.

In September 2017, the Foundation transferred \$100,000 to the Rancho Santa Fe Foundation (RSF). The Foundation shall appoint an advisory committee to advise on the distribution of income earned from RSF.

See Note 3 for fair value information on beneficial interest in assets held by others.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The Foundation received the following distributions from the National Organization for the years ended August 31:

Corporate, Online, Whitemail, and General Contributions	<u><u>\$ 650,807</u></u>
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These amounts are recorded in the Statements of Activities as public support revenue.

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

The Foundation paid to the National Organization the following amounts during the years ended August 31, 2018:

Chapter Dues	\$ 141,097
Services and Other	152,523
Total Amounts Paid	<u>\$ 293,620</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 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 \$63,550 for the year ended August 31, 2018, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:	
Due from National Organization	\$ 45,704
Due from Other Chapters	37,419
Total Due from Related Entities	<u>\$ 83,123</u>
Due to National Organization	
Due to Other Chapters	\$ 8,092
Total Due to Related Entities	<u>\$ 8,092</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 and wish assist fee income receivable. 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 \$177,649. There are no outstanding contribution receivables from board members as of as of August 31, 2018.

MAKE-A-WISH FOUNDATION® OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

Computer Equipment and Software	86,702
Office Furniture	80,280
Total	166,982
Less Accumulated Depreciation and Amortization	(140,070)
Property and Equipment, Net	\$ 26,912

Depreciation and amortization expense totaled \$9,041 for the year ended August 31, 2018.

NOTE 8 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 be increased by \$533,036 resulting in adjusted net assets of \$5,849,019.

Wishes included in accrued pending wish cost increased from 90 wishes (\$906,603) at August 31, 2017 to 141 wishes (\$1,373,138) at August 31, 2018. The increase of 51 wishes or \$466,535 in accrued pending wish cost was primarily due to two successful Foundation initiatives designed to reach more eligible children as follows:

1. In Fiscal Year 2018, the Foundation increased its outreach to the medical community, leading to an increase in eligible referrals.

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NOTE 8 ACCRUED PENDING WISH COSTS (CONTINUED)

2. The Foundation modified its “wish discovery” process for approximately one-third of those children referred for a wish in the fiscal year, leading to a significant increase in determined wishes at year’s end.

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 likely 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 wished 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 9 LEASES

The Foundation is obligated under operating leases for office space, which expires in September 2020. Total rent expense for this lease for the years ended August 31, 2018 totaled \$125,269.

Future minimum lease payments under this lease are as follows:

<u>Year Ending August 31:</u>	<u>Operating Leases</u>
2019	\$ 129,027
2020	132,898
2021	11,102
Total Minimum Lease Payments	<u>\$ 273,027</u>

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

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

Time Restrictions	\$ 50,000
Purpose Restrictions	975,107
Total Temporarily Restricted Net Assets	<u>\$ 1,025,107</u>

NOTE 11 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 contributions to the Plan for the year ended August 31, 2018 were \$41,777.

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NOTE 12 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.

Contributions totaling \$194,915 received from a single donor for the year ended August 31, 2018, which represents 7% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 13 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 25, 2019, the date at which the financial statements were available to be issued.