

**MAKE-A-WISH FOUNDATION® OF
CENTRAL & SOUTH TEXAS**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2017 AND 2016

**MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Central & South Texas
Austin, Texas

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Central & South Texas, which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits 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 Central & South Texas

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 Central & South Texas as of August 31, 2017 and 2016, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 8, 2018

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 1,977,506	\$ 1,935,315
Due from Related Entities	93,259	181,800
Prepaid Expenses	16,646	6,109
Contributions Receivable, Net	84,452	159,656
Other Assets	313	119
Property and Equipment, Net	26,426	38,558
Total Assets	\$ 2,198,602	\$ 2,321,557
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts Payable and Accrued Expenses	\$ 301,207	\$ 312,128
Accrued Pending Wish Costs - Cash	1,609,370	1,367,953
Accrued Pending Wish Costs - In-kinds	1,058,913	1,021,633
Due to Related Entities	35,010	16,550
Deferred Rent	4,696	-
Capital Lease Obligations	9,361	13,012
Total Liabilities	3,018,557	2,731,276
Net Assets (Deficit)		
Unrestricted	(884,858)	(600,627)
Temporarily Restricted	64,903	190,908
Total Net Assets (Deficit)	(819,955)	(409,719)
Total Liabilities and Net Assets (Deficit)	\$ 2,198,602	\$ 2,321,557

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017
(With Summary Totals For Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,580,912	\$ 62,952	\$ 3,643,864	\$ 3,669,513
Grants	243,850	1,950	245,800	216,600
Total Public Support	3,824,762	64,902	3,889,664	3,886,113
Internal Special Events	670,176	-	670,176	731,575
Less Costs of Direct Benefits to Donors	(115,895)	-	(115,895)	(101,299)
Total Special Events	554,281	-	554,281	630,276
Investment Income (Loss), Net	890	-	890	(1,122)
Other Income	9,159	-	9,159	5,255
Net Assets Released from Restrictions	190,907	(190,907)	-	-
Total Revenues, Gains, and Other Support	4,579,999	(126,005)	4,453,994	4,520,522
EXPENSES				
Program Services:				
Wish Granting	4,056,559	-	4,056,559	4,316,784
Total Program Services	4,056,559	-	4,056,559	4,316,784
Support Services:				
Fundraising	591,685	-	591,685	520,369
Management and General	215,986	-	215,986	255,706
Total Support Services	807,671	-	807,671	776,075
Total Program and Support Services Expense	4,864,230	-	4,864,230	5,092,859
Change in Net Assets	(284,231)	(126,005)	(410,236)	(572,337)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(600,627)	190,908	(409,719)	162,618
NET ASSETS (DEFICIT), END OF YEAR	\$ (884,858)	\$ 64,903	\$ (819,955)	\$ (409,719)

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 3,508,605	\$ 160,908	\$ 3,669,513
Grants	186,600	30,000	216,600
Total Public Support	3,695,205	190,908	3,886,113
Internal Special Events	731,575	-	731,575
Less Costs of Direct Benefits to Donors	(101,299)	-	(101,299)
Total Special Events	630,276	-	630,276
Investment Loss, Net	(1,122)	-	(1,122)
Other Income	5,255	-	5,255
Net Assets Released from Restrictions	227,116	(227,116)	-
Total Revenues, Gains, and Other Support	4,556,730	(36,208)	4,520,522
EXPENSES			
Program Services:			
Wish Granting	4,316,784	-	4,316,784
Total Program Services	4,316,784	-	4,316,784
Support Services:			
Fundraising	520,369	-	520,369
Management and General	255,706	-	255,706
Total Support Services	776,075	-	776,075
Total Program and Support Services Expense	5,092,859	-	5,092,859
Change in Net Assets	(536,129)	(36,208)	(572,337)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(64,498)	227,116	162,618
NET ASSETS (DEFICIT), END OF YEAR	\$ (600,627)	\$ 190,908	\$ (409,719)

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (410,236)	\$ (572,337)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	19,532	22,795
Bad Debt Expense and Other	2,815	2,727
Change in Attrition on Accrued Pending Wish Costs	(62,739)	(32,299)
Changes in Assets and Liabilities:		
Contributions Receivable	72,389	8,614
Due from Related Entities	88,541	(107,905)
Prepaid Expenses	(10,537)	21,583
Other Assets	(194)	63
Accounts Payable and Accrued Expenses	(10,921)	56,390
Accrued Pending Wish Costs	341,436	666,552
Due to Related Entities	18,460	(19,791)
Deferred Rent	4,696	-
Net Cash Provided by Operating Activities	53,242	46,392
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(7,400)	(2,400)
Net Cash Used in Investing Activities	(7,400)	(2,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(3,651)	(3,371)
Net Cash Used in Financing Activities	(3,651)	(3,371)
Net Increase in Cash and Cash Equivalents	42,191	40,621
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,935,315	1,894,694
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,977,506	\$ 1,935,315
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest on Capital Lease	\$ 909	\$ 1,189

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,251,529	\$ -	\$ -	\$ -	\$ 3,251,529
Salaries, Taxes, and Benefits	546,214	412,232	151,846	564,078	1,110,292
Printing, Subscriptions, and Publications	3,369	5,488	1,594	7,082	10,451
Professional Fees	34,501	42,239	11,777	54,016	88,517
Rent and Utilities	60,085	36,468	16,796	53,264	113,349
Postage and Delivery	2,103	1,371	769	2,140	4,243
Travel	4,436	5,110	2,135	7,245	11,681
Meetings and Conferences	4,002	17,247	1,750	18,997	22,999
Office Supplies	25,746	2,474	3,349	5,823	31,569
Communications	13,234	6,315	2,950	9,265	22,499
Advertising and Media (Cash)	-	172	-	172	172
Advertising and Media (In-Kind)	-	10,047	525	10,572	10,572
Repairs and Maintenance	1,102	655	307	962	2,064
Insurance	-	5,555	-	5,555	5,555
Bad Debt Expense	-	2,815	-	2,815	2,815
Membership Dues	80	198	23	221	301
Grants and Scholarships	-	-	-	-	-
National Partnership Dues	79,164	10,021	11,023	21,044	100,208
Miscellaneous	20,694	26,976	8,212	35,188	55,882
Depreciation and Amortization	10,300	6,302	2,930	9,232	19,532
Special Event Expenses	-	115,895	-	115,895	115,895
	<u>4,056,559</u>	<u>707,580</u>	<u>215,986</u>	<u>923,566</u>	<u>4,980,125</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(115,895)	-	(115,895)	(115,895)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,056,559</u>	<u>\$ 591,685</u>	<u>\$ 215,986</u>	<u>\$ 807,671</u>	<u>\$ 4,864,230</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,523,076	\$ -	\$ -	\$ -	\$ 3,523,076
Salaries, Taxes, and Benefits	537,865	339,646	187,056	526,702	1,064,567
Printing, Subscriptions, and Publications	3,908	12,125	6,122	18,247	22,155
Professional Fees	33,771	26,111	16,626	42,737	76,508
Rent and Utilities	63,894	41,913	18,953	60,866	124,760
Postage and Delivery	2,552	1,899	720	2,619	5,171
Travel	10,748	15,621	2,263	17,884	28,632
Meetings and Conferences	10,459	21,729	4,158	25,887	36,346
Office Supplies	12,403	2,259	855	3,114	15,517
Communications	12,189	8,605	2,843	11,448	23,637
Advertising and Media (Cash)	96	1,871	23	1,894	1,990
Advertising and Media (In-Kind)	-	10,163	-	10,163	10,163
Repairs and Maintenance	631	420	185	605	1,236
Bad Debt Expense	-	2,727	-	2,727	2,727
Membership Dues	267	1,095	80	1,175	1,442
National Partnership Dues	83,837	9,745	8,700	18,445	102,282
Miscellaneous	9,491	16,690	3,674	20,364	29,855
Depreciation and Amortization	11,597	7,750	3,448	11,198	22,795
Special Event Expenses	-	101,299	-	101,299	101,299
	<u>4,316,784</u>	<u>621,668</u>	<u>255,706</u>	<u>877,374</u>	<u>5,194,158</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(101,299)	-	(101,299)	(101,299)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,316,784</u>	<u>\$ 520,369</u>	<u>\$ 255,706</u>	<u>\$ 776,075</u>	<u>\$ 5,092,859</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Central & South Texas (the Foundation) is a Texas not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independent 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 applicable to not-for-profit 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.

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. 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 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.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

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.

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. For the years ended August 31, 2017 and 2016, the Foundation had no permanently restricted net assets.
- **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 CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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, 2017			Total
	Programs	Fundraising	Management and General	
Wish Related	\$ 1,375,122	\$ -	\$ -	\$ 1,375,122
Professional Services	4,335	1,393	3,227	8,955
Rent	8,585	5,393	2,222	16,200
Advertising and Media	-	10,047	525	10,572
Other	23,546	-	474	24,020
	<u>\$ 1,411,588</u>	<u>\$ 16,833</u>	<u>\$ 6,448</u>	1,434,869
Special Events				5,352
Total				<u>\$ 1,440,221</u>

	August 31, 2016			Total
	Programs	Fundraising	Management and General	
Wish Related	\$ 1,410,562	\$ -	\$ -	\$ 1,410,562
Professional Services	6,311	4,208	1,856	12,375
Rent	18,041	11,101	4,898	34,040
Advertising and Media	-	10,163	-	10,163
Other	6,074	9,613	5,437	21,124
	<u>\$ 1,440,988</u>	<u>\$ 35,085</u>	<u>\$ 12,191</u>	1,488,264
Special Events				26,957
Total				<u>\$ 1,515,221</u>

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

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Donated advertising and media 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 not-for-profit organization exempt from federal income and Texas taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 171.063 of the Texas Tax Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2017 and 2016. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

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 life-threatening medical conditions.

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 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 CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of contributions receivable and in-kind contributions, accrued pending wish costs, net of attrition, allocation of functional expenses and whether an allowance for uncollectible contributions receivable is required.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 3 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable at August 31, 2017 and 2016 were \$84,452 of which 75% is due from one donor, and \$159,656, of which 95% is due from one donor, respectively. 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, 2017 and 2016.

NOTE 4 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 years ended August 31, 2017 and 2016, the Foundation received \$844,581 and \$963,076, respectively, from these national revenue streams.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation received \$17,400 and \$30,000 during the years ended August 31, 2017 and 2016, respectively.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 4 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$197,010 and \$155,147 were paid from the Foundation to the National Organization during the years ended August 31, 2017 and 2016, respectively.

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 \$9,150 and \$5,250 for the years ended August 31, 2017 and 2016, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	2017	2016
Balance at August 31:		
Due from National Organization	\$ 87,835	\$ 172,978
Due from Other Chapters	5,424	8,822
Total Due from Related Entities	\$ 93,259	\$ 181,800
Due to National Organization	\$ 1,510	\$ 650
Due to Other Chapters	33,500	15,900
Total Due to Related Entities	\$ 35,010	\$ 16,550

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 2017 and 2016, the Foundation received contributions, both cash and in-kind, from board members totaling \$40,501 and \$47,119, respectively.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 5 PROPERTY AND EQUIPMENT, NET

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

	2017	2016
Computer Equipment and Software	\$ 62,233	\$ 59,833
Office Furniture	56,533	56,533
Leasehold Improvements	31,172	26,172
	149,938	142,538
Less Accumulated Depreciation and Amortization	(123,512)	(103,980)
Property and Equipment, Net	\$ 26,426	\$ 38,558

Depreciation and amortization expense totaled \$19,532 and \$22,795 for the years ended August 31, 2017 and 2016, respectively.

NOTE 6 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, and
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 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, 2017 would be increased by \$995,961 resulting in adjusted net assets of \$176,006.

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NOTE 6 ACCRUED PENDING WISH COSTS (CONTINUED)

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2017 and 2016, the Foundation had 384 and 267 reportable pending wishes, respectively.

NOTE 7 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through August 2021. As of August 31, 2017 and 2016, the cost of leased property and equipment under capital leases was \$18,741, and accumulated depreciation was \$10,308 and \$6,559, respectively. Total rent expense for all operating leases for the years ended August 31, 2017 and 2016 totaled \$115,893 and \$91,477, respectively.

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>Operating Leases</u>	<u>Capital Leases</u>
2018	\$ 90,336	\$ 4,560
2019	81,683	4,560
2020	84,101	1,140
2021	86,039	-
2022	-	-
Thereafter	-	-
Total Minimum Lease Payments	342,159	10,260
Less Amounts Representing Interest	-	(899)
Present Value of Net Minimum Lease Payments	\$ 342,159	\$ 9,361

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Time Restrictions	\$ -	\$ -
Purpose Restrictions	64,903	190,908
Total Temporarily Restricted Net Assets	\$ 64,903	\$ 190,908

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NOTE 9 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan upon date of hire. 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. Foundation contributions to the Plan for the years ended August 31, 2017 and 2016 were \$23,021 and \$24,377, respectively.

NOTE 10 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 \$888,843 and \$733,137 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 23% and 19%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 11 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 8, 2018, the date at which the financial statements were available to be issued.