MAKE-A-WISH FOUNDATION® OF THE TEXAS GULF COAST AND LOUISIANA

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of the Texas
Gulf Coast and Louisiana
Stafford, Texas

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 the Texas Gulf Coast and Louisiana as of August 31, 2018, and change in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 15, 2019

MAKE-A-WISH FOUNDATION® OF THE TEXAS GULF COAST AND LOUISIANA
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018

ASSETS

Cash and Cash Equivalents	$ 969,576
Investments	4,916,641
Due from Related Entities	90,496
Prepaid Expenses	10,898
Contributions Receivable, Net	215,797
Other Assets	13,299
Split-Interest Agreements	280,284
Investments Held for Long-Term Purposes	8,875,760
Property and Equipment, Net	2,598,735
Total Assets	$ 17,971,486

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts Payable and Accrued Expenses	$ 565,096
Accrued Pending Wish Costs - Cash	1,776,685
Accrued Pending Wish Costs - In-Kind	1,708,456
Due to Related Entities	27,908
Total Liabilities	4,078,145
NET ASSETS	
Unrestricted	4,520,808
Temporarily Restricted	2,042,707
Permanently Restricted	7,329,826
Total Net Assets	13,893,341
Total Liabilities and Net Assets	$ 17,971,486

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TEXAS GULF COAST AND LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions	$ 3,874,488	$ 210,190	$ 891,605	$ 4,976,283
Grants	211,058	(6,571)	18,700	223,187
Total Public Support	4,085,546	203,619	910,305	5,199,470
Investment Income, Net	472,984	651,733	-	1,124,717
Other Income	26,742	-	-	26,742
Net Assets Released from Restrictions	268,898	(268,898)	-	-
Total Revenues, Gains, and Other Support	4,854,170	586,454	910,305	6,350,929
EXPENSES				
Program Services:				
Wish Granting	5,711,516	-	-	5,711,516
Total Program Services	5,711,516	-	-	5,711,516
Support Services:				
Fundraising	197,223	-	-	197,223
Management and General	188,129	-	-	188,129
Total Support Services	385,352	-	-	385,352
Total Program and Support Services Expenses	6,096,868	-	-	6,096,868
OTHER (GAINS) LOSSES				
Change in Split-Interest Agreements	-	(350)	(12,655)	(13,005)
Total Expenses and (Gains) Losses	6,096,868	(350)	(12,655)	6,083,863
CHANGE IN NET ASSETS	(1,242,698)	586,804	922,960	267,066
Net Assets - Beginning of Year	5,763,506	1,455,903	6,406,866	13,626,275
NET ASSETS - END OF YEAR	$ 4,520,808	$ 2,042,707	$ 7,329,826	$ 13,893,341

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TEXAS GULF COAST AND LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 267,066
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	121,634
Contributions Restricted for Long-Term Investment	(910,305)
Net Realized and Unrealized Gains on Investments	(854,902)
Contributed Property and Equipment, Inventory, and Investments	(5,729)
Change in Value of Split-Interest Agreements	(13,005)
Changes in Assets and Liabilities:	
Contributions Receivable, Net	55,060
Due from Related Entities	(8,482)
Prepaid Expenses	702
Other Assets	12,519
Accounts Payable and Accrued Expenses	135,970
Accrued Pending Wish Costs	765,242
Due to Related Entities	(22,051)
Net Cash Used by Operating Activities	(456,281)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(2,943,329)
Proceeds from Sales of Investments	2,723,191
Purchases of Property and Equipment	(1,401)
Net Cash Used by Investing Activities	(221,539)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions Restricted for Long-Term Investment	910,305
Net Cash Provided by Financing Activities	910,305
NET INCREASE IN CASH AND CASH EQUIVALENTS	232,485
Cash and Cash Equivalents - Beginning of Year	737,091
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 969,576
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Donated Property and Equipment, Inventory, and Investments	$ 5,729

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TEXAS GULF COAST AND LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2018

	Program Services	Support Services			
	Wish Granting	Fundraising	Management and General	Total Support Services	Total
Direct Costs of Wishes	$ 4,082,450	$ -	$ -	$ -	$ 4,082,450
Change in Pending Wish Liability	765,242	-	-	-	765,242
Salaries, Taxes, and Benefits	522,014	95,646	121,551	217,197	739,211
Printing, Subscriptions, and Publications	-	31,758	-	31,758	31,758
Professional Fees	2,671	781	27,327	28,108	30,779
Rent and Utilities	29,873	10,307	6,541	16,848	46,721
Postage and Delivery	3,345	2,690	710	3,400	6,745
Travel	9,065	3,371	1,903	5,274	14,339
Meetings and Conferences	10,093	3,350	2,132	5,482	15,575
Office Supplies	4,027	1,384	881	2,265	6,292
Communications	5,996	2,061	1,312	3,373	9,369
Repairs and Maintenance	6,769	2,326	1,481	3,807	10,576
Grants and Scholarships	150,000	-	-	-	150,000
National Partnership Dues	22,013	3,065	2,787	5,852	27,865
Miscellaneous	20,112	13,725	4,475	18,200	38,312
Depreciation and Amortization	77,846	26,759	17,029	43,788	121,634
Total Expenses Included in the Expense Section of the Statement of Activities	$ 5,711,516	$ 197,223	$ 188,129	$ 385,352	$ 6,096,868

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of the Texas Gulf Coast and Louisiana (the Foundation) is a Texas nonprofit corporation, organized for the purpose of creating life changing wishes for children with critical illnesses. The Foundation is an independently operating chapter of Make-A-Wish Foundation® of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. To be a Make-A-Wish chapter, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2018 is $250,944 of money market mutual funds.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost of 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 2 to 30 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.

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

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

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

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received in-kind contributions of assets, services, and materials that are reported in the statement of activities as follows:

	Programs	Fundraising	Management and General	Total
Wish Related	$ 1,994,789	$ -	$ -	$ 1,994,789
Professional Services	-	-	23,439	23,439
Other	21,818	14,280	4,773	40,871
	$ 2,016,607	$ 14,280	$ 28,212	2,059,099
Investments (Asset)				4,929
Property and Equipment (Capitalized)				800
Total				$ 2,064,828

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a nonprofit organization exempt from federal income taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3). However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2018. The Foundation files income tax returns in the U.S. federal jurisdiction and applicable state jurisdictions.

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.

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.

NOTE 3 FAIR VALUE MEASUREMENTS

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.

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

The following table presents the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis, except those measured at cost, 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:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	$ 3,795,048	$ -	$ -	$ 3,795,048
International Equity	1,947,347	-	-	1,947,347
Bonds	2,568,572	-	-	2,568,572
Equity Securities:				
U.S. Corporate Equity Securities	3,579,786	-	-	3,579,786
Foreign Equity Securities	481,561	-	-	481,561
Debt Securities:				
Asset Backed	-	526	-	526
Government	-	147,755	-	147,755
Corporate	-	1,271,806	-	1,271,806
Total Recurring	12,372,314	1,420,087	-	13,792,401
Nonrecurring:				
Split-Interest Agreements	-	-	280,284	280,284
Total Nonrecurring	-	-	280,284	280,284
Total	$ 12,372,314	$ 1,420,087	$ 280,284	$ 14,072,685

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

For the valuation of split-interest agreements investments at August 31, 2018, the Foundation used significant unobservable inputs including mortality tables, discount rates, and projected investment rates of return along with the Foundation's own assumptions, as a practical expedient (Level 3).

Quantitative Information About Level 3 Fair Value Measurements

Type of Investments	Fair Value at August 31, 2018	Valuation Technique
Split-Interest Agreements Consisting of Cash Equivalents, Equities, Fixed Income Securities, and Alternative Investments	$ 280,284	Present value of the expected future amount to be received
Total	$ 280,284	

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

Beginning Balance	$ 267,279
Change in Split-Interest Agreements	13,005
Ending Balance	$ 280,284

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

Interest and Dividend Income	$ 334,674
Realized and Unrealized Gains, Net	854,902
Less Investment Expenses	(64,859)
Investment Income, Net	$ 1,124,717

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable as of August 31, 2018 were $215,797, which are due from one donor. All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2018.

NOTE 5 SPLIT-INTEREST AGREEMENTS

Beneficial Interest in Trusts

The Foundation is a named income beneficiary in a perpetual trust, the corpus of which is not controlled by the management of the Foundation. Under this arrangement, the Foundation has the irrevocable right to receive a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation received notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying statement of activities as a component of permanently restricted change in value of split-interest agreements.

The Foundation's beneficial interest in the trust is $220,468 as of August 31, 2018.

Charitable Trusts

The Foundation is named as a beneficiary in an irrevocable charitable remainder trust held by a third-party trustee. At the date the remainder trust was established, a beneficial interest in trust and temporarily restricted contribution revenue was recognized for the present value of the estimated future benefits to be received when the trust assets are distributed. The beneficial interest is adjusted during the term of the trust for changes in the value of the assets. The beneficial interest in the remainder trust is calculated using a discount rate of 4.43%, a rate of return of 5%, and Internal Revenue Service (IRS) mortality tables.

The Foundation's beneficial interest in the trust is $59,816 as of August 31, 2018.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the year ended August 31, 2018, the Foundation received $1,116,834 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. The Foundation has not contributed to or received funds from the Wish Fulfillment Fund during the year ended August 31, 2018. The Foundation established an endowment at the National Organization for the benefit of another chapter in the amount of $150,000 during the year ended August 31, 2018.

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling $54,017 were paid from the Foundation to the National Organization during the year ended August 31, 2018.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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. The Foundation does not charge wish assist fees to other chapters.

Amounts due from and to related entities are as follows:

		2018
Balance at August 31:		
Due from National Organization	$	90,496
Total Due from Related Entities	$	90,496
Due to National Organization	$	319
Due to Other Chapters		27,589
Total Due to Related Entities	$	27,908

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 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 $257,189. As of August 31, 2018, there were no amounts due from board members. Amounts paid to related parties for goods and services used in the Foundation’s operations totaled $288,655 in 2018. There were no amounts due to related parties as of August 31, 2018.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

Land	$	630,000
Buildings and Building Improvements		2,288,011
Computer Equipment and Software		10,125
Office Furniture		169,351
Total		3,097,487
Less Accumulated Depreciation and Amortization		(498,752)
Property and Equipment, Net	$	2,598,735

Depreciation and amortization expense totaled $121,634 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 increase by $1,492,659 resulting in adjusted net assets of $15,386,000.

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 9 ENDOWMENTS

The Foundation is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and is required to make disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation’s endowment consists of 26 individual funds at August 31, 2018 established for a variety of purposes including granting wishes and building maintenance. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets which are donor-restricted are reflected as investments held for long-term purposes on the statements of financial position.

NOTE 9 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Texas 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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 1,766,402	$ 7,109,358	$ 8,875,760

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds, Beginning of Year	$ -	$ 1,114,669	$ 6,199,053	$ 7,313,722
Investment Return:				
Investment Income, Net	-	151,939	-	151,939
Net Appreciation (Realized and Unrealized)	-	499,794	-	499,794
Total Investment Return	-	651,733	-	651,733
Contributions	-	-	910,305	910,305
Endowment Funds, End of Year	$ -	$ 1,766,402	$ 7,109,358	$ 8,875,760

NOTE 9 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	2018
Permanently Restricted Net Assets:	
The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	$ 7,109,358
Temporarily Restricted Net Assets:	
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:	
With Purpose Restrictions	$ 1,766,402

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 are no fund deficiencies as of August 31, 2018.

Return Objectives and Risk Parameters

The Foundation's endowment assets are commingled with its unrestricted investments, and as such, fall under the Foundation's investment policy. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the board of directors, the overall investment objectives of the Foundation are to balance long-term capital appreciation with capital preservation. The asset value, exclusive of contributions or withdrawals, shall grow in the long term through a combination of investment income and capital appreciation at a rate of return comparative to the benchmarks set forth in the Foundation's investment policy based on the asset category mix, while avoiding excessive risk. The Foundation does not have a specified average rate of return expectation.

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 allows its endowment donors to determine if distributions are to be made out of earnings annually or once the individual endowment has reached a certain net asset amount.

NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

Time Restrictions	$	275,613
Purpose Restrictions		1,767,094
Total Temporarily Restricted Net Assets	$	2,042,707

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	$	220,468
Investments in Perpetuity, the Income from which is Expendable Exclusively for Costs Associated with the Building		976,653
Investments in Perpetuity, the Income from which is Expendable Exclusively for Wish Granting		6,132,705
Total Permanently Restricted Net Assets	$	7,329,826

NOTE 11 RETIREMENT PLAN

The Foundation has a defined contribution 401k plan (the Plan). Employees are eligible for participation in the Plan upon completion of an employee training period. 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 at 100% up to 6% of the employee’s salary. Foundation contributions to the Plan for the year ended August 31, 2018 were $18,503.

The Foundation also has a 457 plan established for certain full-time employees not excluded by the terms of the plan document. The amount of contributions to the participant’s account will equal the amount by which the participant has reduced his/her compensation for the plan year, pursuant to his/her salary reduction agreement plus any matching contributions and employer discretionary contributions. During the year ended August 31, 2018, employer discretionary contributions to the plan were recorded as expenses of $24,642 to establish a liability for the future obligation. Participants become fully vested at age 65.

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 Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling $1,182,686 were received from a single donor for the year ended August 31, 2018, respectively, which represents 23% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 13 LITIGATION AND CLAIMS

The Foundation is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, 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 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 15, 2019, the date at which the financial statements were available to be issued.