

**MAKE-A-WISH FOUNDATION® OF OKLAHOMA**

Financial Statements

August 31, 2014

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF OKLAHOMA**

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## Independent Auditors' Report

Finance Committee  
Make-A-Wish Foundation of Oklahoma  
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Make-A-Wish Foundation of Oklahoma (the Foundation), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

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

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

Finance Committee  
Make-A-Wish Foundation of Oklahoma

*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 Oklahoma as of August 31, 2014 and the changes 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**

Lakeland, Florida  
February 5, 2015

MAKE-A-WISH FOUNDATION® OF OKLAHOMA

Statement of Financial Position

August 31, 2014

Assets

Cash and cash equivalents	\$	880,078
Due from related entities		36,461 ✓
Prepaid expenses		1,745 ✓
Contributions receivable, net		92,507 \$403
Other assets		12,200 ✓
Property and equipment, net		34,678 ✓
Beneficial interest in assets held by others		305,689
Total assets	\$	<u>1,363,358</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	4237 \$	168,010
Accrued pending wish costs		746,793
Due to related entities		3,497
Total liabilities		<u>918,300</u>
Commitments and contingencies		
Net assets:		
Unrestricted		340,300
Temporarily restricted		104,758
Total net assets		<u>445,058</u>
Total liabilities and net assets	\$	<u>1,363,358</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF OKLAHOMA**

Statement of Activities

Year ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Public support:			
Contributions	\$ 1,810,647	84,104	1,894,751
Grants	157,820	—	157,820
Total public support	<u>1,968,467</u>	<u>84,104</u>	<u>2,052,571</u>
Internal Special events	741,862	20,654	762,516
Less costs of direct benefits to donors	(98,284)	—	(98,284)
Total special events	643,578	20,654	664,232
Other income	5,766	—	5,766
Change in value of beneficial interest in assets held by others	32,510	—	32,510
Net assets released from restrictions	116,806	(116,806)	—
Total revenues, gains, and other support	<u>2,767,127</u>	<u>(12,048)</u>	<u>2,755,079</u>
Expenses:			
Program services:			—
Wish granting	2,183,597	—	2,183,597
Total program services	<u>2,183,597</u>	<u>—</u>	<u>2,183,597</u>
Support services:			
Fundraising	427,857	—	427,857
Management and general	253,724	—	253,724
Total support services	<u>681,581</u>	<u>—</u>	<u>681,581</u>
Total program and support services expenses	<u>2,865,178</u>	<u>—</u>	<u>2,865,178</u>
Change in net assets	(98,051)	(12,048)	(110,099)
Net assets, beginning of the year	438,351	116,806	555,157
Net assets, end of the year	\$ <u>340,300</u>	<u>104,758</u>	<u>445,058</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF OKLAHOMA**

Statement of Cash Flows

Year ended August 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ (110,099)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	32,818
Change in value of beneficial interest held by others	(32,510)
Contributed property and equipment, inventory, and stock	(3,895)
Changes in assets and liabilities:	
Contributions receivable	(20,260)
Due from related entities	(6,944)
Prepaid expenses	(1,172)
Accounts payable and accrued expenses	70,128
Accrued pending wish costs	238,093
Due to related entities	<u>3,347</u>
Net cash provided by operating activities	<u>169,506</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(15,216)</u>
Net cash used in investing activities	<u>(15,216)</u>
Net increase in cash and cash equivalents	154,290
Cash and cash equivalents, beginning of year	<u>725,788</u>
Cash and cash equivalents, end of year	\$ <u><u>880,078</u></u>
Supplemental cash flow information:	
Donated property and equipment, stock, and inventory	\$ 3,895
Contributed services	242,794
In-kind contributions	503,605

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF OKLAHOMA**

Statement of Functional Expenses

Year ended August 31, 2014

	Program services Wish granting	Fundraising	Support services Management and general	Total support services	Total
\$	1,703,048	—	—	—	1,703,048
Direct costs of wishes	298,561	233,554	173,046	406,600	705,161
Salaries, taxes, and benefits	1,175	15,215	92	15,307	16,482
Printing, subscriptions, and publications	9,845	7,191	12,739	19,930	29,775
Professional fees	37,531	29,084	18,766	47,850	85,381
Rent and utilities	1,638	3,396	328	3,724	5,362
Postage and delivery	11,588	17,648	13,543	31,191	42,779
Travel	14,755	16,907	6,253	23,160	37,915
Meetings and conferences	7,714	7,434	3,345	10,779	18,493
Office supplies	6,664	5,746	2,953	8,699	15,363
Communications	1,134	936	639	1,575	2,709
Repairs and maintenance	215	1,824	0	1,824	2,039
Membership dues	66,521	9,381	9,381	18,762	85,283
National partnership dues	8,768	68,383	5,419	73,802	82,570
Miscellaneous	14,440	11,158	7,220	18,378	32,818
Depreciation and amortization					
\$	2,183,597	427,857	253,724	681,581	2,865,178

See accompanying notes to financial statements.



**MAKE-A-WISH FOUNDATION® OF OKLAHOMA**

Notes to Financial Statements

August 31, 2014

**(1) Organization**

Make-A-Wish Foundation® of Oklahoma (the Foundation) is a Oklahoma not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. 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 fund raising 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.

**(2) Summary of Significant Accounting Policies**

**(a) 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).

**(b) 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.

**(c) Contributions Receivable**

Contributions receivable are unconditional promises to give. Such promises are expected to be collected within one year and are recorded at expected net realizable value when the promise is received.

**(d) Property and Equipment, Net**

Property and equipment greater than \$500 and having a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). 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.

**(e) Fair Value Measurements**

The Foundation follows the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the

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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. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

- **Level 1 Inputs:** Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.
- **Level 2 Inputs:** Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).
- **Level 3 Inputs:** Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

The Foundation adopted the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

*(f) 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.

*(g) Revenue Recognition*

Unconditional promises to give are recorded as contributions revenue when the promise is received. 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

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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 and services that are included in the accompanying statement of activities as follows:

	<u>2014</u>
Contributions:	
Wish related	\$ 633,250
Property and equipment	3,895
Other	55,644
Total	<u>\$ 692,789</u>
Special event revenue:	
Internal special events	\$ 53,610

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 market value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling \$746,399 in 2014, with the difference recorded as other assets representing primarily auction items received and not yet used.

**(h) Income Taxes**

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

The Foundation's tax returns are subject to review and examination by the Federal and State authorities. The Foundation is not aware of any activities that would jeopardize its tax-exempt status. The Foundation is not aware of any activities that are subject to tax on unrelated business income or excise taxes. The tax returns for the fiscal years ending 2010 to 2013 are open to examination by Federal and State authorities.

## MAKE-A-WISH FOUNDATION® OF OKLAHOMA

### Notes to Financial Statements

August 31, 2014

(i) **Functional Expenses**

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

**Wish Granting**

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions.

**Fund Raising**

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 2014, the Foundation incurred no significant joint costs for activities that include fund raising appeals.

**Management and General**

All costs not identifiable with a single program or fund raising 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.

(j) **Management Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make 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 and contributions receivable, accrued pending wish costs, net of attrition on pending wish costs and whether an allowance for uncollectible contributions receivable is required. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(3) **Beneficial Interests in Assets Held by Others**

As of August 31, 2014, the Foundation had a beneficial interest in assets held by others of \$305,689. This interest consists of funds contributed to the Wishes Forever Endowment Fund at the National Office and to three separate community foundations: Oklahoma City Community Foundation, Communities Foundation of Oklahoma, and Tulsa Community Foundation. An endowment agreement has been signed between the chapter and National Office, as well as with each of the three separate community foundations. Distributions from the National Office and community foundations are made in accordance with spending policy adopted by the National Office and the board of directors for each respective community foundation. The National Office and community foundations have variance power as it relates to these assets. The beneficial interest in assets held by others of \$305,689 as of August 31, 2014, consists of funds contributed

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by the Foundation and the earnings thereon, net the distributions received. The beneficial interest is assets held by others are classified as unrestricted net assets in the statements for financial position. In addition, the three community foundations held approximate \$84,876 at August 31, 2014, that represents funds donated by others parties to be held for the benefit of the Foundation. These amounts are not included in Foundation's total assets or net assets at August 31, 2014.

The Foundation has adopted ASC Topic 820 for fair value measurement of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. See note 2 to the Financial Statements.

The Foundation at August 31, 2014 has \$305,689 of beneficial interest in assets held by others, which are Level 3 securities under ASC Topic 820.

For the valuation of beneficial interest is assets held by others at August 31, 2014, the Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation' own assumptions (Level 3).

The Foundation does not develop unobservable inputs for level 3 assets Fair Value is determined by asset values reported by third-party trustees.

The following table presents a roll-forward of activity for beneficial interests in assets held by others measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2014:

	Fair value measurements using significant unobservable inputs (Level 3)
Beginning balance	\$ 273,179
Total gains or losses (realized/unrealized) included in changes in net assets	32,510
Ending balance	\$ 305,689
The amount of total gains or losses for the period included in changes in net net assets attributable to the change in unrealized gains or losses relating to investments still held at reporting period.	\$ 32,510

**(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 year ended August 31, 2014, the Foundation received \$322,779 from these national revenue streams.

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Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation. Amounts totaling \$93,460 were paid from the Foundation to Make-A-Wish Foundation of America at August 31, 2014.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$1,800 for the year ended August 31, 2014, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31, 2014:

Due from National Organization	\$	35,430
Due from other chapters		1,031
Total due from related entities	\$	<u>36,461</u>
Due to other chapters	\$	3,497

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation.

During 2014, the Foundation received contributions, both cash and in-kind, from board members totaling \$63,138. There were no amounts paid to related parties for goods and services used in Foundation's operations.

**(5) Property and Equipment, Net**

Property and equipment as of August 31, 2014 consist of the following:

Computer equipment and software	\$	57,007
Office furniture		60,211
Other equipment		28,701
		<u>145,919</u>
Less accumulated depreciation and amortization		(111,241)
Property and equipment, net	\$	<u>34,678</u>

Depreciation and amortization expense totaled \$32,818 for the year ended August 31, 2014.

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Notes to Financial Statements

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(6) **Accrued Pending Wish Costs**

The Foundation accrues for an estimated cost of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. 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.

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, 2014, the Foundation had approximately 74 reportable pending wishes.

(7) **Leases**

The Foundation is obligated under various operating leases for offices, which expire March 31, 2017. Total rent expense for all operating leases for the year ended August 31, 2014 totaled \$67,249.

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

	<b>Operating leases</b>
Year ending August 31:	
2015	\$ 69,760
2016	69,790
2017	40,693
Total minimum lease payments	<u>\$ 180,243</u>

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Notes to Financial Statements

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**(8) Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2014:

	<u>2014</u>
Wish granting	\$ 84,104
Special Event	20,654
Total temporarily restricted net assets	<u>\$ 104,758</u>

**(9) Retirement Plan**

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2014 were \$20,769.

**(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 \$401,363 were received from a single donor for the year ended August 31, 2014, which represents 15% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**(11) Litigation and Claims**

The Foundation is 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.

**(12) Subsequent Events**

The Foundation has evaluated subsequent events from the statement of financial position date through February 5, 2015, the date at which the financial statements were available to be issued. There were no additional matters requiring disclosure as of this date.