

MAKE-A-WISH FOUNDATION® OF OKLAHOMA, INC.

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2018

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Oklahoma, Inc.
Oklahoma City, Oklahoma

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Oklahoma, Inc. 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 then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Board of Directors
Make-A-Wish Foundation® of Oklahoma, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of Oklahoma, Inc. 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

Lakeland, Florida
February 7, 2019

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

ASSETS

Cash and Cash Equivalents	\$	719,388
Due from Related Entities		10,248
Prepaid Expenses		17,092
Contributions Receivable		265,270
Other Assets		20,481
Inventory		44,251
Property and Equipment, Net		17,268
Beneficial Interest in Assets Held by Others		313,640
Total Assets	\$	1,407,638

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES

Accounts Payable and Accrued Expenses	\$	124,050
Accrued Pending Wish Costs, Cash		681,875
Accrued Pending Wish Costs, In-Kind		835,038
Due to Related Entities		18,417
Deferred Rent		11,695
Total Liabilities		1,671,075

NET ASSETS (DEFICIT)

Unrestricted		(526,707)
Temporarily Restricted		263,270
Total Net Deficit		(263,437)
Total Liabilities and Net Deficit	\$	1,407,638

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF OKLAHOMA, INC.
STATEMENT OF ACTIVITIES
AUGUST 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 1,776,253	\$ 260,320	\$ 2,036,573
Grants	139,644	1,950	141,594
Total Public Support	1,915,897	262,270	2,178,167
Internal Special Events	661,585	-	661,585
Less Costs of Direct Benefits to Donors	(66,429)	-	(66,429)
Total Internal Special Events	595,156	-	595,156
Other Income	78,556	-	78,556
Change in Value of Beneficial Interest in Assets Held by Others	24,376	-	24,376
Net Assets Released from Restrictions	134,507	(134,507)	-
Total Revenues, Gains, and Other Support	2,748,492	127,763	2,876,255
EXPENSES			
Program Services:			
Wish Granting	2,013,133	-	2,013,133
Total Program Services	2,013,133	-	2,013,133
Support Services:			
Fundraising	518,316	-	518,316
Management and General	266,750	-	266,750
Total Support Services	785,066	-	785,066
Total Program and Support Services Expense	2,798,199	-	2,798,199
CHANGE IN NET ASSETS	(49,707)	127,763	78,056
Net Assets (Deficit) - Beginning of Year	(477,000)	135,507	(341,493)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (526,707)	\$ 263,270	\$ (263,437)

See accompanying Notes to Financial Statements.

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

	Total Program Services	Support Services		Total Support Services	Total
		Fundraising	Management and General		
Direct Costs of Wishes	\$ 1,698,911	\$ -	\$ -	\$ -	\$ 1,698,911
Change in Pending Wish Liability	(156,274)	-	-	-	(156,274)
Salaries, Taxes, and Benefits	255,946	365,165	203,003	568,168	824,114
Printing, Subscriptions, and Publications	3,904	7,748	522	8,270	12,174
Professional Fees	26,207	24,058	17,792	41,850	68,057
Rent and Utilities	37,489	31,657	14,162	45,819	83,308
Postage and Delivery	1,460	1,813	305	2,118	3,578
Travel	17,046	19,274	3,671	22,945	39,991
Meetings and Conferences	18,684	12,450	2,919	15,369	34,053
Office Supplies	15,473	6,101	3,327	9,428	24,901
Communications	9,784	8,999	3,687	12,686	22,470
Advertising and Media (Cash)	-	4,555	-	4,555	4,555
Repairs and Maintenance	2,928	2,473	1,106	3,579	6,507
Membership Dues	612	1,181	221	1,402	2,014
National Partnership Dues	56,961	7,931	7,210	15,141	72,102
Miscellaneous	20,468	21,927	7,490	29,417	49,885
Depreciation and Amortization	3,534	2,984	1,335	4,319	7,853
Special Event Expenses	-	66,429	-	66,429	66,429
Total	<u>2,013,133</u>	<u>584,745</u>	<u>266,750</u>	<u>851,495</u>	<u>2,864,628</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(66,429)	-	(66,429)	(66,429)
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,013,133</u>	<u>\$ 518,316</u>	<u>\$ 266,750</u>	<u>\$ 785,066</u>	<u>\$ 2,798,199</u>

See accompanying Notes to Financial Statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets (Deficit)	\$	78,056
Adjustments to Reconcile Change in Net Deficit to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization		7,853
Contributed Property and Equipment and Inventory		(42,591)
Change in Beneficial Interest in Assets Held by Others		(24,376)
(Increase) Decrease in Assets:		
Due from Related Entities		12,489
Prepaid Expenses		1,155
Contributions Receivable		(122,106)
Other Assets		7,712
Inventory		(7,724)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses		37,981
Accrued Pending Wish Costs		(156,274)
Due to Related Entities		17,194
Deferred Rent		11,695
Net Cash Used by Operating Activities		(178,936)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment		(7,357)
Proceeds from Sales of Beneficial Interest in Assets Held by Others		11,110
Net Cash Provided by Investing Activities		3,753

NET DECREASE IN CASH AND CASH EQUIVALENTS

(175,183)

Cash and Cash Equivalents - Beginning of Year

894,571

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 719,388

SUPPLEMENTAL CASH FLOW INFORMATION

Contributed Property and Equipment	\$	6,064
Contributed Inventory	\$	36,527

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2018, is \$412,997 of money market mutual funds.

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.

All contributions receivable are due within the next 12 months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2018.

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. 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.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The Foundation has no permanently restricted net assets as of August 31, 2018.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at August 31, 2018:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Program and Support Service				
Expenses:				
Wish Related	\$ 999,788	\$ -	\$ -	\$ 999,788
Professional Services	-	2,073	2,500	4,573
Rent	9,007	7,606	3,403	20,016
Other	13,348	1,749	1,364	16,463
Total Program and Support Service Expenses	<u>\$ 1,022,144</u>	<u>\$ 11,428</u>	<u>\$ 7,267</u>	1,040,839
Special Events				16,722
Inventory				36,527
Property and Equipment (Capitalized)				<u>6,064</u>
Total				<u>\$ 1,100,152</u>

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

Income Taxes

The Foundation is a nonprofit organization exempt from federal and Oklahoma income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and the applicable state provisions. 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 state of Oklahoma jurisdiction.

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 a specific programs or fundraising activities, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$11,695 at August 31, 2018.

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.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments shown in the following table as of August 31, 2018, represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs

Fair Value Hierarchy

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Nonrecurring:				
Beneficial Interest in Assets				
Held by Others	\$ -	\$ -	\$ 313,640	\$ 313,640
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,640</u>	<u>\$ 313,640</u>

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation does not develop unobservable inputs for Level 3 assets, rather, fair value is determined by asset values reported by third-party trustees.

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

Beginning Balance	\$ 300,374
Total Gains or (Losses) (Realized/Unrealized)	
Included in Changes in Net Assets	24,376
Sales	<u>(11,110)</u>
Ending Balance	<u>\$ 313,640</u>
Change in Unrealized Gains or (Losses) for the Period	
Included in the Change in Net Assets Relating	
to Investments Still Held at End of Reporting Period	<u>\$ 24,376</u>

Beneficial Interests in Assets Held by Others

As of August 31, 2018, the Foundation had a beneficial interest in assets held by others of \$313,640. This interest consists of funds contributed to the Wishes Forever Endowment Fund at the National Office and funds contributed 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 the spending policies 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 consists of funds contributed and the earnings thereon, net of distributions received, and is classified as unrestricted net assets in the statements of financial position. In addition, the three community foundations held approximately \$102,700 at August 31, 2018, 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 as of August 31, 2018.

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

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 year ended August 31, 2018, the Foundation received \$386,385 from these national revenue streams.

Conversely, the chapter pays amounts to the National Organization for annual 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 \$157,227 were paid from the Foundation to the National Organization during the year ended August 31, 2018.

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 \$1,350 for the year ended August 31, 2018, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31, 2018:

Due from National Organization	\$ 10,248
Total Due from Related Entities	<u>\$ 10,248</u>
Due to National Organization	\$ 9,482
Due to Other Chapters	8,935
Total Due to Related Entities	<u>\$ 18,417</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation’s use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation. 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 \$73,267. There were no amounts paid to related parties for goods and services used in the Foundation’s operations.

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

NOTE 5 PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 3, 2018, consist of the following:

Computer Equipment and Software	\$ 66,969
Office Furniture	<u>52,458</u>
Total	119,427
Less Accumulated Depreciation and Amortization	<u>(102,159)</u>
Property and Equipment, Net	<u><u>\$ 17,268</u></u>

Depreciation and amortization expense totaled \$7,853 for the year ended August 31, 2018.

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,
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 \$591,398 resulting in adjusted net assets of \$327,961.

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.

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

NOTE 7 LEASES

The Foundation is obligated under various operating leases for offices, which expire at various dates through November 30, 2022. Total rent expense for all operating leases for the year ended August 31, 2018, totaled \$83,308.

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2019	\$ 66,044
2020	66,044
2021	66,044
2022	66,044
2023	16,511
Total	<u>\$ 280,687</u>

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

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

Wish Granting	\$ 246,590
Office Rent	16,680
Total Temporarily Restricted Net Assets	<u>\$ 263,270</u>

NOTE 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, 2018, were \$23,470.

NOTE 10 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash. The Foundation places its cash 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 \$652,374 were received from a single donor for the year ended August 31, 2018, which represents 30% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

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

NOTE 11 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 12 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 7, 2019, the date at which the financial statements were available to be issued.

NOTE 13 LIQUIDITY IN OPERATIONS

The Foundation has negative unrestricted net assets of \$526,707 as of August 31, 2018, a decrease of \$49,707 from August 31, 2017. Total net assets are \$(263,437) as of August 31, 2018, an increase of \$78,056 from August 31, 2017.

The largest liability on the Foundation's statement of financial position is the accrued pending wish liability of \$1,516,913 (both cash and in-kind). From a legal perspective, the Foundation has no obligation to record the accrued pending wishes in its financial statements because there is no contract between the Foundation and wish families. However, the Foundation has taken the position that, once a wish family has been contacted, a relationship has been created and the impact of that relationship should be reflected in its financial statements when it becomes measurable.

The Foundation records the estimated cost of a wish after: (a) a wish referral has been received; (b) proof of medical eligibility has been obtained; (c) the child's wish has been ascertained and determined to fall within the Foundation's wish-granting policies; and (d) it is probable the wish will be granted during the next 12 months.

Recording this non-contractual liability can cause the Foundation to have higher liabilities and lower net assets (sometimes negative net assets) than other nonprofit organizations. In addition, recording the liability may impact the Foundation's program percentage from year to year.

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

NOTE 13 LIQUIDITY IN OPERATIONS (CONTINUED)

Although the Foundation's largest expenditures generally relate to wish granting, the Foundation has the ability to manage wish expenses to some extent to ensure it has adequate resources to cover its expenses. For example:

- 1) The timing of wishes can often be controlled so the Foundation can achieve cost savings (such as not booking travel wishes during peak travel dates).
- 2) The Foundation can apply for grants from the national Wish Fulfillment Fund to help support pending wishes and reduce its wish pipeline.
- 3) The Foundation can source additional in-kind resources and/or vendor discounts to assist with cash flow, while maintaining the same high quality of the wish experience.

In addition, the National organization monitors the operational performance (including liquidity) of all of its chapters on a regular basis and is committed to working with chapters to ensure that all eligible children's wishes are granted.