

**MAKE-A-WISH FOUNDATION® OF KANSAS**

Financial Statements

August 31, 2014

(With Independent Auditors' Report Thereon)

# MAKE-A-WISH FOUNDATION® OF KANSAS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Kansas  
Wichita, Kansas

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Kansas, which comprise the statement of financial position as of August 31, 2014, 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 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.

Board of Directors  
Make-A-Wish Foundation® of Kansas

***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 Kansas as of August 31, 2014, and change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 25, 2015

**MAKE-A-WISH FOUNDATION® OF KANSAS**

Statement of Financial Position

August 31, 2014

<b>Assets</b>	<b>2014</b>
Cash and cash equivalents	\$ 258,864
Investments	228,932
Due from related entities	28,876
Prepaid expenses	7,446
Contributions receivable	28,002
Other assets	1,771
Investments held for long-term purposes	40,000
Property and equipment, net	13,774
Total assets	\$ <u>607,665</u>
<b>Liabilities and Net Assets</b>	
Accounts payable and accrued expenses	\$ 40,852
Accrued pending wish costs	404,245
Due to related entities	4,572
Total liabilities	<u>449,669</u>
Net assets	
Unrestricted	69,836
Temporarily restricted	48,160
Permanently restricted	40,000
Total net assets	<u>157,996</u>
Total liabilities and net assets	\$ <u>607,665</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF KANSAS**

Statement of Activities

Year ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 764,990	39,002	—	803,992
Grants	58,774	—	—	58,774
Total public support	<u>823,764</u>	<u>39,002</u>	<u>—</u>	<u>862,766</u>
Internal special events	219,855	—	—	219,855
Less costs of direct benefits to donors	<u>(7,180)</u>	<u>—</u>	<u>—</u>	<u>(7,180)</u>
Total special events	212,675	—	—	212,675
Investment income, net	28,790	6,115	—	34,905
Other income	150	—	—	150
Net assets released from restrictions	<u>49,286</u>	<u>(49,286)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>1,114,665</u>	<u>(4,169)</u>	<u>—</u>	<u>1,110,496</u>
Expenses:				
Program services:				
Wish granting	973,000	—	—	973,000
Total program services	<u>973,000</u>	<u>—</u>	<u>—</u>	<u>973,000</u>
Support services:				
Fundraising	128,784	—	—	128,784
Management and general	95,054	—	—	95,054
Total support services	<u>223,838</u>	<u>—</u>	<u>—</u>	<u>223,838</u>
Total program and support services expenses	1,196,838	—	—	1,196,838
Change in net assets	<u>(82,173)</u>	<u>(4,169)</u>	<u>—</u>	<u>(86,342)</u>
Net assets, beginning of the year	<u>152,009</u>	<u>52,329</u>	<u>40,000</u>	<u>244,338</u>
Net assets, end of the year	<u>\$ 69,836</u>	<u>48,160</u>	<u>40,000</u>	<u>157,996</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF KANSAS**

Statement of Cash Flows

Year ended August 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ (86,342)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,746
Net realized and unrealized gains on investments	(31,888)
Contributed property and equipment	(1,998)
Changes in assets and liabilities:	
Contributions receivable	3,516
Due from related entities	43,734
Prepaid expenses	(4,102)
Other assets	(1,771)
Accounts payable and accrued expenses	14,614
Accrued pending wish costs	127,701
Due to related entities	4,572
Net cash provided by operating activities	<u>72,782</u>
Cash flows from investing activities:	
Purchases of investments	(46,054)
Proceeds from sales of investments	51,737
Purchases of property and equipment	<u>(16,522)</u>
Net cash used in investing activities	<u>(10,839)</u>
Net increase in cash and cash equivalents	61,943
Cash and cash equivalents, beginning of year	<u>196,921</u>
Cash and cash equivalents, end of year	<u>\$ 258,864</u>
Supplemental cash flow information:	
Donated property and equipment and stock	\$ 1,998

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF KANSAS**

Statement of Functional Expenses

Year ended August 31, 2014

	<b>Program services</b>	<b>Support services</b>			<b>Total</b>
	<b>Wish granting</b>	<b>Fundraising</b>	<b>Management and general</b>	<b>Total support services</b>	
Direct costs of wishes	\$ 853,057	—	—	—	853,057
Salaries, taxes, and benefits	66,565	68,363	44,976	113,339	179,904
Printing, subscriptions, and publications	185	7,395	173	7,568	7,753
Professional fees	10,029	10,278	23,763	34,041	44,070
Rent and utilities	8,178	8,399	5,526	13,925	22,103
Postage and delivery	1,402	3,553	837	4,390	5,792
Travel	1,998	6,960	5,446	12,406	14,404
Meetings and conferences	903	3,580	2,948	6,528	7,431
Office supplies	4,448	3,265	2,031	5,296	9,744
Communications	1,840	1,890	1,243	3,133	4,973
Advertising and media	500	4,015	—	4,015	4,515
Repairs and maintenance	1,108	1,166	749	1,915	3,023
Insurance	154	156	103	259	413
Membership dues	800	1,381	1,187	2,568	3,368
National partnership dues	16,770	2,365	2,365	4,730	21,500
Miscellaneous	3,308	4,214	2,520	6,734	10,042
Depreciation and amortization	1,755	1,804	1,187	2,991	4,746
	<b>\$ 973,000</b>	<b>128,784</b>	<b>95,054</b>	<b>223,838</b>	<b>1,196,838</b>

See accompanying notes to financial statements.



# MAKE-A-WISH FOUNDATION<sup>®</sup> OF KANSAS

## Notes to Financial Statements

August 31, 2014

### (1) Organization

Make-A-Wish Foundation<sup>®</sup> of Kansas (the Foundation) is a Kansas 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<sup>®</sup> 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.

### (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. Included in cash and cash equivalents at August 31, 2014 is \$8,281 of money market mutual funds.

#### (c) *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.

#### (d) *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 are written off when deemed uncollectible.

#### (e) *Property and Equipment, Net*

Property and equipment having a unit cost greater than \$250 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. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining term of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

# MAKE-A-WISH FOUNDATION® OF KANSAS

## Notes to Financial Statements

August 31, 2014

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.

### *(f) 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 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.

See additional information in note 3.

### *(g) 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.

# MAKE-A-WISH FOUNDATION® OF KANSAS

## Notes to Financial Statements

August 31, 2014

### **(h) Revenue Recognition**

Unconditional promises to give are recognized 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. 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 statement 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 and services that are included in the accompanying statements of activities as follows:

Contributions:	
Wish related	\$ 321,021
Property and equipment	1,998
Other	959
	<hr/>
Total	\$ 323,978
	<hr/> <hr/>

Program or supporting services expenses were recorded at fair value totaling \$321,980 in 2014, with the difference recorded as an addition to Property and Equipment, Net representing donated assets that have not yet been placed into service.

### **(i) Income Taxes**

The Foundation is a not-for-profit organization exempt from federal income and Kansas income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Chapter 79, Article 32 of the Kansas Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from 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, 2014. The Foundation files income tax returns in the U.S. federal jurisdiction and state jurisdictions (if applicable). The Foundation is no longer subject to U.S. federal income tax examinations by authorities for tax years before 2010.

# MAKE-A-WISH FOUNDATION® OF KANSAS

## Notes to Financial Statements

August 31, 2014

### **(j) 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 that grant wishes to children with life-threatening medical conditions.

#### **Fundraising**

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

#### **Management and General**

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

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

### **(k) 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. 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 continues to create a high degree of uncertainty in those estimates and assumptions.

## **(3) Fair Value Measurements**

### **(a) 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, 2014 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

# MAKE-A-WISH FOUNDATION<sup>®</sup> OF KANSAS

## Notes to Financial Statements

August 31, 2014

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.

### **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. Major investment decisions are authorized by the Board's Audit and Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

### **Allocation of Investment Strategies**

At August 31, 2014, all of the Foundation's investments were held in either traditional stocks or fixed income securities classified within Level 1 of the fair value hierarchy.

**MAKE-A-WISH FOUNDATION® OF KANSAS**

Notes to Financial Statements

August 31, 2014

**(b) 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, 2014:

Description	August 31, 2014	Fair value measurements at August 31, 2014 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Recurring:				
Investments:				
Mutual funds:				
Domestic equity	\$ 88,073	88,073	—	—
International equity	35,818	35,818	—	—
Real estate	4,040	4,040	—	—
Asset allocation	19,410	19,410	—	—
Bonds	75,018	75,018	—	—
Exchange-traded funds:				
Domestic equity	25,379	25,379	—	—
International equity	12,472	12,472	—	—
Asset allocation	8,722	8,722	—	—
Total recurring	<u>268,932</u>	<u>268,932</u>	<u>—</u>	<u>—</u>
Nonrecurring:				
Total nonrecurring	—	—	—	—
Total	<u>\$ 268,932</u>	<u>268,932</u>	<u>—</u>	<u>—</u>

Total investment income, gains, and losses for the year ended August 31, 2014 consist of the following:

Interest and dividend income	\$ 5,517
Realized and unrealized gains, net	31,888
Less investment expenses	<u>(2,500)</u>
Investment income, net	<u>\$ 34,905</u>

# MAKE-A-WISH FOUNDATION® OF KANSAS

## Notes to Financial Statements

August 31, 2014

### (4) Contributions Receivable

Contributions receivable at August 31, 2014 were \$28,002 and are all due within one year. Management has determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2014.

### (5) 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 \$131,545 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. Amounts totaling \$40,925 were paid from the Foundation to the National Organization during the year ended 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 \$150 for the year ended August 31, 2014, 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:

Due from National Organization	\$	28,876
Total due from related entities	\$	<u>28,876</u>
Due to National Organization	\$	1,568
Due to other chapters		3,004
Total due to related entities	\$	<u><u>4,572</u></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 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 \$14,284.

# MAKE-A-WISH FOUNDATION® OF KANSAS

## Notes to Financial Statements

August 31, 2014

### (6) Property and Equipment, Net

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

Computer equipment and software	\$	16,343
Office furniture and fixtures		<u>2,177</u>
		18,520
Less accumulated depreciation and amortization		<u>(4,746)</u>
Property and equipment, net	\$	<u><u>13,774</u></u>

Depreciation and amortization expense totaled \$4,746 for the year ended August 31, 2014. Computer equipment, software, and office furniture are depreciated over three years.

### (7) Accrued Pending Wish Costs

The Foundation accrues for estimated costs 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 52 reportable pending wishes.

### (8) Leases

The Foundation is obligated under operating leases for an office and equipment, which expire at various dates through December 31, 2016. Total rent expense for all operating leases for the year ended August 31, 2014 totaled \$23,395.



# MAKE-A-WISH FOUNDATION® OF KANSAS

## Notes to Financial Statements

August 31, 2014

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

	<u>Operating leases</u>
Fiscal year ending August 31:	
2015	\$ 22,945
2016	22,409
2017	<u>7,084</u>
Total minimum lease payments	<u>\$ 52,438</u>

### (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 one individual donor-restricted fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets are reflected as investments held for long term purposes on the statement of financial position.

#### (a) *Interpretation of Relevant Law*

The board of directors of the Foundation has interpreted the Kansas 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

**MAKE-A-WISH FOUNDATION® OF KANSAS**

Notes to Financial Statements

August 31, 2014

- 6. Other resources of the Foundation
- 7. The investment policies of the Foundation

Endowment net asset composition by type of fund as of August 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	9,158	40,000	49,158
Total funds	\$ —	9,158	40,000	49,158

Changes in endowment net assets for the year ended August 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,043	—	40,000	43,043
Investment return:				
Investment income	—	460	—	460
Net appreciation (realized and unrealized)	—	5,655	—	5,655
Total investment return	—	6,115	—	6,115
Other changes:				
Reclassification to restrict investment return	(3,043)	3,043	—	—
Endowment net assets, end of year	\$ —	9,158	40,000	49,158

# MAKE-A-WISH FOUNDATION® OF KANSAS

## Notes to Financial Statements

August 31, 2014

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

Permanently restricted net assets:

(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>40,000</u>
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Temporarily restricted net assets:

(1) The portion of perpetual endowment funds subject to a time restriction under UPMIFA: Without purpose restrictions	\$ <u>9,158</u>
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Total endowment funds classified as temporarily restricted net assets	\$ <u>9,158</u>
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**(b) 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 have been no such deficiencies in 2014.

**(c) Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

**(d) 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.

**(e) Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation has a policy of having any income from donor-restricted endowment funds available to carry out programs and services of the Foundation, while maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# MAKE-A-WISH FOUNDATION® OF KANSAS

## Notes to Financial Statements

August 31, 2014

### (10) Temporarily and Permanently Restricted Net Assets

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

Purpose restriction	\$	39,002
Time restriction		<u>9,158</u>
Total temporarily restricted net assets	\$	<u><u>48,160</u></u>

For the year ended August 31, 2014, permanently restricted net assets are restricted to:

Investments in perpetuity, the income from which is expendable to support any activities of the Foundation	\$	<u>40,000</u>
Total permanently restricted net assets	\$	<u><u>40,000</u></u>

### (11) 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 \$148,418 were received from a single donor for the year ended August 31, 2014, which represents 17% of total public support. Cash contributions totaling \$203,161 were received from two donors for the year ended August 31, 2014, which represents 24% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

### (12) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through March 25, 2015 the date at which the financial statements were available to be issued.