

MAKE-A-WISH FOUNDATION® OF UTAH

Financial Statements

August 31, 2014

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF UTAH

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Utah
Murray, Utah

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Utah, 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.

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 Utah 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

Denver, Colorado
January 20, 2015

MAKE-A-WISH FOUNDATION® OF UTAH

Statement of Financial Position

August 31, 2014

Assets

Cash and cash equivalents	\$	419,822
Investments		84,771
Due from related entities		100,294
Prepaid expenses		4,457
Contributions receivable, net		236,476
Other assets		12,512
Restricted cash		70,057
Property and equipment, net		2,049,120
Beneficial interest in assets held by others		68,351
		<hr/>
Total assets	\$	<u>3,045,860</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$	90,882
Accrued pending wish costs		693,368
Due to related entities		2,995
Capital lease obligations		36,078
		<hr/>
Total liabilities		<u>823,323</u>
Net assets		
Unrestricted		1,801,653
Temporarily restricted		368,309
Permanently restricted		52,575
		<hr/>
Total net assets		<u>2,222,537</u>
		<hr/>
Total liabilities and net assets	\$	<u>3,045,860</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF UTAH

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	\$ 1,375,397	257,233	—	1,632,630
Grants	388,108	93,300	—	481,408
Total public support	<u>1,763,505</u>	<u>350,533</u>	<u>—</u>	<u>2,114,038</u>
Internal special events	418,098	2,000	—	420,098
Less costs of direct benefits to donors	<u>(116,181)</u>	<u>—</u>	<u>—</u>	<u>(116,181)</u>
Total special events	301,917	2,000	—	303,917
Investment income (loss), net	1,155	15,776	—	16,931
Other income	1,423	—	—	1,423
Net assets released from restrictions	<u>218,851</u>	<u>(218,851)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>2,286,851</u>	<u>149,458</u>	<u>—</u>	<u>2,436,309</u>
Expenses:				
Program services:				
Wish granting	2,180,712	—	—	2,180,712
Total program services	<u>2,180,712</u>	<u>—</u>	<u>—</u>	<u>2,180,712</u>
Support services:				
Fundraising	279,991	—	—	279,991
Management and general	192,175	—	—	192,175
Total support services	<u>472,166</u>	<u>—</u>	<u>—</u>	<u>472,166</u>
Total program and support services expenses	<u>2,652,878</u>	<u>—</u>	<u>—</u>	<u>2,652,878</u>
Total expenses and losses	<u>2,652,878</u>	<u>—</u>	<u>—</u>	<u>2,652,878</u>
Change in net assets (deficit)	(366,027)	149,458	—	(216,569)
Net assets, beginning of the year	2,167,680	218,851	52,575	2,439,106
Net assets, end of the year	<u>\$ 1,801,653</u>	<u>368,309</u>	<u>52,575</u>	<u>2,222,537</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF UTAH

Statement of Cash Flows

Year ended August 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ (216,569)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	73,057
Net realized and unrealized (gains) losses on investments	(13,257)
Loss on sale of property and equipment	436
Contributed property and equipment, inventory, and stock	(16,392)
Changes in assets and liabilities:	
Contributions receivable	12,888
Due from related entities	(46,219)
Prepaid expenses	(3,097)
Other assets	(9,196)
Accounts payable and accrued expenses	13,197
Accrued pending wish costs	316,128
Due to related entities	(8,696)
Net cash provided by (used in) operating activities	<u>102,280</u>
Cash flows from investing activities:	
Purchases of investments	(36,696)
Proceeds from sales of investments	31,873
Increase in restricted cash	(70,057)
Purchases of property and equipment	(2,349)
Net cash provided by (used in) investing activities	<u>(77,229)</u>
Cash flows from financing activities:	
Principal payments on notes payable	(8,846)
Net cash provided by (used in) financing activities	<u>(8,846)</u>
Net increase (decrease) in cash and cash equivalents	16,205
Cash and cash equivalents, beginning of year	<u>403,617</u>
Cash and cash equivalents, end of year	<u>\$ 419,822</u>
Supplemental cash flow information:	
Cash paid for interest	\$ 3,788

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF UTAH

Statement of Functional Expenses

Year ended August 31, 2014

	<u>Program services</u>	<u>Support services</u>			<u>Total</u>
	<u>Wish granting</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total support services</u>	
Direct costs of wishes	\$ 1,750,999	—	—	—	1,750,999
Salaries, taxes, and benefits	221,377	132,944	138,077	271,021	492,398
Printing, subscriptions, and publications	5,659	16,690	1,430	18,120	23,779
Professional fees	35,804	18,998	18,267	37,265	73,069
Rent and utilities	29,955	4,859	4,467	9,326	39,281
Postage and delivery	2,772	6,805	1,329	8,134	10,906
Travel	5,615	4,384	1,211	5,595	11,210
Meetings and conferences	2,740	3,433	908	4,341	7,081
Office supplies	4,081	8,407	1,336	9,743	13,824
Communications	4,435	2,327	2,215	4,542	8,977
Advertising and media (in-kind)	—	44,430	—	44,430	44,430
Repairs and maintenance	12,091	9,955	873	10,828	22,919
Insurance	375	58	54	112	487
Membership dues	559	289	272	561	1,120
National partnership dues	42,282	5,963	5,963	11,926	54,208
Miscellaneous	7,718	10,680	6,735	17,415	25,133
Depreciation and amortization	54,250	9,769	9,038	18,807	73,057
	<u>\$ 2,180,712</u>	<u>279,991</u>	<u>192,175</u>	<u>472,166</u>	<u>2,652,878</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION[®] OF UTAH

Notes to Financial Statements

August 31, 2014

(1) Organization

Make-A-Wish Foundation[®] of Utah (the Foundation) is a Utah 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. Included in cash and cash equivalents at August 31, 2014 was \$87,387 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 receivable are discounted using fair value rates. Contributions are written off when deemed uncollectible. All contributions receivable at August 31, 2014 are expected to be fully realizable within one year.

(e) *Restricted Cash*

Restricted cash refers to the unexpended portion of support received that has been restricted by the donor for a specific purpose. These restrictions include amounts for program expenditures and for operational support.

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

(f) *Property and Equipment, Net*

Property and equipment valued at \$500 or more with a useful life of more than one year are capitalized at cost when purchased. Donated assets valued at \$500 or more with a useful life of more than one year are capitalized at the estimated fair value at the date of receipt. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Once assets are placed in service, depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to five years. The building is being depreciated over an estimated useful life of forty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

(g) *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.

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

(h) 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 program expenses.
- **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.

(i) 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 contribution 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 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.

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

The Foundation received in-kind contributions of assets and services that are included in the accompanying statements of activities as follows:

Contributions:	
Wish related	\$ 639,420
Advertising and media	44,430
Investments	10,107
Property and equipment	16,392
Other	6,101
Total	\$ <u>716,450</u>
Special event revenue:	
Internal special events	\$ <u>89,787</u>

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

Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue and fund raising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

(j) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and Utah income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 59-7-102 of the Utah 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 is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2010.

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

(k) ***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 included 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, facility, 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.

(l) ***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 has increased the degree of uncertainty inherent in those estimates and assumptions.

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

(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(s) 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 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 and managers. 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.

MAKE-A-WISH FOUNDATION® OF UTAH

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:				
Mutual funds				
Domestic equity	\$ 22,313	22,313	—	—
International equity	10,174	10,174	—	—
Global	11,016	11,016	—	—
Money market funds	1,379	1,379	—	—
Asset allocation	5,081	5,081	—	—
Bonds	34,808	34,808	—	—
Total	84,771	84,771	—	—
Beneficial interest in assets held by others	68,351	—	—	68,351
Total	68,351	—	—	68,351
Total	\$ 153,122	84,771	—	68,351

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

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

Interest and dividend income	\$	5,413
Realized and unrealized gains, net		13,257
Less investment expenses		<u>(1,739)</u>
Investment income, net	\$	<u><u>16,931</u></u>

(4) Contributions Receivable

All contributions receivable at August 31, 2014 are expected to be fully realized within one year, eliminating the need for discounting any amounts to present value. Because of the high likelihood of collection, management does not believe that an allowance for doubtful accounts is needed.

(5) Beneficial Interest in Assets Held by a Community Foundation

In fiscal years 2010, 2011 and 2012, the Foundation transferred donor-restricted endowment funds of \$25,000, \$15,200 and \$12,375, respectively, to the Community Foundation of Utah (CFU). Proceeds from endowment funds are restricted by the donors for use in granting wishes. Distributions of income may be made annually, or more frequently, in accordance with the spending policy established by the Board of the CFU. The Foundation has not yet requested distributions from the trust in an effort to grow the value of the account.

The Foundation's beneficial interest in the trust is \$68,351 as of August 31, 2014. The Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3).

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2014:

	Significant unobservable inputs (Level 3)
	<u> </u>
Beginning balance	\$ 52,575
Total gains or losses (realized/unrealized) included in changes in net assets	<u>15,776</u>
Ending balance	\$ <u>68,351</u>
Change in unrealized gain or losses for the period included in the change in net assets relating to investments still held at end of the reporting period.	\$ <u>5,269</u>

(6) Transactions with Related Entities

The Foundation received the following distributions from the National Organization for the year ended August 31, 2014:

Corporate, online, whitemail and general contributions	\$ 222,682
Grants	131,070
Scholarships	6,158
Wish fulfillment fund	50,000
Adopt-A-Wish	10,000
Other	<u>5,608</u>
Total distributions received	\$ <u>425,518</u>

These amounts are recorded in the Statement of Activities as public support revenue.

The Foundation paid to the National Organization the following amounts for the year ended August 31, 2014:

Partnership dues	\$ 54,208
Insurance	4,936
Other	<u>13,266</u>
Total amounts paid	\$ <u>72,410</u>

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 \$2,250 for the year ended August 31, 2014, which is recorded in the accompanying statement of activities as other income.

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

Amounts due from and to related entities are as follows:

Balance at August 31, 2014:

Due from National Organization	\$	<u>100,294</u>
Total due from related entities	\$	<u>100,294</u>
Due to National Organization	\$	1,131
Due to other chapters		<u>1,864</u>
Total due to related entities	\$	<u>2,995</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.

During 2014 the Foundation received contributions, both cash and in-kind, from board members totaling \$89,569.

(7) Property and Equipment, Net

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

Land	\$	450,249
Buildings and building improvements		2,092,708
Computer equipment and software		55,219
Office furniture		68,891
Other equipment		77,688
Leasehold improvements		<u>4,327</u>
		2,749,082
Less accumulated depreciation and amortization		<u>(699,962)</u>
Property and equipment, net	\$	<u>2,049,120</u>

Depreciation and amortization expense totaled \$73,057 for the year ended August 31, 2014.

MAKE-A-WISH FOUNDATION® OF UTAH

Notes to Financial Statements

August 31, 2014

(8) 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 approximately 90 reportable pending wishes.

(9) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through 2018. As of August 31, 2014, the cost of leased property and equipment under capital lease was \$52,352, and accumulated depreciation was \$19,113. Total rent expense for all operating leases for the year ended August 31, 2014 totaled \$6,528.

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

	<u>Operating leases</u>	<u>Capital leases</u>
Year ending August 31:		
2015	\$ 6,528	12,634
2016	3,808	12,634
2017	—	12,634
2018	—	4,211
Total minimum lease payments	<u>\$ 10,336</u>	42,113
Less amounts representing interest		<u>(6,035)</u>
Present value of net minimum lease payments		<u>\$ 36,078</u>

MAKE-A-WISH FOUNDATION[®] OF UTAH

Notes to Financial Statements

August 31, 2014

(10) 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 fund held by the Community Foundation of Utah, established for wish granting purposes, utilizing donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as investments held for long term purposes on the statements of financial position.

(a) *Interpretation of Relevant Law*

The board of directors of the Foundation has interpreted the Utah UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

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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	\$ —	15,776	52,575	68,351
Total funds	\$ <u>—</u>	<u>15,776</u>	<u>52,575</u>	<u>68,351</u>

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	\$ —	—	52,575	52,575
Investment return:				
Investment income	—	1,118	—	1,118
Net appreciation (realized and unrealized)	—	14,658	—	14,658
Total investment return	—	15,776	—	15,776
Endowment net assets, end of year	\$ <u>—</u>	<u>15,776</u>	<u>52,575</u>	<u>68,351</u>

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>52,575</u>
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Temporarily restricted net assets:

(1) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
With purpose restrictions	<u>15,776</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>15,776</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 were no such deficiencies as of August 31, 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 3% 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 appropriating for distribution each year only that portion of the investment income accrued during the period that does not put the principal in jeopardy. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain 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.

(11) Temporarily and Permanently Restricted Net Assets

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

Time restrictions	\$	252,252
Purpose restrictions		<u>116,057</u>
Total temporarily restricted net assets	\$	<u><u>368,309</u></u>

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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 program activities of the Foundation	\$ <u>52,575</u>
	\$ <u><u>52,575</u></u>

(12) Retirement Plan

The Foundation has a Simple IRA retirement plan (the Plan). Full-time employees are eligible for participation in the Plan after reaching \$5,000 in earned salary. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2014 were \$6,466.

(13) 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 \$373,634 were received from a single donor for the year ended August 31, 2014, which represents 18% of total public support. In addition, a grant in the amount of \$225,000 was received from a single donor during the year ended August 31, 2014, which represents 11% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(14) Litigation and Claims

The Foundation was involved in no claims or legal actions in 2014.

(15) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through January 20, 2015, the date at which the financial statements were available to be issued.