MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.

Financial Statements

August 31, 2014

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.

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CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Middle Tennessee, Inc.
Brentwood, Tennessee

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Middle Tennessee, Inc. (the "Foundation"), 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of August 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
March 27, 2015

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.

Statement of Financial Position

August 31, 2014

Assets		
Cash and cash equivalents	$	537,562
Due from related entities		79,773
Prepaid expenses		1,320
Contributions receivable		130,744
Other assets		15,138
Property and equipment, net		14,010
Total assets	$	778,547
Liabilities and Net Assets		
Accounts payable and accrued expenses	$	161,663
Accrued pending wish costs		411,770
Other liabilities		4,810
Total liabilities		578,243
Net assets		
Unrestricted		89,347
Temporarily restricted		110,957
Total net assets		200,304
Total liabilities and net assets	$	778,547

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.

Statement of Activities

Year ended August 31, 2014

		Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$	1,504,733	110,957	1,615,690
Grants		294,273	—	294,273
Total public support		1,799,006	110,957	1,909,963
Internal special events		389,837	—	389,837
Less costs of direct benefits to donors		(143,048)	—	(143,048)
Total special events		246,789	—	246,789
Investment income, net		1,596	—	1,596
Other income		7,800	—	7,800
Net assets released from restrictions		75,589	(75,589)	—
Total revenues, gains, and other support		2,130,780	35,368	2,166,148
Expenses:				
Program services:		1,397,010	—	1,397,010
Support services:				
Fund raising		144,848	—	144,848
Management and general		269,955	—	269,955
Total support services		414,803	—	414,803
Total program and support services expenses		1,811,813	—	1,811,813
Change in net assets		318,967	35,368	354,335
Net assets (deficit), beginning of the year		(229,620)	75,589	(154,031)
Net assets, end of the year	$	89,347	110,957	200,304

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.

Statement of Cash Flows

Years ended August 31, 2014

Cash flows from operating activities:		
Change in net assets	$	354,335
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		7,504
Changes in assets and liabilities:		
Contributions receivable		(55,155)
Due from related entities		26,916
Prepaid expenses		(1,320)
Other assets		(3,690)
Accounts payable and accrued expenses		98,537
Accrued pending wish costs		(31,281)
Due to related entities		
Other liabilities		(1,131)
Net cash provided by operating activities		394,715
Cash flows from investing activities:		
Purchases of property and equipment		(9,052)
Net increase in cash and cash equivalents		385,663
Cash and cash equivalents, beginning of year		151,899
Cash and cash equivalents, end of year	$	537,562

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.

Statement of Functional Expenses

Year ended August 31, 2014

	Program services	Support services			
	Wish granting	**Fund raising**	**Management and general**	**Total support services**	**Total**
Direct costs of wishes	$ 1,135,880	—	—	—	1,135,880
Salaries, taxes, and benefits	171,777	87,417	208,382	295,799	467,576
Printing, subscriptions, and publications	3,759	5,926	1,140	7,066	10,825
Professional fees	2,255	1,024	2,233	3,257	5,512
Rent and utilities	19,653	10,720	14,293	25,013	44,666
Postage and delivery	986	876	649	1,525	2,511
Travel	7,448	7,491	3,043	10,534	17,982
Meetings and conferences	5,715	15,996	2,280	18,276	23,991
Office supplies	2,919	3,615	2,289	5,904	8,823
Communications	5,553	2,650	3,681	6,331	11,884
Repairs and maintenance	905	363	458	821	1,726
Insurance	730	398	531	929	1,659
Membership dues	350	267	128	395	745
National partnership dues	35,186	4,931	4,967	9,898	45,084
Miscellaneous	3,894	3,174	18,377	21,551	25,445
Depreciation and amortization	—	—	7,504	7,504	7,504
	$ 1,397,010	144,848	269,955	414,803	1,811,813

See accompanying notes to financial statements.

(1) Organization

Make-A-Wish Foundation® of Middle Tennessee, Inc. (the “Foundation”) is a Tennessee 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 are $317,942 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. The Foundation did not hold any investments at August 31, 2014.

(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.

(e) 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. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to five 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.

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) 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. The Foundation has no permanently restricted net assets.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

(g) Revenue Recognition

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

Contributions:		
Wish related	$	597,467
Other		3,440
Total	$	600,907
Special event revenue:		
Internal special events	$	7,514

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.

Program or supporting services expenses were recorded at fair value totaling $526,416 in 2014, with the difference recorded as other assets representing primarily auction items received and not yet used.

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 when received and fund raising or public information 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.

(h) Income Taxes

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

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.

(i) Functional Expenses

The Foundation performs four functions: wish granting, program-related support, 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.

Program-Related Support

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

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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, rent, supplies, equipment, and other expenses.

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

(j) Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make 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.

(3) Contributions Receivable

The following is a summary of the Foundation's contributions receivable at August 31, 2014:

Total amounts due in:	
One year	$ 130,744

(4) Transactions with Related Entities

The National Organization conducts national fund raising 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 $443,009 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 $64,975 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 $7,800 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	$	64,851
Due from other chapters		14,922
Total due from related entities	$	79,773

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.

During 2014, the Foundation received contributions, both cash and in-kind, from board members totaling $287,217.

(5) Property and Equipment, Net

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

Computer equipment and software	$	36,057
Office furniture		5,079
Other equipment		7,960
		49,096
Less accumulated depreciation and amortization		(35,086)
Property and equipment, net	$	14,010

Depreciation and amortization expense totaled $7,504 for the year ended August 31, 2014.

(6) 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 12 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 55 reportable pending wishes.

(7) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through 2016. Total rent expense for all operating leases for the year ended August 31, 2014 totaled $44,666.

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

		Operating leases
Year ending August 31:		
2015	$	47,180
2016		32,072
Total minimum lease payments	$	79,252

(8) Temporarily Restricted Net Assets

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

Time restrictions	$	—
Purpose restrictions		110,957
Total temporarily restricted net assets	$	110,957

(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 90 days 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 3% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2014 were $9,065.

(10) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of $250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling $301,139 were received from a single donor for the year ended August 31, 2014, which represents 16% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(11) Litigation and Claims

The Foundation is involved in litigation and claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

(12) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through March 27, 2015, the date at which the financial statements were available to be issued.