



PragerMetis

**Children's Wish Foundation
International, Inc.
Financial Statements
June 30, 2020**

Children’s Wish Foundation International, Inc.
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June 30, 2020

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Independent Auditor's Report

To the Board of Directors of
Children's Wish Foundation International, Inc.

Prager Metis CPAs, LLC

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Report on the Financial Statements

We have audited the accompanying financial statements of Children's Wish Foundation International, Inc. (the Foundation) which comprise the statement of financial position as of June 30, 2020, 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 auditor's 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 Children's Wish Foundation International, Inc. as of June 30, 2020, 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.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
McLean, Virginia
April 20, 2021

Children's Wish Foundation International, Inc.
Statement of Financial Position
June 30, 2020

Assets

| | |
|---|--------------------------|
| Current assets | |
| Cash and cash equivalents | \$ 70,940 |
| Accounts receivable | 310 |
| Inventory | 29,570 |
| Prepaid expenses | 82,976 |
| Property held for sale | 170,000 |
| Total current assets | <u>353,796</u> |
| Property and equipment, net | <u>202,630</u> |
| Other assets | |
| Investments | 145,039 |
| Beneficial interest in charitable remainder trust | 28,597 |
| Deposits | 7,498 |
| Total other assets | <u>181,134</u> |
| Total assets | <u><u>\$ 737,560</u></u> |

(Continued)

The accompanying notes are an integral part of these financial statements.

Children's Wish Foundation International, Inc.
Statement of Financial Position (Continued)
June 30, 2020

Liabilities and net assets

Liabilities

Current liabilities

| | |
|---|----------------|
| Accounts payable | \$ 78,984 |
| Mortgage note payable – current portion | 32,028 |
| Paycheck Protection Loan | 85,607 |
| Funds held for others | 2,192 |
| Total current liabilities | <u>198,811</u> |

Long-term liabilities

| | |
|--|----------------|
| Mortgage note payable – less current portion | <u>791,098</u> |
|--|----------------|

Total liabilities

989,909

Net deficit

| | |
|----------------------------|-----------|
| Without donor restrictions | (280,946) |
| With donor restrictions | 28,597 |

Total net deficit

(252,349)

Total liabilities and net deficit

\$ 737,560

The accompanying notes are an integral part of these financial statements.

Children's Wish Foundation International, Inc.
Statement of Activities
Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|---------------------|
| Revenue and gains | | | |
| Contributions | \$ 1,135,794 | \$ - | \$ 1,135,794 |
| In-kind contributions | 368,087 | - | 368,087 |
| Interest and other revenue | 32,521 | - | 32,521 |
| Net realized and unrealized gain on investments | 11,343 | - | 11,343 |
| Net assets released from restrictions | 51,635 | (51,635) | - |
| Total revenue and gains | <u>1,599,380</u> | <u>(51,635)</u> | <u>1,547,745</u> |
| Expenses | | | |
| Program services | | | |
| Children's wishes | 356,076 | - | 356,076 |
| Family services | 466,225 | - | 466,225 |
| Education/public awareness | 101,875 | - | 101,875 |
| Total program services | <u>924,176</u> | <u>-</u> | <u>924,176</u> |
| Supporting activities | | | |
| Management and general | 438,261 | - | 438,261 |
| Fundraising | 654,577 | - | 654,577 |
| Total supporting services | <u>1,092,838</u> | <u>-</u> | <u>1,092,838</u> |
| Total expenses | <u>2,017,014</u> | <u>-</u> | <u>2,017,014</u> |
| Change in net assets | (417,634) | (51,635) | (469,269) |
| Net assets at beginning of year | <u>136,688</u> | <u>80,232</u> | <u>216,920</u> |
| Net deficit at end of year | <u>\$ (280,946)</u> | <u>\$ 28,597</u> | <u>\$ (252,349)</u> |

The accompanying notes are an integral part of these financial statements.

Children's Wish Foundation International, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

| | Program Services | | | Supporting Activities | | Total |
|----------------------------------|----------------------|--------------------|-----------------------------------|------------------------------|-------------------|---------------------|
| | Children's Wishes | Family Services | Education/ Public Awareness | Management and General | Fund- Raising | |
| Salaries and payroll taxes | \$ 145,539 | \$ 89,201 | \$ 56,338 | \$ 178,403 | \$ - | \$ 469,481 |
| Pension | - | - | - | 77,012 | - | 77,012 |
| Utilities | 6,329 | 3,879 | 2,451 | 7,758 | - | 20,417 |
| Postage and shipping | 1,001 | 50,612 | 387 | 1,227 | - | 53,227 |
| Consulting | 3,606 | 2,210 | 1,395 | 4,421 | - | 11,632 |
| Office expense | 2,014 | 1,235 | 779 | 2,469 | - | 6,497 |
| Insurance | 18,929 | 11,603 | 7,328 | 23,204 | - | 61,064 |
| Dues and fees | - | - | - | 2,938 | - | 2,938 |
| Professional fees | - | - | - | 65,820 | - | 65,820 |
| Telemarketing expenses | - | 62,288 | - | - | 304,115 | 366,403 |
| Direct mail expenses | - | - | 17,044 | - | 226,452 | 243,496 |
| Interest | 14,391 | 8,820 | 5,571 | 17,640 | - | 46,422 |
| Depreciation and amortization | 15,984 | 9,797 | 6,187 | 19,593 | - | 51,561 |
| Wish fulfillment | 136,129 | - | - | - | - | 136,129 |
| Automotive | 2,532 | 1,551 | 978 | 3,104 | - | 8,165 |
| Repairs and maintenance | 329 | 202 | 127 | 404 | - | 1,062 |
| Public relations | 1,683 | 1,032 | 651 | 2,063 | - | 5,429 |
| Program services and development | - | 2,509 | - | - | - | 2,509 |
| Travel | 69 | 42 | 27 | 84 | - | 222 |
| Computer expenses | 4,389 | 2,690 | 1,699 | 5,380 | - | 14,158 |
| Bank charges and fees | - | - | - | 6,246 | - | 6,246 |
| Donated gifts | 796 | 217,110 | - | - | - | 217,906 |
| Vehicle donation | - | - | - | - | 124,010 | 124,010 |
| Registration fees | - | - | - | 14,067 | - | 14,067 |
| Miscellaneous | 2,089 | 1,280 | 809 | 3,373 | - | 7,551 |
| Contributions | - | - | - | 2,727 | - | 2,727 |
| Meetings and seminars | 267 | 164 | 104 | 328 | - | 863 |
| Total | \$ 356,076 | \$ 466,225 | \$ 101,875 | \$ 438,261 | \$ 654,577 | \$ 2,017,014 |

The accompanying notes are an integral part of these financial statements.

Children's Wish Foundation International, Inc.
Statement of Cash Flows
Year Ended June 30, 2020

| | |
|---|------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ (469,269) |
| Adjustments to reconcile change in net assets to net cash used in operating activities | |
| Depreciation and amortization | 51,561 |
| In-kind inventory donation | (8,105) |
| Realized gain on investments | (7,338) |
| Unrealized gain on investments | (4,005) |
| Change in assets and liabilities | |
| Promises to give | 51,635 |
| Accounts receivable | 9,891 |
| Prepaid expenses | (1,596) |
| Accounts payable | (56,749) |
| Funds held for others | (40,060) |
| Net cash used in operating activities | <u>(474,035)</u> |
| Cash flows from investing activities | |
| Purchases of investments | (100,473) |
| Sales of investments | 519,631 |
| Net cash provided by investing activities | <u>419,158</u> |
| Cash flows from financing activities | |
| Payments of mortgage payable | (29,181) |
| Payments on capital leases | (10,811) |
| Paycheck Protection Loan | 85,607 |
| Net cash provided by financing activities | <u>45,615</u> |
| Decrease in cash and cash equivalents | (9,262) |
| Cash and cash equivalents, beginning of year | <u>80,202</u> |
| Cash and cash equivalents, end of year | <u>\$ 70,940</u> |
| Supplemental disclosure of cash flow information | |
| Cash paid during the year for interest | <u>\$ 46,422</u> |

The accompanying notes are an integral part of these financial statements.

Note-- 1 Organization

Children's Wish Foundation International, Inc. (the "Foundation") is a not-for-profit corporation organized in November 1985 in the State of Georgia. The Foundation was formed to bring joy and hope to seriously ill children and their families by involving the public in putting children first with opportunities to experience the enhanced value and quality of life through the magic of a fulfilled wish. The Foundation is connected with Children's Wish Foundation International ("CWFI-UK"), a United Kingdom charity, of which the Foundation's Executive Director is also a Trustee. CWFI-UK contributed \$30,000 to the Foundation during the year.

Contributions are received primarily as a result of direct mail and telemarketing solicitations to individuals throughout the country. Telemarketing contributions are recognized when pledged. All other contributions are recognized as support when received.

Note-- 2 Summary of Significant Accounting Policies

Uses of Estimates

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time or net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Contributions

The Foundation records contributions as with donor-restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When donor restrictions are met in the same reporting period, contributions with donor restrictions are reported as contributions without donor restrictions.

Note-- 2 Summary of Significant Accounting Policies (continues)

Donated Services, Materials, and Facilities

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. For the year ended June 30, 2020, there were no donated services.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Allocation of Expenses

The costs of providing various program and supporting activities of the Foundation are allocated based upon the functions they directly benefit or upon management's estimates of the proportion of these costs applicable to each function. The expenses are allocated on a reasonable basis and consistently applied. The expenses that are allocated are salaries and payroll taxes, public relations, travel, consulting, utilities, postage and shipping, meetings and seminars, office expenses, automotive, computer expenses, insurance, interest, depreciation and amortization and repairs and maintenance, which are allocated based on allocations of time and effort. Telemarketing and direct mail expenses are allocated based on the direct line count method of allocating joint costs. The program and supporting services of the Foundation are as follows:

Children's Wishes – All expenses incurred to fulfill wishes of seriously ill children and their families.

Family Services – All expenses incurred to assist families and programs in order to promote a more positive environment for seriously ill children while they are receiving treatment.

Education/Public Awareness – All expenses incurred to educate the general public about the needs and wishes of seriously ill children. Also, all expenses incurred to inform the general public to participate in the Foundation's mission of putting children first.

Management and General – All other operating expenses incurred by the Foundation in the accomplishment of its tax-exempt purposes.

Fundraising – All expenses incurred with the purpose of raising funds.

Note-- 2 Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation is recognized as a publicly supported organization under section 501(c)(3) of the Internal Revenue Code. As such, it is exempt from income taxes on all but unrelated business income. No provision for income taxes was required for 2020.

The Foundation has evaluated its tax positions and has concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of demand deposits and money market accounts.

Inventory

Inventory consists of in-kind contributions donated to the Foundation and purchased items that have not yet been distributed. Donated inventory is stated at the estimated fair value at the time of receipt. Purchased inventory is stated at cost.

Investments

Investments are reported at fair value. The Foundation reports investment income and gains and losses on investments as increases or decreases in net assets without donor restrictions unless a donor or law restricts their use.

Property and Equipment

Property and equipment are stated at cost, if purchased, and fair market value, if donated, and are depreciated on a straight-line basis over their estimated useful lives of three to twenty-five years. The Foundation capitalizes property and equipment with a cost greater than \$500 and an estimated useful life greater than one year. Expenditures for maintenance and repairs are expensed as incurred. Betterments which increase the value or materially extend the life of the related assets are capitalized.

Note-- 3 Investments

Investments are comprised of the following:

| | Cost | Fair Value |
|-----------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Common stock | \$ 3,345 | \$ 2,826 |
| Mutual funds | 23,189 | 20,825 |
| Exchange traded funds | <u>105,898</u> | <u>121,388</u> |
| | <u>\$ 132,432</u> | <u>\$ 145,039</u> |

Children's Wish Foundation International, Inc.

Notes to Financial Statements

June 30, 2020

Note-- 3 Investments (continued)

Investment return is comprised of the following in the accompanying statement of activities:

| | | |
|------------------------------|----|----------------------|
| Interest and dividend income | \$ | 9,942 |
| Net unrealized gain | | 4,005 |
| Net realized gain | | <u>7,338</u> |
| | \$ | <u><u>21,285</u></u> |

Note-- 4 Inventory

The following are the components included in inventory on the statement of financial position:

| | | |
|---------------------|----|----------------------|
| Beginning inventory | \$ | 21,465 |
| Gifts in-kind | | 201,442 |
| Administrative fees | | 24,569 |
| Distribution | | <u>(217,906)</u> |
| Ending inventory | \$ | <u><u>29,570</u></u> |

Note-- 5 Property and Equipment

Property and equipment consists of the following:

| | | |
|-------------------------------|----|-----------------------|
| Land | \$ | 165,000 |
| Land improvements | | 79,367 |
| Building | | 1,254,815 |
| Furniture and fixtures | | 313,747 |
| Equipment | | 297,643 |
| Vehicle | | 21,132 |
| Website | | <u>38,568</u> |
| | | 2,170,272 |
| Less accumulated depreciation | | <u>(1,967,642)</u> |
| Property and equipment, net | \$ | <u><u>202,630</u></u> |

Note-- 6 Beneficial Interest in Charitable Remainder Trust

On August 5, 1997, the Foundation was named a beneficiary of 25% of the remainder interest in a charitable remainder trust. The Foundation’s beneficial interest was initially valued based on the fair value of the trust assets, as provided by the trustee, discounted based on the life expectancy of the designated beneficiary. Since 2017, the Foundation has been unable to reach the trustee for valuation of the trust assets. As a result, no change in value was recognized during the year.

Note-- 7 Mortgage Note Payable

The Foundation has a mortgage note payable that bears interest at 5.25% per annum and calls for monthly payments of interest and principal of \$6,197 and a balloon payment of \$766,675 at maturity. The note matures on March 19, 2022. Future principal payments are as follows:

| Years Ending <u>June 30,</u> | |
|---------------------------------|-------------------|
| 2021 | \$ 32,028 |
| 2022 | <u>791,098</u> |
| | <u>\$ 823,126</u> |

Note-- 8 Line of Credit

Under the terms of its American Express credit card, the Foundation has an unsecured \$50,000 line-of-credit that bears interest at 9.24%. Minimum monthly payments are required equal to the sum of (a) any amount past due (b) the greatest of 1/50th of the line of credit, the lesser of current finance charge plus 1% of new balance or 4% of new balance; or \$50, (c) any over limit fee and late fees, (d) 1/24th of any over limit amount. At June 30, 2020, there was no outstanding principal balance.

Note-- 9 Allocation of Joint Costs

The Foundation incurred joint costs of \$609,899 during the 2020 fiscal year for telemarketing and direct mail materials and activities that included fund-raising appeals. \$62,288 was allocated to family services, \$17,044 to education/public awareness, and \$530,567 was allocated to fund-raising expense.

Note-- 10 Retirement Plan

The Foundation has a defined contribution retirement plan covering substantially all of its employees. The Foundation contributed \$58,012 to the defined contribution plan. The Foundation has a Section 457(b) deferred compensation plan that covers all eligible employees. The Foundation made contributions to the deferred compensation plan of \$19,000.

Children’s Wish Foundation International, Inc.

Notes to Financial Statements

June 30, 2020

Note-- 11 Funds Held for Others

The Foundation holds funds for CWFI-UK, the funds are held in an escrow cash account. At June 30, 2020, the Foundation held \$2,192 on behalf of CWFI-UK.

Note-- 12 Gifts in Kind

The Foundation receives and disburses both cash and in-kind gifts to individuals and foundations. The Foundation only records in-kind contributions for those items for which it takes possession and controls the distribution or usage. In-kind contributions and the basis for valuation are as follows:

| <u>Type of Donation</u> | <u>Basis of Valuation</u> | |
|--------------------------------|---------------------------|-------------------|
| Automobiles | Fair market value | \$ 166,645 |
| Items for family services | Wholesale | 191,479 |
| Donations for program services | Fair market value | <u>9,963</u> |
| Total in-kind contributions | | <u>\$ 368,087</u> |

Automobile donations are subject to fees from the third-party donation center and such fees have been reported as vehicle donation on the accompanying statement of functional expenses. The distribution and use of these in-kind contributions and inventoried in-kind contributions from prior years have been recorded in the financial statements and are included as donated gifts on the accompanying statement of functional expenses.

Note-- 13 Fair Value Measurements

GAAP requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

Note-- 13 Fair Value Measurements (continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|------------------------------|-------------------|-------------------|----------------|----------------|
| Publicly traded mutual funds | \$ 20,825 | \$ 20,825 | \$ - | \$ - |
| Equities | | | | |
| Domestic | 2,826 | 2,826 | - | - |
| Exchange-traded funds | <u>121,388</u> | <u>121,388</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 145,039</u> | <u>\$ 145,039</u> | <u>\$ -</u> | <u>\$ -</u> |

The Foundation holds investments which are publicly traded on the stock exchange and are considered a Level 1 item. The application of the valuation techniques applied to similar assets has been consistent.

Note-- 14 Financial Risks and Concentrations

The Foundation maintains cash balances that may exceed federally insured limits. The Foundation does not believe that this practice results in any significant credit risk.

The Foundation invests in professionally managed portfolios that contain corporate stock, mutual funds, and other securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

Note-- 15 Liquidity

The Foundation’s financial assets total \$216,289 and consist of cash, receivables, and investments which can be drawn upon to support liquidity needs. As part of the Foundation’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note-- 16 Paycheck Protection Program Loan

In 2020, the Foundation obtained a loan in the amount of \$85,607 pursuant to the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The unforgiven portion of the loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for the first six months. The Foundation believes it has used the proceeds for the purposes consistent with the PPP.

Note-- 17 Management’s Plans

The Foundation’s financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, the Foundation incurred a net loss for the year and has a net deficit at year end. The Foundation has a substantial asset in the building they currently occupy which could be sold or refinanced to generate cash flows. The Foundation has started working with a marketing consultant in an effort to increase fundraising and seek out private donors.

Note-- 18 Uncertainties

Economic uncertainties have arisen due to the spread of the COVID-19 coronavirus. The Foundation believes such uncertainties are temporary in nature. As a result of the COVID-19 coronavirus, the Foundation has had to postpone “in-person” wishes and all travel wishes. This includes all events that do not adhere to social distancing. Other financial impacts could occur, although such potential impacts are unknown at this time.

Note-- 19 Subsequent Events

Management has evaluated subsequent events through April 20, 2021, the date the financial statements were available to be issued.

Subsequent to year end, CWFI applied for and received funding in the amount of \$86,707 under the second round of the PPP. CWFI also applied for and received an Economic Injury Disaster Loan in the amount of \$150,000. CWFI also received a loan in the amount of \$100,000 from a third-party lending institution.