

**MAKE-A-WISH FOUNDATION®
OF THE TRI-COUNTIES, INC.**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

**MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
TABLE OF CONTENTS
YEARS ENDED AUGUST 31, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
STATEMENTS OF FUNCTIONAL EXPENSES	7
NOTES TO FINANCIAL STATEMENTS	9

INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of the Tri-Counties, Inc.
Camarillo, California

We have audited the accompanying financial statements of Make-A-Wish Foundation® of the Tri-Counties, Inc., which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses, for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Tri-Counties, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of the Tri-Counties, Inc., as of August 31, 2016 and 2015, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 26, 2017

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 2,651,424	\$ 1,120,749
Investments	60,003	1,669,383
Due from Related Entities	14,083	18,031
Prepaid Expenses	1,272	716
Contributions Receivable, Net	36,718	38,099
Other Assets	13,373	5,458
Property and Equipment, Net	32,120	32,075
Total Assets	\$ 2,808,993	\$ 2,884,511
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 36,061	\$ 56,959
Accrued Pending Wish Costs - Cash	248,858	257,843
Accrued Pending Wish Costs - In-kinds	159,861	127,443
Due to Related Entities	12,793	20,137
Other Liabilities	936	497
Total Liabilities	458,509	462,879
Net Assets		
Unrestricted	2,336,766	2,411,605
Temporarily Restricted	13,718	10,027
Total Net Assets	2,350,484	2,421,632
Total Liabilities and Net Assets	\$ 2,808,993	\$ 2,884,511

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
(WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2015 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 1,510,743	\$ 13,718	\$ 1,524,461	\$ 3,298,424
Grants	53,095	-	53,095	66,750
Total Public Support	<u>1,563,838</u>	<u>13,718</u>	<u>1,577,556</u>	<u>3,365,174</u>
Internal Special Events	161,489	-	161,489	175,441
Less Costs of Direct Benefits to Donors	<u>(34,895)</u>	<u>-</u>	<u>(34,895)</u>	<u>(24,002)</u>
Total Special Events	<u>126,594</u>	<u>-</u>	<u>126,594</u>	<u>151,439</u>
Investment Income (Losses), Net	20,588	-	20,588	(10,104)
Other Income	600	-	600	300
Net Assets Released from Restrictions	<u>10,027</u>	<u>(10,027)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>1,721,647</u>	<u>3,691</u>	<u>1,725,338</u>	<u>3,506,809</u>
EXPENSES				
Program Services:				
Wish Granting	1,361,630	-	1,361,630	1,155,308
Training and Development	65,471	-	65,471	57,791
Public Information	<u>72,002</u>	<u>-</u>	<u>72,002</u>	<u>59,161</u>
Total Program Services	<u>1,499,103</u>	<u>-</u>	<u>1,499,103</u>	<u>1,272,260</u>
Support Services:				
Fundraising	107,700	-	107,700	54,415
Management and General	<u>189,683</u>	<u>-</u>	<u>189,683</u>	<u>88,432</u>
Total Support Services	<u>297,383</u>	<u>-</u>	<u>297,383</u>	<u>142,847</u>
Total Program and Support Services Expense	<u>1,796,486</u>	<u>-</u>	<u>1,796,486</u>	<u>1,415,107</u>
Change in Net Assets	(74,839)	3,691	(71,148)	2,091,702
Net Assets, Beginning of Year	<u>2,411,605</u>	<u>10,027</u>	<u>2,421,632</u>	<u>329,930</u>
NET ASSETS, END OF YEAR	<u>\$ 2,336,766</u>	<u>\$ 13,718</u>	<u>\$ 2,350,484</u>	<u>\$ 2,421,632</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 3,288,397	\$ 10,027	\$ 3,298,424
Grants	66,750	-	66,750
Total Public Support	3,355,147	10,027	3,365,174
Internal Special Events	175,441	-	175,441
Less Costs of Direct Benefits to Donors	(24,002)	-	(24,002)
Total Special Events	151,439	-	151,439
Investment Losses, Net	(10,104)	-	(10,104)
Other Income	300	-	300
Net Assets Released from Restrictions	14,716	(14,716)	-
Total Revenues, Gains, and Other Support	3,511,498	(4,689)	3,506,809
EXPENSES			
Program Services:			
Wish Granting	1,155,308	-	1,155,308
Training and Development	57,791	-	57,791
Public Information	59,161	-	59,161
Total Program Services	1,272,260	-	1,272,260
Support Services:			
Fundraising	54,415	-	54,415
Management and General	88,432	-	88,432
Total Support Services	142,847	-	142,847
Total Program and Support Services Expense	1,415,107	-	1,415,107
Change in Net Assets	2,096,391	(4,689)	2,091,702
Net Assets, Beginning of Year	315,214	14,716	329,930
NET ASSETS, END OF YEAR	\$ 2,411,605	\$ 10,027	\$ 2,421,632

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (71,148)	\$ 2,091,702
Adjustments to reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	22,448	3,767
Net Realized and Unrealized Losses on Investments	10,034	56,472
Contributed Property and Equipment and Investments	(1,200)	(5,562)
Change in Attrition on Accrued Pending Wish Costs	7,569	(3,810)
Changes in Assets and Liabilities:		
Contributions Receivable	1,381	(306)
Due from Related Entities	3,948	3,286
Prepaid Expenses	(556)	389
Other Assets	(7,915)	(3,837)
Accounts Payable and Accrued Expenses	(20,898)	3,692
Accrued Pending Wish Costs	15,864	93,420
Due to Related Entities	(7,344)	12,927
Other Liabilities	439	(454)
Net Cash Provided by (Used in) Operating Activities	(47,378)	2,251,686
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(4,312)	(2,748,896)
Proceeds from Sales of Investments	1,603,658	1,079,860
Purchases of Property and Equipment	(21,293)	(17,985)
Net Cash Provided by (Used in) Investing Activities	1,578,053	(1,687,021)
 Net Increase in Cash and Cash Equivalents	1,530,675	564,665
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,120,749	556,084
 CASH AND CASH EQUAVALENTS, END OF YEAR	\$ 2,651,424	\$ 1,120,749

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services			Total Program Services	Support Services			Total
	Wish Granting	Training and Development	Public Information		Fundraising	Management and General	Support Services	
Direct Costs of Wishes	\$ 1,011,356	\$ -	\$ -	\$ 1,011,356	\$ -	\$ -	\$ -	\$ 1,011,356
Salaries, Taxes, and Benefits	148,527	39,933	52,931	241,391	57,436	129,460	186,896	428,287
Printing, Subscriptions, and Publications	3,041	103	333	3,477	3,777	385	4,162	7,639
Professional Fees	37,477	9,011	8,181	54,669	12,204	21,067	33,271	87,940
Rent and Utilities	20,778	5,349	4,676	30,803	6,233	11,183	17,416	48,219
Postage and Delivery	1,077	321	212	1,610	1,116	604	1,720	3,330
Travel	1,197	4,582	91	5,870	1,735	239	1,974	7,844
Meetings and Conferences	2,900	1,396	977	5,273	540	727	1,267	6,540
Office Supplies	3,062	574	477	4,113	1,268	1,234	2,502	6,615
Communications	3,253	726	738	4,717	917	1,521	2,438	7,155
Repairs and Maintenance	479	113	104	696	159	271	430	1,126
Insurance	1,117	311	455	1,883	454	1,103	1,557	3,440
National Partnership Dues	113,818	-	-	113,818	17,289	12,967	30,256	144,074
Miscellaneous	4,000	802	766	5,568	1,249	3,656	4,905	10,473
Depreciation and Amortization	9,548	2,250	2,061	13,859	3,323	5,266	8,589	22,448
	<u>\$ 1,361,630</u>	<u>\$ 65,471</u>	<u>\$ 72,002</u>	<u>\$ 1,499,103</u>	<u>\$ 107,700</u>	<u>\$ 189,683</u>	<u>\$ 297,383</u>	<u>\$ 1,796,486</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services			Support Services			Total	
	Wish Granting	Training and Development	Public Information	Total Program Services	Fundraising	Management and General		Total Support Services
Direct Costs of Wishes	\$ 973,942	\$ -	\$ -	\$ 973,942	\$ -	\$ -	\$ -	\$ 973,942
Salaries, Taxes, and Benefits	123,595	40,956	49,561	214,112	38,067	70,739	108,806	322,918
Printing, Subscriptions, and Publications	1,691	162	140	1,993	5,486	199	5,685	7,678
Professional Fees	10,616	3,365	2,632	16,613	1,718	4,248	5,966	22,579
Rent and Utilities	8,694	2,834	2,276	13,804	1,462	3,933	5,395	19,199
Postage and Delivery	1,172	318	255	1,745	888	389	1,277	3,022
Travel	1,484	447	202	2,133	1,229	546	1,775	3,908
Meetings and Conferences	3,285	6,316	851	10,452	826	1,450	2,276	12,728
Office Supplies	4,562	807	618	5,987	393	1,026	1,419	7,406
Communications	3,696	802	1,135	5,633	676	698	1,374	7,007
Repairs and Maintenance	532	184	139	855	89	227	316	1,171
Insurance	1,114	386	292	1,792	187	475	662	2,454
Membership Dues	34	12	9	55	6	15	21	76
National Partnership Dues	17,335	-	-	17,335	2,414	2,194	4,608	21,943
Miscellaneous	1,846	610	502	2,958	553	1,798	2,351	5,309
Depreciation and Amortization	1,710	592	549	2,851	421	495	916	3,767
	<u>\$ 1,155,308</u>	<u>\$ 57,791</u>	<u>\$ 59,161</u>	<u>\$ 1,272,260</u>	<u>\$ 54,415</u>	<u>\$ 88,432</u>	<u>\$ 142,847</u>	<u>\$ 1,415,107</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of the Tri-Counties, Inc. (the Foundation) is a California 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 fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) applicable to not-for-profit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2016 and 2015, is \$2,538,338 and \$689,473, respectively, of money market mutual funds.

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.

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 and contributions are written off when deemed uncollectible.

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. 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 3 to 5 years.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

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.

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.

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.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

- **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.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received in-kind contributions of assets and services that are reported as follows at August 31, 2016:

	Programs	Support Services		Total
		Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 421,021	\$ -	\$ -	\$ 421,021
Professional Services	14,720	3,371	5,797	23,888
Total Program and Supported Service Expenses	435,741	3,371	5,797	444,909
Direct Benefit Expenses, Netted with Special Event Revenue	-	41	-	41
Total	\$ 435,741	\$ 3,412	\$ 5,797	444,950
Property and Equipment (Capitalized)				1,200
Total				\$ 446,150

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation received in-kind contributions of assets and services that are reported as follows at August 31, 2015:

	Support Services			Total
	Programs	Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 336,775	\$ -	\$ -	\$ 336,775
Professional Services	3,805	306	779	4,890
Printing, Subscriptions, and Publications	-	20	-	20
Other	580	98	98	776
Total Program and Supported Service Expenses	341,160	424	877	342,461
Direct Benefit Expenses, Netted with Special Event Revenue	-	7,165	-	7,165
Total	<u>\$ 341,160</u>	<u>\$ 7,589</u>	<u>\$ 877</u>	<u>349,626</u>
Property and Equipment (Capitalized)				5,562
Total				<u>\$ 355,188</u>

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising 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 fundraising 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.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and California, income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23710d of the California Revenue and 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, 2016 and 2015. The Foundation files income tax returns in the U.S. federal jurisdiction and state jurisdictions.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The Foundation performs five functions: wish granting, training and development, public information, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation in granting wishes to children with life-threatening medical conditions.

Training and Development

Activities performed by the Foundation include, but are not limited to, implementing programs that support the identification of wish candidates and the determination and delivery of the wish.

Public Information

Activities performed by the Foundation in communicating the purpose and services of the Foundation to all potential sources of wish referrals.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2016 and 2015, the Foundation incurred no joint costs for activities that include 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.

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$936 and \$497 at August 31, 2016 and 2015, respectively.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

The fair values of the financial instruments shown in the following table as of August 31, 2016 and 2015 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.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments

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.

Allocation of Investment Strategies

At August 31, 2016 and 2015, all of the Foundations' investments were held in either money market accounts or publically traded mutual funds classified with Level 1 of the fair value hierarchy or in bonds or certificates of deposit classified with Level 2 of the fair value hierarchy. All investments held at August 31, 2016 and 2015, are redeemable on a daily basis.

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, 2016:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 54,285	\$ -	\$ -	\$ 54,285
International Equity	5,718	-	-	5,718
Total Recurring	<u>\$ 60,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,003</u>

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, 2015:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 49,688	\$ -	\$ -	\$ 49,688
International Equity	5,715	-	-	5,715
Bonds	-	1,088,515	-	1,088,515
Certificates of Deposit	-	525,465	-	525,465
Total Recurring	<u>\$ 55,403</u>	<u>\$ 1,613,980</u>	<u>\$ -</u>	<u>\$ 1,669,383</u>

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

For the valuation of bonds and certificates of deposit at August 31, 2015, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

Total investment income, gains, and losses for the years ended August 31, 2016 and 2015, consist of the following:

	2016	2015
Interest and Dividend Income	\$ 30,622	\$ 46,368
Realized and Unrealized Losses, Net	(10,034)	(56,472)
Less Investment Expenses	-	-
Investment Income (Loss), Net	<u>\$ 20,588</u>	<u>\$ (10,104)</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2016 and 2015.

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

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

	2016	2015
Corporate, Online, Whitemail and General Contributions	\$ 244,461	\$ 311,872
Grants	12,000	-
Other	942	3,390
Total Distributions Received	<u>\$ 257,403</u>	<u>\$ 315,262</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:

	2016	2015
Partnership Dues	\$ 144,074	\$ 21,943
Insurance	-	1,494
Other	4,000	1,993
Total Amounts Paid	<u>\$ 148,074</u>	<u>\$ 25,430</u>

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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 \$600 and \$300 for the years ended August 31, 2016 and 2015, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	<u>2016</u>	<u>2015</u>
Balance at August 31:		
Due from National Organization	\$ 13,009	\$ 13,843
Due from Other Chapters	1,074	4,188
Total Due from Related Entities	<u>\$ 14,083</u>	<u>\$ 18,031</u>
Due to Other Chapters	\$ 12,793	\$ 20,137
Total Due to Related Entities	<u>\$ 12,793</u>	<u>\$ 20,137</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 2016 and 2015 the Foundation received contributions, both cash and in-kind, from board members totaling \$42,323 and \$27,400, respectively.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	<u>2016</u>	<u>2015</u>
Buildings and Building Improvements	\$ 14,381	\$ -
Computer Equipment and Software	33,442	84,160
Office Furniture	13,690	29,367
Other Equipment	1,751	1,043
	<u>63,264</u>	<u>114,570</u>
Less Accumulated Depreciation and Amortization	(31,144)	(82,495)
Property and Equipment, Net	<u>\$ 32,120</u>	<u>\$ 32,075</u>

Depreciation and amortization expense totaled \$22,448 and \$3,767 for the years ended August 31, 2016 and 2015, respectively.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 7 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is not considered an obligation due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish. This accrual does not represent a legally binding liability, but is considered a moral obligation to the child by the Foundation arising when the five criteria are met. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

Estimated cash and in-kind costs owed as of year-end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability includes the estimated in-kind outlay that is expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if all the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2016 would be \$2,496,627.

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, 2016 and 2015, the Foundation had approximately 44 and 45 reportable pending wishes, respectively.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 8 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through November 2017. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015, was \$48,219 and \$17,398, respectively.

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

Year Ending August 31:	Operating Leases
2017	\$ 48,486
2018	12,210
Total Lease Payments	\$ 60,696

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Purpose Restrictions	\$ 13,718	\$ 10,027

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$6,563 and \$5,740, respectively.

MAKE-A-WISH FOUNDATION® OF THE TRI-COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 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.

Contributions totaling \$419,442 were received from a single donor for the year ended August 31, 2016, representing 27% of total public support. Contributions totaling \$2,200,000 were received from a single donor for the year ended August 31, 2015, representing 65% of total public support.

In-kind contributions totaling \$20,770 and \$19,954, were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 1% and 1%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 12 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 26, 2017, the date at which the financial statements were available to be issued.