

**MAKE-A-WISH FOUNDATION® OF ARIZONA**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2016 AND 2015**

**MAKE-A-WISH FOUNDATION® OF ARIZONA  
TABLE OF CONTENTS  
YEARS ENDED AUGUST 31, 2016 AND 2015**

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

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Arizona  
Scottsdale, Arizona

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

***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 Arizona as of August 31, 2016 and 2015, and the 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  
March 16, 2017

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,687,515	\$ 2,897,466
Investments	651,949	649,684
Due from Related Entities	104,184	147,466
Prepaid Expenses	58,666	37,441
Contributions Receivable, Net	306,781	215,627
Other Assets	38,736	40,984
Property and Equipment, Net	3,379,046	3,745,632
Beneficial Interest in Assets Held by Others	244,068	239,730
	<u>3,470,945</u>	<u>2,974,030</u>
Total Assets	<u>\$ 8,470,945</u>	<u>\$ 7,974,030</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable and Accrued Expenses	\$ 567,440	\$ 428,086
Accrued Pending Wish Costs, Cash	1,481,296	1,138,968
Accrued Pending Wish Costs, In-Kinds	1,371,138	1,006,862
Due to Related Entities	41,609	26,511
Total Liabilities	<u>3,461,483</u>	<u>2,600,427</u>
Net Assets		
Unrestricted (Includes Board Designated Funds)	2,710,923	3,128,789
Temporarily Restricted	2,054,471	2,005,084
Permanently Restricted	244,068	239,730
Total Net Assets	<u>5,009,462</u>	<u>5,373,603</u>
Total Liabilities and Net Assets	<u>\$ 8,470,945</u>	<u>\$ 7,974,030</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2016**  
(With Summary Totals for the Year Ended August 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
Public Support:					
Contributions, Net of Write-Offs	\$ 5,426,883	\$ 690,633	\$ -	\$ 6,117,516	\$ 7,876,494
Grants	65,250	-	-	65,250	138,813
Total Public Support	5,492,133	690,633	-	6,182,766	8,015,307
Internal Special Events	1,408,780	61,950	-	1,470,730	1,111,578
Less: Costs of Direct Benefits to Donors	(278,091)	-	-	(278,091)	(208,850)
Total Special Events	1,130,689	61,950	-	1,192,639	902,728
Investment Income, Net	12,081	283	-	12,364	15,211
Other Income	7,191	-	-	7,191	12,202
Change in Value of Beneficial Interest in Assets Held by Others			4,338	4,338	(24,432)
Net Assets Released from Restrictions	703,479	(703,479)	-	-	-
Total Revenues, Gains, and Other Support	7,345,573	49,387	4,338	7,399,298	8,921,016
<b>EXPENSES</b>					
Program Services:					
Wish Granting	6,510,484	-	-	6,510,484	5,154,445
Total Program Services	6,510,484	-	-	6,510,484	5,154,445
Support Services:					
Fundraising	884,943	-	-	884,943	1,154,356
Management and General	779,746	-	-	779,746	749,137
Total Support Services	1,664,689	-	-	1,664,689	1,903,493
Total Program and Support Services Expense	8,175,173	-	-	8,175,173	7,057,938
<b>OTHER INCOME</b>					
Gain on Sale of Building	411,734	-	-	411,734	-
Total Expenses and Gains	7,763,439	-	-	7,763,439	7,057,938
Change in Net Assets	(417,866)	49,387	4,338	(364,141)	1,863,078
Net Assets - Beginning of Year	3,128,789	2,005,084	239,730	5,373,603	3,510,525
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,710,923</b>	<b>\$ 2,054,471</b>	<b>\$ 244,068</b>	<b>\$ 5,009,462</b>	<b>\$ 5,373,603</b>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Public Support:				
Contributions, Net of Write-Offs	\$ 7,695,332	\$ 181,162	\$ -	\$ 7,876,494
Grants	101,493	37,320	-	138,813
Total Public Support	<u>7,796,825</u>	<u>218,482</u>	<u>-</u>	<u>8,015,307</u>
Internal Special Events	1,025,391	86,187	-	1,111,578
Less Costs of Direct Benefits to Donors	<u>(208,850)</u>	<u>-</u>	<u>-</u>	<u>(208,850)</u>
Total Special Events	<u>816,541</u>	<u>86,187</u>	<u>-</u>	<u>902,728</u>
Investment Income, Net	14,800	411	-	15,211
Other Income	12,202	-	-	12,202
Change in Value of Beneficial Interest in Assets Held by Others	-	-	(24,432)	(24,432)
Net Assets Released from Restrictions	<u>388,146</u>	<u>(388,146)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>9,028,514</u>	<u>(83,066)</u>	<u>(24,432)</u>	<u>8,921,016</u>
<b>EXPENSES</b>				
Program Services:				
Wish Granting	<u>5,154,445</u>	<u>-</u>	<u>-</u>	<u>5,154,445</u>
Total Program Services	<u>5,154,445</u>	<u>-</u>	<u>-</u>	<u>5,154,445</u>
Support Services:				
Fundraising	1,154,356	-	-	1,154,356
Management and General	<u>749,137</u>	<u>-</u>	<u>-</u>	<u>749,137</u>
Total Support Services	<u>1,903,493</u>	<u>-</u>	<u>-</u>	<u>1,903,493</u>
Total Program and Support Services Expense	<u>7,057,938</u>	<u>-</u>	<u>-</u>	<u>7,057,938</u>
Change in Net Assets	1,970,576	(83,066)	(24,432)	1,863,078
Net Assets - Beginning of Year	<u>1,158,213</u>	<u>2,088,150</u>	<u>264,162</u>	<u>3,510,525</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,128,789</u>	<u>\$ 2,005,084</u>	<u>\$ 239,730</u>	<u>\$ 5,373,603</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (364,141)	\$ 1,863,078
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	203,497	108,897
Bad Debt Expense and Other	-	2,600
Net Realized and Unrealized Gains on Investments	-	(2,283)
Gain on Sale of Property and Equipment	(411,734)	-
Contributed Property and Equipment and Inventory	(1,160)	(141,100)
Change in Value of Beneficial Interests in Assets Held by Others	(4,338)	24,432
Change in Attrition on Accrued Pending Wish Costs	(43,961)	(89,029)
Change in Discount to Present Value of Contributions Receivable	(4,413)	(7,446)
Changes in Assets and Liabilities:		
Contributions Receivable	(86,741)	(32,584)
Due from Related Entities	43,282	(21,282)
Prepaid Expenses	(21,225)	(15,841)
Other Assets	3,408	187,384
Accounts Payable and Accrued Expenses	139,354	73,878
Accrued Pending Wish Costs	750,565	393,102
Due to Related Entities	15,098	(3,137)
Net Cash Provided by Operating Activities	217,491	2,340,669
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(2,265)	-
Proceeds from Sales of Investments	-	160,114
Purchases of Property and Equipment	(20,123)	(3,444,914)
Proceeds from Sales of Property and Equipment	594,946	-
Net Cash Provided by (Used in) Investing Activities	572,558	(3,284,800)
Net Increase (Decrease) in Cash and Cash Equivalents	790,049	(944,131)
Cash and Cash Equivalents - Beginning of Year	2,897,466	3,841,597
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,687,515	\$ 2,897,466
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Contributed Property and Equipment	\$ -	\$ 141,000
Contributed Inventory	\$ 1,160	\$ 100

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2016**

	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,961,774	\$ -	\$ -	\$ -	\$ 4,961,774
Salaries, Taxes, and Benefits	1,096,805	505,624	595,937	1,101,561	2,198,366
Printing, Subscriptions, and Publications	21,428	44,528	2,266	46,794	68,222
Professional Fees	32,135	47,921	19,660	67,581	99,716
Rent and Utilities	41,085	18,899	22,187	41,086	82,171
Postage and Delivery	6,191	15,337	2,133	17,470	23,661
Travel	15,935	27,425	6,149	33,574	49,509
Meetings and Conferences	26,339	67,296	12,077	79,373	105,712
Office Supplies	32,130	9,399	7,845	17,244	49,374
Communications	14,751	6,785	7,965	14,750	29,501
Advertising and Media (Cash)	-	1,026	-	1,026	1,026
Advertising and Media (In-Kind)	-	34,292	-	34,292	34,292
Repairs and Maintenance	1,666	766	900	1,666	3,332
Membership Dues	568	3,261	112	3,373	3,941
National Partnership Dues	122,791	18,652	13,989	32,641	155,432
Miscellaneous	35,137	36,928	33,582	70,510	105,647
Depreciation and Amortization	101,749	46,804	54,944	101,748	203,497
	<u>\$ 6,510,484</u>	<u>\$ 884,943</u>	<u>\$ 779,746</u>	<u>\$ 1,664,689</u>	<u>\$ 8,175,173</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2015**

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,059,018	\$ -	\$ -	\$ -	\$ 4,059,018
Salaries, Taxes, and Benefits	697,605	697,197	572,255	1,269,452	1,967,057
Printing, Subscriptions, and Publications	40,671	45,917	3,522	49,439	90,110
Professional Fees	47,374	57,926	57,734	115,660	163,034
Rent and Utilities	28,065	20,159	11,842	32,001	60,066
Postage and Delivery	18,591	6,682	1,003	7,685	26,276
Travel	4,835	23,906	5,532	29,438	34,273
Meetings and Conferences	26,672	45,908	8,992	54,900	81,572
Office Supplies	13,865	19,478	4,284	23,762	37,627
Communications	10,437	7,024	3,810	10,834	21,271
Advertising and Media (Cash)	-	9,402	-	9,402	9,402
Advertising and Media (In-Kind)	-	46,756	-	46,756	46,756
Repairs and Maintenance	28,512	20,324	17,006	37,330	65,842
Bad Debt Expense	-	-	2,600	2,600	2,600
Insurance	125	91	54	145	270
Membership Dues	462	3,042	179	3,221	3,683
National Partnership Dues	112,423	15,654	14,231	29,885	142,308
Miscellaneous	17,372	101,832	18,672	120,504	137,876
Depreciation and Amortization	48,418	33,058	27,421	60,479	108,897
	<u>\$ 5,154,445</u>	<u>\$ 1,154,356</u>	<u>\$ 749,137</u>	<u>\$ 1,903,493</u>	<u>\$ 7,057,938</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Arizona (the Foundation) is an Arizona 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.

**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. Certain investments are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

**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 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 5 to 40 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.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**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.

The Foundation adopted the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily Restricted Net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions or law.

**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.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**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 included in the accompanying statements of activities as follows:

	Program	Support Services		2016 Total
		Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 2,105,321	\$ -	\$ -	\$ 2,105,321
Professional Services	642	100	-	742
Advertising and Media	-	34,292	-	34,292
Other	28,630	26,711	5,083	60,424
Total Program and Supported Service Expenses	2,134,593	61,103	5,083	2,200,779
Direct Donor Benefit Expenses, Netted with Special Event Revenue	-	-	-	3,939
Total	<u>\$ 2,134,593</u>	<u>\$ 61,103</u>	<u>\$ 5,083</u>	<u>\$ 2,204,718</u>
Inventory (Asset)				1,160
				<u>\$ 2,205,878</u>

	Program	Support Services		2015 Total
		Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 1,832,569	\$ -	\$ -	\$ 1,832,569
Professional Services	3,070	1,508	889	5,467
Advertising and Media	-	46,756	-	46,756
Other	11,179	21,513	1,580	34,272
Total Program and Supported Service Expenses	1,846,818	69,777	2,469	1,919,064
Direct Donor Benefit Expenses, Netted with Special Event Revenue	-	-	-	3,837
Total	<u>\$ 1,846,818</u>	<u>\$ 69,777</u>	<u>\$ 2,469</u>	<u>\$ 1,922,901</u>
Inventory (Asset)				100
Property and Equipment (Capitalized Asset)				141,000
				<u>\$ 2,064,001</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.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. Donated advertising and media are reported as contribution revenue and fundraising or 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 and Arizona income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Arizona Revised Statutes 43-1201(4), respectively. 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 and one state jurisdiction.

**Functional Expenses**

The Foundation performs three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

**Wish Granting**

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

**Fundraising**

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2016 and 2015, the Foundation did not incur joint costs for activities that include fundraising appeals.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses (Continued)**

**Management and General**

All costs not identifiable with wish granting 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.

**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, allocation of functional expenses, 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.

**Reclassification**

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation. The reclassifications had no impact on 2015 net assets or change in net assets as previously reported.



**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**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 tables 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.

**Investments**

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a 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.

**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:				
Investments:				
Certificates of Deposits	\$ -	\$ -	\$ -	\$ 651,949
Beneficial Interest in Assets				
Held by Others	-	-	244,068	244,068
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,068</u>	<u>\$ 896,017</u>

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

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:				
Investments:				
Certificates of Deposits	\$ -	\$ -	\$ -	\$ 649,684
Beneficial Interest in Assets Held by Others	-	-	239,730	239,730
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,730</u>	<u>\$ 889,414</u>

For the valuation of beneficial interest in assets held by others at August 31, 2016 and 2015, the Foundation used significant unobservable inputs including net asset value, as a practical expedient (Level 3).

<u>Quantitative Information About Level 3 Fair Value Measurements</u>				
<u>Type of Investments</u>	<u>Fair Value at August 31, 2016</u>	<u>Fair Value at August 31, 2015</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>
Beneficial Interests in Assets Held by Others	\$ 244,068	\$ 239,730	Net Asset Value (NAV)	Percentage of annual investment return applied to outstanding account
Total	<u>\$ 244,068</u>	<u>\$ 239,730</u>		

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

	<u>2016 (Level 3)</u>	<u>2015 (Level 3)</u>
Beginning Balance	\$ 239,730	\$ 264,162
Total Gains or (Losses) (Realized/Unrealized) Included in Changes in Net Assets	11,850	(19,112)
Distributions	(7,512)	(5,320)
Ending Balance	<u>\$ 244,068</u>	<u>\$ 239,730</u>
Change in Unrealized Gains or (Losses) for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	<u>\$ 11,850</u>	<u>\$ (19,112)</u>

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

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

	2016	2015
Interest and Dividend Income	\$ 12,364	\$ 12,928
Realized and Unrealized Gains, Net	-	2,283
Less: Investment Expenses	-	-
Investment Income, Net	\$ 12,364	\$ 15,211

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include pledges that have been discounted at a rate of 4.75% for both years. The following is a summary of the Foundation's contributions receivable at August 31:

	2016	2015
Total Amounts Due in:		
One Year	\$ 149,866	\$ 90,662
Two to Five Years	162,259	134,722
More than Five Years	-	-
Gross Contributions Receivable	312,125	225,384
Less: Allowance for Doubtful Accounts	-	-
Less: Discount to Present Value	(5,344)	(9,757)
Contributions Receivable, Net	\$ 306,781	\$ 215,627

The Foundation's contributions receivable as of August 31, 2016 and 2015 consists of two and five contributors, respectively, which represent 57% and 98% of the balance, respectively.

**NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

The Foundation is a named income beneficiary in a perpetual trust, the corpus of which is not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying statements of activities as a component of permanently restricted realized and unrealized gains and losses on investments.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 6 TRANSACTIONS WITH RELATED ENTITIES**

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2016 and 2015, respectively, the Foundation received \$1,085,850 and \$1,130,501, respectively, from these national revenue streams.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided to the Foundation by the National Organization. Amounts totaling \$220,414 and \$170,524 paid from the Foundation to the National Organization during the years ended August 31, 2016 and 2015, respectively.

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 \$6,300 and \$10,426 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	\$ 101,922	\$ 142,431
Due from Other Chapters	2,262	5,035
Total Due from Related Entities	<u>\$ 104,184</u>	<u>\$ 147,466</u>
Due to National Organization	\$ 2,422	\$ 3,446
Due to Other Chapters	39,187	23,065
Total Due to Related Entities	<u>\$ 41,609</u>	<u>\$ 26,511</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 \$739,757 and \$3,187,004, respectively. In 2016 and 2015, amounts due from board members totaled \$7,364 and \$69,823, respectively, which are included in contributions receivable in the accompanying statements of financial position.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 7 PROPERTY AND EQUIPMENT, NET**

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

	2016	2015
Land	\$ 459,200	\$ 459,200
Buildings and Building Improvements	2,867,769	2,850,676
Computer Equipment and Software	233,356	231,929
Office Furniture	237,414	235,810
Assets Held for Resale	-	185,293
	3,797,739	3,962,908
Less: Accumulated Depreciation and Amortization	(418,693)	(217,276)
Property and Equipment, Net	\$ 3,379,046	\$ 3,745,632

During the fiscal year ended August 31, 2016, the Foundation sold its previous office building and associated land for proceeds totaling \$594,946. At the time of the sale on October 12, 2015, the assets had a net book value of \$183,212, resulting in a gain of \$411,734.

Depreciation and amortization expense totaled \$203,497 and \$108,897 for the years ended August 31, 2016 and 2015, respectively.

**NOTE 8 ACCRUED PENDING WISH COSTS**

The Foundation accrues the 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.

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 8 ACCRUED PENDING WISH COSTS**

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 guaranteed, if 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 increase to \$6,233,658.

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 278 and 228, respectively, of reportable pending wishes.

**NOTE 9 BOARD DESIGNATED NET ASSETS**

During the fiscal year ended August 31, 2016, the Board of Directors of the Foundation has designated unrestricted net assets as a building reserve to offset the cost of future building expenditures. The Foundation opened a separate bank account and established the bank account with an initial contribution of \$250,000 and the Foundation will continue to fund the account by making a \$2,000 monthly contribution until the account reaches \$300,000. As of August 31, 2016, the balance designated for the building reserve was \$256,323 and is included in cash and cash equivalents on the statements of financial position.

**NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

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

	2016	2015
Time Restrictions	\$ 159,839	\$ 212,645
Purpose Restrictions	1,894,632	1,792,439
Total Temporarily Restricted Net Assets	\$ 2,054,471	\$ 2,005,084

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

	2016	2015
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	\$ 244,068	\$ 239,730

**MAKE-A-WISH FOUNDATION® OF ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 11 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 1,000 hours 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 6% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$91,999 and \$64,017, respectively.

**NOTE 12 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. Throughout the year, the Foundation's cash balances exceeded the amount of the FDIC insurance coverage.

In-kind contributions totaling \$541,321 and \$496,879 were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 9% and 6%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

Cash contributions totaling \$525,706 and \$2,848,435 were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 9% and 36%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**NOTE 13 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through March 16, 2017, the date at which the financial statements were available to be issued.