MAKE-A-WISH FOUNDATION® OF ARIZONA

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2017 AND 2016

MAKE-A-WISH FOUNDATION® OF ARIZONA
TABLE OF CONTENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

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**

CliftonLarsonAllen LLP
CLAconnect.com

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, 2017 and 2016, 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, 2017 and 2016, 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
February 2, 2018

MAKE-A-WISH FOUNDATION® OF ARIZONA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	$ 4,516,667	$ 3,687,515
Investments	654,969	651,949
Due from Related Entities	312,888	104,184
Prepaid Expenses	53,596	58,666
Contributions Receivable, Net	257,535	306,781
Other Assets	50,147	38,736
Property and Equipment, Net	3,220,531	3,379,046
Beneficial Interest in Assets Held by Others	261,223	244,068
Total Assets	$ 9,327,556	$ 8,470,945
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	$ 685,211	$ 567,440
Accrued Pending Wish Costs, Cash	1,720,175	1,481,296
Accrued Pending Wish Costs, In-Kinds	1,492,544	1,371,138
Due to Related Entities	44,575	41,609
Capital Lease Obligation	7,714	-
Total Liabilities	3,950,219	3,461,483
Net Assets		
Unrestricted (Includes Board Designated Funds)	3,516,606	2,710,923
Temporarily Restricted	1,599,508	2,054,471
Permanently Restricted	261,223	244,068
Total Net Assets	5,377,337	5,009,462
Total Liabilities and Net Assets	$ 9,327,556	$ 8,470,945

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017
(With Summary Totals for the Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
REVENUES, GAINS AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	$ 5,767,148	$ 696,210	$ -	$ 6,463,358	$ 6,117,516
Grants	78,080	101,950	-	180,030	65,250
Total Public Support	5,845,228	798,160	-	6,643,388	6,182,766
Internal Special Events	1,993,730	100,000	-	2,093,730	1,470,730
Less: Costs of Direct Benefits to Donors	(314,942)	-	-	(314,942)	(278,091)
Total Special Events	1,678,788	100,000	-	1,778,788	1,192,639
Investment Income, Net	9,826	224	-	10,050	12,364
Other Income	6,000	-	-	6,000	7,191
Change in Value of Beneficial Interest in Assets Held by Others	-	-	17,155	17,155	4,338
Net Assets Released from Restrictions	1,353,347	(1,353,347)	-	-	-
Total Revenues, Gains, and Other Support	8,893,189	(454,963)	17,155	8,455,381	7,399,298
EXPENSES					
Program Services:					
Wish Granting	6,369,619	-	-	6,369,619	6,510,484
Total Program Services	6,369,619	-	-	6,369,619	6,510,484
Support Services:					
Fundraising	1,171,904	-	-	1,171,904	884,943
Management and General	538,954	-	-	538,954	779,746
Total Support Services	1,710,858	-	-	1,710,858	1,664,689
Total Program and Support Services Expense	8,080,477	-	-	8,080,477	8,175,173
OTHER (INCOME) EXPENSE					
Gain on Sale of Building	-	-	-	-	(411,734)
Loss on Disposal of Property and Equipment	7,029	-	-	7,029	-
Total Expenses, Gains and Losses	8,087,506	-	-	8,087,506	7,763,439
Change in Net Assets	805,683	(454,963)	17,155	367,875	(364,141)
NET ASSETS, BEGINNING OF YEAR	2,710,923	2,054,471	244,068	5,009,462	5,373,603
NET ASSETS, END OF YEAR	$ 3,516,606	$ 1,599,508	$ 261,223	$ 5,377,337	$ 5,009,462

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	$ 5,426,883	$ 690,633	$ -	$ 6,117,516
Grants	65,250	-	-	65,250
Total Public Support	5,492,133	690,633	-	6,182,766
Internal Special Events	1,408,780	61,950	-	1,470,730
Less Costs of Direct Benefits to Donors	(278,091)	-	-	(278,091)
Total Special Events	1,130,689	61,950	-	1,192,639
Investment Income, Net	12,081	283	-	12,364
Other Income	7,191	-	-	7,191
Change in Value of Beneficial Interest in Assets Held by Others	-	-	4,338	4,338
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
EXPENSES				
Program Services:				
Wish Granting	6,510,484	-	-	6,510,484
Total Program Services	6,510,484	-	-	6,510,484
Support Services:				
Fundraising	884,943	-	-	884,943
Management and General	779,746	-	-	779,746
Total Support Services	1,664,689	-	-	1,664,689
Total Program and Support Services Expense	8,175,173	-	-	8,175,173
OTHER (INCOME) EXPENSE				
Gain on Sale of Building	(411,734)	-	-	(411,734)
Total Expenses and Gains	7,763,439	-	-	7,763,439
Change in Net Assets	(417,866)	49,387	4,338	(364,141)
NET ASSETS, BEGINNING OF YEAR	3,128,789	2,005,084	239,730	5,373,603
NET ASSETS, END OF YEAR	$ 2,710,923	$ 2,054,471	$ 244,068	$ 5,009,462

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ARIZONA
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 367,875	$ (364,141)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	196,632	203,497
Loss (Gain) on Sale of Property and Equipment	7,029	(411,734)
Contributed Property and Equipment and Inventory	(20,565)	(1,160)
Change in Value of Beneficial Interests in Assets Held by Others	(17,155)	(4,338)
Change in Attrition on Accrued Pending Wish Costs	263,897	(43,961)
Change in Discount to Present Value of Contributions Receivable	(3,035)	(4,413)
Changes in Assets and Liabilities:		
Contributions Receivable	52,281	(86,741)
Due from Related Entities	(208,704)	43,282
Prepaid Expenses	5,070	(21,225)
Other Assets	(968)	3,408
Accounts Payable and Accrued Expenses	117,771	139,354
Accrued Pending Wish Costs	96,388	750,565
Due to Related Entities	2,966	15,098
Net Cash Provided by Operating Activities	859,482	217,491
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(3,020)	(2,265)
Purchases of Property and Equipment	(26,738)	(20,123)
Proceeds from Sales of Property and Equipment	-	594,946
Net Cash Provided by (Used in) Investing Activities	(29,758)	572,558
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(572)	-
Net Cash Used in Financing Activities	(572)	-
Net Increase in Cash and Cash Equivalents	829,152	790,049
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,687,515	2,897,466
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,516,667	$ 3,687,515
SUPPLEMENTAL CASH FLOW INFORMATION		
Contributed Property and Equipment and Inventory	$ 20,565	$ 1,160
Acquisition of Equipment Through a Capital Lease	8,286	-

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services	Support Services			
	Wish Granting	Fundraising	Management and General	Total Support Services	Total
Direct Costs of Wishes	$ 4,663,422	$ -	$ -	$ -	$ 4,663,422
Salaries, Taxes, and Benefits	1,134,138	689,377	402,754	1,092,131	2,226,269
Printing, Subscriptions, and Publications	49,194	54,705	1,083	55,788	104,982
Professional Fees	61,691	82,696	23,747	106,443	168,134
Rent and Utilities	47,824	29,627	17,011	46,638	94,462
Postage and Delivery	7,993	14,734	1,653	16,387	24,380
Travel	6,437	22,481	1,233	23,714	30,151
Meetings and Conferences	55,104	55,641	14,996	70,637	125,741
Office Supplies	20,292	9,509	3,575	13,084	33,376
Communications	16,220	11,358	5,897	17,255	33,475
Advertising and Media (Cash)	50	15,005	-	15,005	15,055
Advertising and Media (In-Kind)	-	38,500	-	38,500	38,500
Repairs and Maintenance	2,321	1,381	1,298	2,679	5,000
Membership Dues	1,075	1,615	79	1,694	2,769
National Partnership Dues	159,695	20,215	22,236	42,451	202,146
Miscellaneous	43,881	64,104	7,998	72,102	115,983
Depreciation and Amortization	100,282	60,956	35,394	96,350	196,632
Special Event Expenses	-	314,942	-	314,942	314,942
	6,369,619	1,486,846	538,954	2,025,800	8,395,419
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(314,942)	-	(314,942)	(314,942)
Total Expenses Included in the Expense Section of the Statement of Activities	$ 6,369,619	$ 1,171,904	$ 538,954	$ 1,710,858	$ 8,080,477

See accompanying Notes to Financial Statements.

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

	Program Services	Support Services			
	Wish Granting	Fundraising	Management and General	Total Support Services	Total
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
Special Event Expenses	-	278,091	-	278,091	278,091
	6,510,484	1,163,034	779,746	1,942,780	8,453,264
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(278,091)	-	(278,091)	(278,091)
Total Expenses Included in the Expense Section of the Statement of Activities	$ 6,510,484	$ 884,943	$ 779,746	$ 1,664,689	$ 8,175,173

See accompanying Notes to Financial Statements.

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. For the years ended August 31, 2017 and 2016, the Foundation granted 378 and 365 wishes, respectively.

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.

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 utilizes 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation received in-kind contributions of assets, services, and materials that are reported in the statements of activities as follows:

	August 31, 2017			
	Program	Fundraising	Management and General	Total
Wish Related	$ 2,062,039	$ -	$ -	$ 2,062,039
Professional Services	8,097	37,108	2,700	47,905
Advertising and Media	-	38,500	-	38,500
Other	96,186	9,639	8,530	114,355
	$ 2,166,322	$ 85,247	$ 11,230	2,262,799
Special Events				42,981
Inventory (Asset)				10,443
Property and Equipment (Capitalized)				10,122
Total				$ 2,326,345

	August 31, 2016			
	Program	Fundraising	Management and General	2016 Total
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
	$ 2,134,593	$ 61,103	$ 5,083	2,200,779
Special Events				3,939
Investment (Asset)				1,160
Total				$ 2,205,878

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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016. The Foundation files income tax returns in the U.S. federal and applicable state jurisdictions.

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, 2017 and 2016, the Foundation did not incur joint costs for activities that include fundraising appeals.

Management and General

All costs not identifiable with specific programs or fundraising activities, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, in-kinds 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.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying 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 tables as of August 31, 2017 and 2016 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.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2017:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Money Market	$ -	$ -	$ -	$ 654,969
Beneficial Interest in Assets Held by Others	-	-	261,223	261,223
	$ -	$ -	$ 261,223	$ 916,192

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:

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Certificates of Deposits	$ -	$ -	$ -	$ 651,949
Beneficial Interest in Assets Held by Others	-	-	244,068	244,068
	$ -	$ -	$ 244,068	$ 896,017

For the valuation of beneficial interest in assets held by others at August 31, 2017 and 2016, the Foundation used present value techniques and risk-adjusted discount rates that reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair value of trust investments as reported by the trustees (Level 3).

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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,

	2017	2016
Beginning Balance	$ 244,068	$ 239,730
Total Gains or (Losses) (Realized/Unrealized) Included in Changes in Net Assets	22,857	11,850
Distributions	(5,702)	(7,512)
Ending Balance	$ 261,223	$ 244,068
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	$ 22,857	$ 11,850

Total investment income and gains for the years ended August 31 consists of the following:

	2017	2016
Interest and Dividend Income	$ 10,050	$ 12,364
Realized and Unrealized Gains, Net	-	-
Less: Investment Expenses	-	-
Investment Income, Net	$ 10,050	$ 12,364

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:

	2017	2016
Total Amounts Due in:		
One Year	$ 253,044	$ 149,866
Two to Five Years	6,800	162,259
More than Five Years	-	-
Gross Contributions Receivable	259,844	312,125
Less: Allowance for Doubtful Accounts	-	-
Less: Discount to Present Value	(2,309)	(5,344)
Contributions Receivable, Net	$ 257,535	$ 306,781

The Foundation's contributions receivable as of August 31, 2017 and 2016 consists of three and two contributors, respectively, which represent 81% and 57% 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.

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, 2017 and 2016, respectively, the Foundation received $1,494,024 and $1,085,850, respectively, from these national revenue streams.

Conversely, the Foundation 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 $325,214 and $220,414 paid from the Foundation to the National Organization during the years ended August 31, 2017 and 2016, 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 originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking and facilitating of the wish for the home chapter. Under this program, the Foundation received $6,000 and $6,300 for the years ended August 31, 2017 and 2016, respectively, which is recorded in the accompanying statements of activities as other income.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows at August 31:

	2017	2016
Balance at August 31:		
Due from National Organization	$ 308,341	$ 101,922
Due from Other Chapters	4,547	2,262
Total Due from Related Entities	$ 312,888	$ 104,184
Due to National Organization	$ 9,752	$ 2,422
Due to Other Chapters	34,823	39,187
Total Due to Related Entities	$ 44,575	$ 41,609

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. Amounts due to the National Organization generally represent unpaid chapter dues and services.

During 2017 and 2016, the Foundation received contributions, both cash and in-kind, from board members totaling $1,072,618 and $739,757, respectively. At August 31 2017 and 2016, amounts due from board members totaled $12,668 and $7,364, respectively, which are included in contributions receivable in the accompanying statements of financial position.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	2017	2016
Land	$ 459,200	$ 459,200
Buildings and Building Improvements	2,867,769	2,867,769
Computer Equipment and Software	235,525	233,356
Office Furniture	232,625	237,414
	3,795,119	3,797,739
Less: Accumulated Depreciation and Amortization	(574,588)	(418,693)
Property and Equipment, Net	$ 3,220,531	$ 3,379,046

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.

NOTE 7 PROPERTY AND EQUIPMENT, NET (CONTINUED)

Depreciation and amortization expense totaled $196,632 and $203,497 for the years ended August 31, 2017 and 2016, 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.

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 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, 2017 would be increased by $1,342,576 resulting in adjusted net assets of $6,719,913.

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, 2017 and 2016, the Foundation had 318 reportable pending wishes, of which 38 and 40 wishes, respectively, were granted but not closed.

NOTE 9 LEASES

The Foundation is obligated under a capital lease for equipment which expires March 2022. As of August 31, 2017, the cost of leased equipment under the capital lease was $8,286, and accumulated depreciation was $690.

Future minimum lease payments under the capital lease having remaining terms in excess of one year is as follows:

	Capital Leases
Year Ending August 31:	
2018	$ 2,016
2019	2,016
2020	2,016
2021	2,016
2022	1,176
Total Minimum Lease Payments	9,240
Less Amounts Representing Interest	(1,526)
Present Value of Net Minimum Lease Payments	$ 7,714

NOTE 10 BOARD DESIGNATED NET ASSETS

During the fiscal year ended August 31, 2016, the Board of Directors of the Foundation 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, 2017 and 2016, the balance designated for the building reserve was $259,241 and $256,323, respectively and is included in cash and cash equivalents on the statements of financial position.

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
Time Restrictions	$ 72,568	$ 159,839
Purpose Restrictions	1,526,940	1,894,632
Total Temporarily Restricted Net Assets	$ 1,599,508	$ 2,054,471

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

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

	2017	2016
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	$ 261,223	$ 244,068

NOTE 12 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, 2017 and 2016 were $80,132 and $91,999, respectively.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

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

In-kind contributions totaling $742,780 and $541,321 were received from a single donor for both years ended, respectively, which represents 12% and 9%, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

Cash contributions totaling $545,300 and $525,706 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 9% of total public support for both years. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 2, 2018, the date at which the financial statements were available to be issued.