

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of the Mid-Atlantic  
Bethesda, Maryland

We have audited the accompanying financial statements of Make-A-Wish Foundation® of the Mid-Atlantic, 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.

**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 Mid-Atlantic 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**

Calverton, Maryland  
January 23, 2017

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

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 168,876	\$ 715,258
Investments	3,236,610	3,029,018
Due from related entities	160,383	169,914
Prepaid expenses	110,585	115,156
Contributions and grants receivable	457,224	336,309
Other assets	119,897	112,431
Property and equipment, net	50,766	65,993
Total Assets	\$ 4,304,341	\$ 4,544,079
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 416,210	\$ 488,316
Accrued pending wish costs - Cash	2,213,529	2,090,068
Accrued pending wish costs - In-kinds	2,055,492	1,403,485
Due to related entities	40,195	20,130
Other liabilities	186,130	226,598
Deferred rent	108,842	143,180
Total Liabilities	\$ 5,020,398	\$ 4,371,777
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted	\$ (1,119,188)	\$ (184,745)
Temporarily restricted	403,131	357,047
Total Net Assets (Deficit)	(716,057)	172,302
Total Liabilities and Net Assets (Deficit)	\$ 4,304,341	\$ 4,544,079

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2016**  
**(WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2015)**

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Public Support:				
Contributions	\$ 6,202,320	\$ 403,131	\$ 6,605,451	\$ 5,351,198
Grants	620,765	-	620,765	810,389
Total Public Support	6,823,085	403,131	7,226,216	6,161,587
Internal Special Events	2,071,915	-	2,071,915	2,052,773
Less Costs of Direct Benefits to Donors	(552,859)	-	(552,859)	(606,811)
Total Special Events	1,519,056	-	1,519,056	1,445,962
Investment Income, Net	196,312	-	196,312	10,382
Other Income	36,812	-	36,812	51,689
Net Assets Released from Restrictions	357,047	(357,047)	-	-
Total Revenues, Gains, and Other Support	8,932,312	46,084	8,978,396	7,669,620
<b>EXPENSES</b>				
Program Services:				
Wish Granting	7,729,602	-	7,729,602	6,064,641
Total Program Services	7,729,602	-	7,729,602	6,064,641
Support Services:				
Fundraising	1,469,004	-	1,469,004	1,476,228
Management and General	668,149	-	668,149	677,655
Total Support Services	2,137,153	-	2,137,153	2,153,883
Total Program and Support Services Expense	9,866,755	-	9,866,755	8,218,524
Change in Net Assets (Deficit)	(934,443)	46,084	(888,359)	(548,904)
Net Assets (Deficit), Beginning of Year	(184,745)	357,047	172,302	721,206
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b><u>\$ (1,119,188)</u></b>	<b><u>\$ 403,131</u></b>	<b><u>\$ (716,057)</u></b>	<b><u>\$ 172,302</u></b>

See accompanying Notes to Financial Statements.

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

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Public Support:			
Contributions	\$ 5,052,277	\$ 298,921	\$ 5,351,198
Grants	752,263	58,126	810,389
Total Public Support	5,804,540	357,047	6,161,587
Internal Special Events	2,052,773	-	2,052,773
Less Costs of Direct Benefits to Donors	(606,811)	-	(606,811)
Total Special Events	1,445,962	-	1,445,962
Investment Income, Net	10,381	1	10,382
Other Income	51,689		51,689
Net Assets Released from Restrictions	372,865	(372,865)	-
Total Revenues, Gains, and Other Support	7,685,437	(15,817)	7,669,620
 <b>EXPENSES</b>			
Program Services:			
Wish Granting	6,064,641	-	6,064,641
Total Program Services	6,064,641	-	6,064,641
Support Services:			
Fundraising	1,476,228	-	1,476,228
Management and General	677,655	-	677,655
Total Support Services	2,153,883	-	2,153,883
Total Program and Support Services Expense	8,218,524	-	8,218,524
Change in Net Assets (Deficit)	(533,087)	(15,817)	(548,904)
Net Assets (Deficit), Beginning of Year	348,342	372,864	721,206
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ (184,745)</b>	<b>\$ 357,047</b>	<b>\$ 172,302</b>

See accompanying Notes to Financial Statements.

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

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets (deficit)	\$ (888,359)	\$ (548,904)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,631	43,026
Net realized and unrealized (gains) loss on investments	(133,967)	47,287
Contributed property and equipment and stock	(24,989)	(11,199)
Changes in assets and liabilities:		
Contributions and grants receivable	(120,915)	10,638
Due from related entities	9,531	(45,655)
Prepaid expenses	4,571	(20,977)
Other assets	(7,466)	(45,427)
Accounts payable and accrued expenses	(72,106)	84,369
Accrued pending wish costs	775,468	552,146
Due to related entities	20,065	(12,872)
Other liabilities	(40,468)	109,146
Deferred Rent	(34,338)	22,374
Net cash (used in) provided by operating activities	(483,342)	183,952
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(337,819)	(163,694)
Proceeds from sales of investments	289,183	445,598
Purchases of property and equipment	(14,404)	(35,929)
Net cash (used in) provided by investing activities	(63,040)	245,975
Net (decrease) increase in cash and cash equivalents	(546,382)	429,927
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	715,258	285,331
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 168,876	\$ 715,258

See accompanying Notes to Financial Statements.



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

	<u>Program services</u>	<u>Support services</u>			<u>Total</u>
	<u>Wish granting</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total support services</u>	
Direct costs of wishes	\$ 5,403,882	\$ -	\$ -	\$ -	\$ 5,403,882
Salaries, taxes, and benefits	1,026,378	849,836	431,320	1,281,156	2,307,534
Printing, subscriptions, and publications	6,590	42,479	1,902	44,381	50,971
Professional fees	75,700	240,397	94,050	334,447	410,147
Rent and utilities	157,143	130,338	57,509	187,847	344,990
Postage and delivery	5,270	8,488	2,230	10,718	15,988
Travel	4,092	19,357	7,443	26,800	30,892
Meetings and conferences	25,434	15,947	4,026	19,973	45,407
Office supplies	12,522	13,160	5,242	18,402	30,924
Communications	13,781	10,694	4,718	15,412	29,193
Advertising and media (cash)	45,586	29,648	-	29,648	75,234
Advertising and media (in-kind)	783,387	50,220	-	50,220	833,607
Repairs and maintenance	8,684	7,563	3,952	11,515	20,199
Insurance	4,188	3,429	1,503	4,932	9,120
Membership dues	87	892	623	1,515	1,602
National partnership dues	134,844	20,483	15,362	35,845	170,689
Miscellaneous	21,799	26,073	8,873	34,946	56,745
Depreciation and amortization	235	-	29,396	29,396	29,631
	<u>\$ 7,729,602</u>	<u>\$ 1,469,004</u>	<u>\$ 668,149</u>	<u>\$ 2,137,153</u>	<u>\$ 9,866,755</u>

See accompanying Notes to Financial Statements.

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

	<u>Program services</u>	<u>Support services</u>			<u>Total</u>
	<u>Wish granting</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total support services</u>	
Direct costs of wishes	\$ 4,640,495	\$ -	\$ -	\$ -	\$ 4,640,495
Salaries, taxes, and benefits	815,250	974,192	451,235	1,425,427	2,240,677
Printing, subscriptions, and publications	21,930	25,869	3,756	29,625	51,555
Professional fees	88,015	115,563	61,886	177,449	265,464
Rent and utilities	165,802	147,528	64,938	212,466	378,268
Postage and delivery	7,258	7,859	3,998	11,857	19,115
Travel	8,835	21,375	7,238	28,613	37,448
Meetings and conferences	28,996	17,984	3,937	21,921	50,917
Office supplies	15,173	12,761	6,796	19,557	34,730
Communications	12,293	10,142	4,493	14,635	26,928
Advertising and media (cash)	56,918	25,238	-	25,238	82,156
Advertising and media (in-kind)	58,943	66,468	-	66,468	125,411
Repairs and maintenance	8,309	7,390	3,255	10,645	18,954
Insurance	2,398	2,139	887	3,026	5,424
Membership dues	83	1,244	733	1,977	2,060
Volunteer training	-	-	32	32	32
National partnership dues	116,211	16,181	14,710	30,891	147,102
Miscellaneous	17,328	24,295	7,139	31,434	48,762
Depreciation and amortization	404	-	42,622	42,622	43,026
	<u>\$ 6,064,641</u>	<u>\$ 1,476,228</u>	<u>\$ 677,655</u>	<u>\$ 2,153,883</u>	<u>\$ 8,218,524</u>

See accompanying Notes to Financial Statements.

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

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of the Mid-Atlantic (the Foundation) is a Maryland 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. The Foundation had no cash equivalents at August 31, 2016 and 2015.

**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.

**Inventory**

Inventory, consisting of gifts for wish children and items to be used at special events, is stated at the lower of cost or market. Cost is determined using the direct method. Management does not believe there are any obsolete items as of August 31, 2016 and 2015.

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

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

**Property and Equipment, Net**

Property and equipment having a unit cost greater than \$1,000 and \$2,500 and a useful life of more than one year are capitalized at cost when purchased for the years ended August 2016 and 2015, respectively. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released. 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 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

**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.

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC**  
**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 contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC**  
**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:

	Support Services			2016 Total
	Programs	Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 2,964,095	-	-	\$ 2,964,095
Professional Services	16,617	91,200	64,082	171,899
Advertising and Media	783,387	50,220	-	833,607
Other	16,597	39,377	308	56,282
Total Program and Supported Service Expenses	\$ 3,780,696	\$ 180,797	\$ 64,390	4,025,883
Direct Benefit Expenses, Netted with Special Event Revenue				171,169
Total in-kind expense				4,197,052
Change in accrued pending wish costs - in-kinds (Liability)				(652,007)
Change in Donated Inventory (Asset)				8,912
Change in In-Kind Contributions Receivable (Asset)				122,291
Total In-Kind Contributions				\$ 3,676,248

	Support Services			2015 Total
	Programs	Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 1,837,196	-	-	\$ 1,837,196
Professional Services	61,068	64,964	23,742	149,774
Advertising and Media	58,943	66,468	-	125,411
Other	16,296	2,732	485	19,513
Total Program and Supported Service Expenses	\$ 1,973,503	\$ 134,164	\$ 24,227	2,131,894
Direct Benefit Expenses, Netted with Special Event Revenue				240,273
Total				2,372,167
Change in accrued pending wish costs - in-kinds (Liability)				(109,266)
Change in Donated Inventory (Asset)				44,909
Change in In-Kind Contributions Receivable (Asset)				13,274
Total In-Kind Contributions				\$ 2,321,084

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 THE MID-ATLANTIC  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2016 AND 2015**

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

**Revenue Recognition (Continued)**

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 or public information [if allocated as a joint cost] 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. Advertising costs totaled \$908,841 and \$207,567 for the years ended August 31, 2016 and 2015, respectively.

**Income Taxes**

The Foundation is a not-for-profit organization exempt from federal income and Maryland income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 81 of the State of Maryland Tax 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.

**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 incurred joint costs for activities that include fundraising appeals (primarily public service announcements, direct mail campaigns and newsletters), which have been allocated as follows:

	2016	2015
Fundraising	\$ 75,811	\$ 56,651
Wish Granting	833,029	102,971
Total	<u>\$ 908,840</u>	<u>\$ 159,622</u>

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC**  
**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 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 \$108,842 and \$143,180 at August 31, 2016 and 2015, respectively.

**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 financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets or changes therein.



**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC**  
**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.

**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:

	Fair Value Measurements at			
	2016			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Investments:				
Cash and Cash Equivalents	\$ 244,992	\$ -	\$ -	\$ 244,992
Exchange-Traded Funds:				
Domestic Equity	1,365,120	-	-	1,365,120
International Equity	183,217	-	-	183,217
Bonds	1,421,531	-	-	1,421,531
Limited Partnership	-	-	21,750	21,750
Total	<u>\$ 3,214,860</u>	<u>\$ -</u>	<u>\$ 21,750</u>	<u>\$ 3,236,610</u>

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**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:

	Fair Value Measurements at 2015			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets:				
Recurring:				
Investments:				
Cash and Cash Equivalents	\$ 206,735	\$ -	\$ -	\$ 206,735
Exchange-Traded Funds:				
Domestic Equity	1,267,893	-	-	1,267,893
International Equity	147,031	-	-	147,031
Bonds	1,385,609	-	-	1,385,609
Limited Partnership	-	-	21,750	21,750
Total	<u>\$ 3,007,268</u>	<u>\$ -</u>	<u>\$ 21,750</u>	<u>\$ 3,029,018</u>

For the valuation of the limited partnership in a real estate investment at August 31, 2016, the Foundation used the initial carrying value of the investment at the date of receipt of the contributed ownership in the partnership. (Level 3).

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

	<u>2016</u>	<u>2015</u>
Interest and Dividend Income	\$ 62,345	\$ 57,669
Realized and Unrealized Gains (Losses), Net	<u>133,967</u>	<u>(47,287)</u>
Investment Income, Net	<u>\$ 196,312</u>	<u>\$ 10,382</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.

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**NOTE 5 TRANSACTIONS WITH RELATED ENTITIES**

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

	<u>2016</u>	<u>2015</u>
Corporate, Online, Whitemail and General Contributions	\$ 1,703,994	\$ 1,440,275
Grants	25,000	100,000
Scholarships	5,945	10,095
Wish Fulfillment Fund	503,795	697,777
Other	43,268	127,809
Total Distributions Received	<u>\$ 2,282,002</u>	<u>\$ 2,375,956</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:

	<u>2016</u>	<u>2015</u>
Management Dues	\$ 170,689	\$ 147,103
Other	48,024	20,328
Total Amounts Paid	<u>\$ 218,713</u>	<u>\$ 167,431</u>

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 \$17,700 and \$13,200 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	\$ 133,046	\$ 148,409
Due from Other Chapters	27,337	21,505
Total Due from Related Entities	<u>\$ 160,383</u>	<u>\$ 169,914</u>
Due to National Organization	23,270	\$ 144
Due to Other Chapters	16,925	19,986
Total Due to Related Entities	<u>\$ 40,195</u>	<u>\$ 20,130</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.

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**NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

During 2016 and 2015 the Foundation received contributions, both cash and in-kind, from and raised by board members totaling \$883,695 and \$957,729, respectively. In 2016 and 2015, there were no amounts due from board members.

**NOTE 6 PROPERTY AND EQUIPMENT, NET**

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

	<u>2016</u>	<u>2015</u>
Computer Equipment and Software	\$ 66,273	\$ 268,479
Furniture and Equipment	60,500	115,746
Leasehold Improvements	<u>10,368</u>	<u>96,490</u>
	<u>137,141</u>	<u>480,715</u>
Less Accumulated Depreciation and Amortization	<u>(86,375)</u>	<u>(414,722)</u>
Property and Equipment, Net	<u>\$ 50,766</u>	<u>\$ 65,993</u>

Depreciation and amortization expense totaled \$29,631 and \$43,026 for the years ended August 31, 2016 and 2015, respectively.

**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.

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**NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)**

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, 2016 would be \$1,339,435.

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 417 and 349 reportable pending wishes, respectively.

**NOTE 8 LEASES**

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through September 30, 2020. The Foundation received certain lease incentives with these leases. These incentives are recognized over the life of the leases and are reflected in the statements of financial position as deferred lease benefit. Total rent expense for all operating leases for the year ended August 31, 2016 and 2015 totaled \$337,154 and \$378,064 respectively.

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

<u>Year Ending August 31:</u>	<u>Amounts</u>
2017	\$ 369,928
2018	356,794
2019	20,854
2020	5,285
Total Minimum Lease Payments	<u>\$ 752,861</u>

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**NOTE 9 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

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

	2016	2015
Time Restrictions	\$ 65,681	\$ 84,357
Purpose Restrictions	337,450	272,690
Total Temporarily Restricted Net Assets	\$ 403,131	\$ 357,047

**NOTE 10 RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 18 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 6% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$67,673 and \$64,813, respectively.

**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.

In-kind contributions totaling \$1,775,589 were received from two donors for the year ended August 31, 2016, which represents 25% of total public support. In-kind contributions totaling \$860,565 was received from a single donor for the year ended August 31, 2015, which represents 14%, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**NOTE 12 LITIGATION AND CLAIMS**

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

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**NOTE 13 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through January 23, 2017, the date at which the financial statements were available to be issued.