

**MAKE-A-WISH FOUNDATION® ORANGE COUNTY &
THE INLAND EMPIRE, INC.**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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YEARS ENDED AUGUST 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® Orange County &
The Inland Empire, Inc.
Irvine, California

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Make-A-Wish Foundation® Orange County &
The Inland Empire, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® Orange County & The Inland Empire, Inc. as of August 31, 2016 and 2015, and changes 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
December 12, 2016

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

| ASSETS | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Cash and Cash Equivalents | \$ 246,750 | \$ 383,413 |
| Investments | 2,052,787 | 2,400,320 |
| Due from Related Entities | 136,366 | 113,353 |
| Prepaid Expenses | 88,007 | 12,991 |
| Contributions Receivable, Net | 257,607 | 80,423 |
| Other Assets | 107,696 | 45,076 |
| Investments Held for Long-Term Purposes | 103,772 | 127,328 |
| Property and Equipment, Net | 290,739 | 269,417 |
| Total Assets | <u>\$ 3,283,724</u> | <u>\$ 3,432,321</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts Payable and Accrued Expenses | \$ 491,410 | \$ 202,052 |
| Accrued Pending Wish Costs - Cash | 1,159,955 | 1,101,809 |
| Accrued Pending Wish Costs - In-Kind | 548,782 | 429,142 |
| Due to Related Entities | 53,896 | 26,221 |
| Other Liabilities | 113,928 | 108,379 |
| Notes Payable | 20,059 | 21,817 |
| Total Liabilities | <u>2,388,030</u> | <u>1,889,420</u> |
| Net Assets | | |
| Unrestricted | 543,332 | 1,332,770 |
| Temporarily Restricted | 269,862 | 127,631 |
| Permanently Restricted | 82,500 | 82,500 |
| Total Net Assets | <u>895,694</u> | <u>1,542,901</u> |
| Total Liabilities and Net Assets | <u>\$ 3,283,724</u> | <u>\$ 3,432,321</u> |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

(With Summarized Totals for the Year Ended August 31, 2015)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | 2015 Total |
|--|-------------------|---------------------------|---------------------------|-------------------|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | | |
| Public Support: | | | | | |
| Contributions, Net of Write-Offs | \$ 3,819,890 | \$ 297,393 | \$ - | \$ 4,117,283 | \$ 4,374,894 |
| Grants | 90,095 | - | - | 90,095 | 89,750 |
| Total Public Support | <u>3,909,985</u> | <u>297,393</u> | <u>-</u> | <u>4,207,378</u> | <u>4,464,644</u> |
| Internal Special Events | 711,880 | - | - | 711,880 | 676,833 |
| Less Costs of Direct Benefits to Donors | (306,984) | - | - | (306,984) | (276,542) |
| Total Special Events | <u>404,896</u> | <u>-</u> | <u>-</u> | <u>404,896</u> | <u>400,291</u> |
| Investment Income (Loss), Net | 179,645 | (2,240) | - | 177,405 | (48,221) |
| Other Income | 175,036 | - | - | 175,036 | 167,711 |
| Net Assets Released from Restrictions | 152,922 | (152,922) | - | - | - |
| Total Revenues, Gains, and Other Support | <u>4,822,484</u> | <u>142,231</u> | <u>-</u> | <u>4,964,715</u> | <u>4,984,425</u> |
| EXPENSES | | | | | |
| Program Services: | | | | | |
| Wish Granting | 3,983,569 | - | - | 3,983,569 | 3,747,277 |
| Training and Development | 305,051 | - | - | 305,051 | 278,828 |
| Public Information | 256,903 | - | - | 256,903 | 309,877 |
| Total Program Services | <u>4,545,523</u> | <u>-</u> | <u>-</u> | <u>4,545,523</u> | <u>4,335,982</u> |
| Support Services: | | | | | |
| Fundraising | 665,725 | - | - | 665,725 | 668,409 |
| Management and General | 400,674 | - | - | 400,674 | 391,632 |
| Total Support Services | <u>1,066,399</u> | <u>-</u> | <u>-</u> | <u>1,066,399</u> | <u>1,060,041</u> |
| Total Program and Support Services Expense | <u>5,611,922</u> | <u>-</u> | <u>-</u> | <u>5,611,922</u> | <u>5,396,023</u> |
| CHANGE IN NET ASSETS | (789,438) | 142,231 | - | (647,207) | (411,598) |
| Net Assets - Beginning of Year | <u>1,332,770</u> | <u>127,631</u> | <u>82,500</u> | <u>1,542,901</u> | <u>1,954,499</u> |
| NET ASSETS - END OF YEAR | <u>\$ 543,332</u> | <u>\$ 269,862</u> | <u>\$ 82,500</u> | <u>\$ 895,694</u> | <u>\$ 1,542,901</u> |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Public Support: | | | | |
| Contributions, Net of Write-Offs | \$ 4,294,579 | \$ 80,315 | \$ - | \$ 4,374,894 |
| Grants | 87,370 | 2,380 | - | 89,750 |
| Total Public Support | 4,381,949 | 82,695 | - | 4,464,644 |
| Internal Special Events | 676,833 | - | - | 676,833 |
| Less Costs of Direct Benefits to Donors | (276,542) | - | - | (276,542) |
| Total Special Events | 400,291 | - | - | 400,291 |
| Investment Loss, Net | (47,932) | (289) | - | (48,221) |
| Other Income | 167,711 | - | - | 167,711 |
| Net Assets Released from Restrictions | 149,397 | (149,397) | - | - |
| Total Revenues, Gains, and Other Support | 5,051,416 | (66,991) | - | 4,984,425 |
| EXPENSES | | | | |
| Program Services: | | | | |
| Wish Granting | 3,747,277 | - | - | 3,747,277 |
| Training and Development | 278,828 | - | - | 278,828 |
| Public Information | 309,877 | - | - | 309,877 |
| Total Program Services | 4,335,982 | - | - | 4,335,982 |
| Support Services: | | | | |
| Fundraising | 668,409 | - | - | 668,409 |
| Management and General | 391,632 | - | - | 391,632 |
| Total Support Services | 1,060,041 | - | - | 1,060,041 |
| Total Program and Support Services Expense | 5,396,023 | - | - | 5,396,023 |
| CHANGE IN NET ASSETS | (344,607) | (66,991) | - | (411,598) |
| Net Assets - Beginning of Year | 1,677,377 | 194,622 | 82,500 | 1,954,499 |
| NET ASSETS - END OF YEAR | \$ 1,332,770 | \$ 127,631 | \$ 82,500 | \$ 1,542,901 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

| | 2016 | 2015 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (647,207) | \$ (411,598) |
| Adjustments to reconcile Change in Net Assets to Net Cash | | |
| Provided by (Used in) Operating Activities: | | |
| Depreciation and Amortization | 58,632 | 59,236 |
| Net Realized and Unrealized (Gains) Losses on Investments | (133,302) | 89,955 |
| Loss on Disposal of Property and Equipment | 14,580 | - |
| Change in Attrition on Accrued Pending Wish Costs | 10,702 | (10,669) |
| Change in Discount to Present Value of Contribution Receivables | (5,546) | - |
| Changes in Assets and Liabilities: | | |
| Contributions Receivable | (171,638) | (35,209) |
| Due from Related Entities | (23,013) | 47,163 |
| Prepaid Expenses | (70,973) | 41,501 |
| Other Assets | (62,620) | 4,286 |
| Accounts Payable and Accrued Expenses | 289,358 | 37,505 |
| Accrued Pending Wish Costs | 167,084 | 324,184 |
| Due to Related Entities | 27,675 | (20,586) |
| Other Liabilities | 5,549 | 30,628 |
| Net Cash Provided by (Used in) Operating Activities | (540,719) | 156,396 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Investments | (791,181) | (2,404,643) |
| Proceeds from Sales of Investments | 1,295,572 | 2,240,005 |
| Purchases of Property and Equipment | (94,534) | (15,989) |
| Net Cash Provided by (Used In) Investing Activities | 409,857 | (180,627) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal Payments on Notes Payable | (1,758) | (3,335) |
| Proceeds from Line of Credit | 585,957 | 150,969 |
| Principal Payments on Line of Credit | (590,000) | (150,969) |
| Net Cash Used by Financing Activities | (5,801) | (3,335) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (136,663) | (27,566) |
| Cash and Cash Equivalents - Beginning of Year | 383,413 | 410,979 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 246,750 | \$ 383,413 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Property and Equipment Purchased Through a Notes Payable | \$ - | \$ 25,152 |
| Interest Paid | \$ 13,619 | \$ 2,656 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

| | Program Services | | | | Support Services | | | Total |
|---|---------------------|--------------------------|--------------------|------------------------|-------------------|------------------------|------------------------|---------------------|
| | Wish Granting | Training and Development | Public Information | Total Program Services | Fundraising | Management and General | Total Support Services | |
| Direct Costs of Wishes | \$ 2,944,274 | \$ - | \$ - | \$ 2,944,274 | \$ - | \$ - | \$ - | \$ 2,944,274 |
| Salaries, Taxes, and Benefits | 626,167 | 212,437 | 181,263 | 1,019,867 | 428,124 | 289,736 | 717,860 | 1,737,727 |
| Printing, Subscriptions, and Publications | 7,385 | 5,392 | 7,838 | 20,615 | 11,335 | 2,686 | 14,021 | 34,636 |
| Professional Fees | 34,820 | 9,290 | 7,970 | 52,080 | 22,987 | 12,037 | 35,024 | 87,104 |
| Rent and Utilities | 130,796 | 36,875 | 30,242 | 197,913 | 74,226 | 43,177 | 117,403 | 315,316 |
| Postage and Delivery | 2,382 | 169 | 2,246 | 4,797 | 4,134 | 636 | 4,770 | 9,567 |
| Travel | 7,275 | 3,369 | 1,715 | 12,359 | 6,130 | 4,902 | 11,032 | 23,391 |
| Meetings and Conferences | 13,895 | 10,555 | 3,578 | 28,028 | 23,584 | 4,289 | 27,873 | 55,901 |
| Office Supplies | 7,468 | 1,595 | 3,112 | 12,175 | 3,561 | 2,085 | 5,646 | 17,821 |
| Communications | 13,402 | 2,738 | 2,392 | 18,532 | 5,627 | 3,203 | 8,830 | 27,362 |
| Advertising and Media (Cash) | - | - | - | - | 23,479 | - | 23,479 | 23,479 |
| Advertising and Media (In-Kind) | - | - | - | - | 5,836 | - | 5,836 | 5,836 |
| Repairs and Maintenance | 9,326 | 2,643 | 2,171 | 14,140 | 5,309 | 3,060 | 8,369 | 22,509 |
| Insurance | 5,031 | 1,472 | 1,223 | 7,726 | 2,927 | 1,589 | 4,516 | 12,242 |
| Membership Dues | 3,420 | 1,117 | 2,299 | 6,836 | 1,944 | 1,124 | 3,068 | 9,904 |
| Volunteer Training | - | 1,072 | - | 1,072 | - | - | - | 1,072 |
| National Partnership Dues | 127,211 | - | - | 127,211 | 18,693 | 15,122 | 33,815 | 161,026 |
| Miscellaneous | 26,388 | 9,475 | 5,238 | 41,101 | 14,030 | 8,992 | 23,022 | 64,123 |
| Depreciation and Amortization | 24,329 | 6,852 | 5,616 | 36,797 | 13,799 | 8,036 | 21,835 | 58,632 |
| Total | \$ 3,983,569 | \$ 305,051 | \$ 256,903 | \$ 4,545,523 | \$ 665,725 | \$ 400,674 | \$ 1,066,399 | \$ 5,611,922 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

| | Program Services | | | | Support Services | | | Total |
|---|---------------------|--------------------------|--------------------|------------------------|-------------------|------------------------|------------------------|---------------------|
| | Wish Granting | Training and Development | Public Information | Total Program Services | Fundraising | Management and General | Total Support Services | |
| Direct Costs of Wishes | \$ 2,830,168 | \$ - | \$ - | \$ 2,830,168 | \$ - | \$ - | \$ - | \$ 2,830,168 |
| Salaries, Taxes, and Benefits | 559,522 | 194,205 | 232,805 | 986,532 | 449,053 | 288,348 | 737,401 | 1,723,933 |
| Printing, Subscriptions, and Publications | 8,435 | 2,517 | 4,115 | 15,067 | 11,900 | 2,563 | 14,463 | 29,530 |
| Professional Fees | 18,735 | 4,212 | 3,768 | 26,715 | 21,635 | 13,435 | 35,070 | 61,785 |
| Rent and Utilities | 114,347 | 34,084 | 30,270 | 178,701 | 70,828 | 40,244 | 111,072 | 289,773 |
| Postage and Delivery | 3,389 | 227 | 763 | 4,379 | 4,871 | 642 | 5,513 | 9,892 |
| Travel | 8,857 | 4,395 | 3,223 | 16,475 | 10,452 | 2,350 | 12,802 | 29,277 |
| Meetings and Conferences | 10,850 | 12,072 | 5,302 | 28,224 | 8,928 | 6,821 | 15,749 | 43,973 |
| Office Supplies | 6,406 | 1,995 | 2,386 | 10,787 | 3,861 | 1,423 | 5,284 | 16,071 |
| Communications | 12,232 | 2,684 | 2,230 | 17,146 | 5,753 | 3,046 | 8,799 | 25,945 |
| Advertising and Media (Cash) | 718 | 1,194 | 4,865 | 6,777 | 15,986 | - | 15,986 | 22,763 |
| Advertising and Media (In-kind) | 12,500 | - | 4,250 | 16,750 | 17,837 | - | 17,837 | 34,587 |
| Repairs and Maintenance | 7,808 | 2,288 | 2,028 | 12,124 | 4,745 | 2,336 | 7,081 | 19,205 |
| Insurance | 5,245 | 1,580 | 1,433 | 8,258 | 3,354 | 1,984 | 5,338 | 13,596 |
| Membership Dues | 1,440 | 506 | 708 | 2,654 | 1,485 | 491 | 1,976 | 4,630 |
| National Partnership Dues | 102,475 | - | - | 102,475 | 14,269 | 12,972 | 27,241 | 129,716 |
| Miscellaneous | 20,976 | 9,946 | 5,578 | 36,500 | 9,052 | 6,391 | 15,443 | 51,943 |
| Depreciation and Amortization | 23,174 | 6,923 | 6,153 | 36,250 | 14,400 | 8,586 | 22,986 | 59,236 |
| Total | \$ 3,747,277 | \$ 278,828 | \$ 309,877 | \$ 4,335,982 | \$ 668,409 | \$ 391,632 | \$ 1,060,041 | \$ 5,396,023 |

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® Orange County & The Inland Empire, Inc. (the Foundation) is a California not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2016 and 2015 is \$77,509 and \$231,115, respectively, of money market mutual funds.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates. Contributions are written off when deemed uncollectible.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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 \$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 over time in an amount equivalent to annual depreciation. 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 15 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. 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® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

| | Program | Support Services | | 2016 Total |
|---|---------------------|------------------|---------------------------|---------------------|
| | Wish Granting | Fundraising | Management and General | |
| Program and Support Service Expenses | | | | |
| Wish Related | \$ 1,027,773 | \$ - | \$ - | \$ 1,027,773 |
| Advertising and Media | 3,818 | 2,018 | - | 5,836 |
| Other | 1,863 | 4,256 | 331 | 6,450 |
| Total Program and Supported Service Expenses | 1,033,454 | 6,274 | 331 | 1,040,059 |
| Direct Benefit Expenses, Netted with Special Event Revenue | - | 45,390 | - | 45,390 |
| Total | <u>\$ 1,033,454</u> | <u>\$ 51,664</u> | <u>\$ 331</u> | <u>1,085,449</u> |
| Inventory (Asset) | | | | 80,789 |
| Total | | | | <u>\$ 1,166,238</u> |

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

| | Program | Support Services | | 2015 Total |
|---|-------------------|------------------|---------------------------|-------------------|
| | Wish Granting | Fundraising | Management and General | |
| Program and Support Service Expenses | | | | |
| Wish Related | \$ 885,251 | \$ - | \$ - | \$ 885,251 |
| Professional Services | - | - | - | - |
| Advertising and Media | - | 17,837 | - | 17,837 |
| Other | 1,201 | 235 | 331 | 1,767 |
| Total Program and Supported Service Expenses | 886,452 | 18,072 | 331 | 904,855 |
| Direct Benefit Expenses, Netted with Special Event Revenue | - | 59,001 | - | 59,001 |
| Total | <u>\$ 886,452</u> | <u>\$ 77,073</u> | <u>\$ 331</u> | <u>963,856</u> |
| Inventory (Asset) | | | | 25,189 |
| Total | | | | <u>\$ 989,045</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® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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 fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue and fundraising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value. Advertising costs totaled \$29,315 and \$57,350 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 California income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23701d of the California Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2016 and 2015. The Foundation files income tax returns in the U.S. federal jurisdiction and state jurisdictions.

Functional Expenses

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

Wish Granting

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

Training and Development

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

Public Information

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fundraising

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

Management and General

All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$76,928 and \$76,379 at August 31, 2016 and 2015, respectively, and included in other liabilities on the statements of financial positions.

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.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
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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 long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Audit and Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

Allocation of Investment Strategies

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

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AUGUST 31, 2016 AND 2015

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, 2016:

| | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> | <u>Total</u> |
|----------------------------------|---------------------|-------------------|------------------|---------------------|
| Assets: | | | | |
| Recurring: | | | | |
| Investments: | | | | |
| Exchange-Traded Funds: | | | | |
| Domestic Equity | \$ 1,070,014 | \$ - | \$ - | \$ 1,070,014 |
| Equity Securities: | | | | |
| U.S. Corporate Equity Securities | 510,352 | - | - | 510,352 |
| Debt Securities: | | | | |
| Government | 151,827 | - | - | 151,827 |
| Corporate | 319,030 | 104,058 | - | 423,088 |
| Cash and Cash Equivalents | - | - | - | 1,278 |
| Total Recurring | <u>\$ 2,051,223</u> | <u>\$ 104,058</u> | <u>\$ -</u> | <u>\$ 2,156,559</u> |

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2015:

| | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> | <u>Total</u> |
|---------------------------|---------------------|------------------|------------------|---------------------|
| Assets: | | | | |
| Recurring: | | | | |
| Investments: | | | | |
| Mutual Funds: | | | | |
| Domestic Equity | \$ 886,446 | \$ - | \$ - | \$ 886,446 |
| Bonds | 955,668 | - | - | 955,668 |
| Exchange-Traded Funds: | | | | |
| Domestic Equity | 454,836 | - | - | 454,836 |
| Debt Securities: | | | | |
| Government | 128,022 | - | - | 128,022 |
| Corporate | 96,913 | - | - | 96,913 |
| Cash and Cash Equivalents | - | - | - | 5,763 |
| Total | <u>\$ 2,521,885</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,527,648</u> |

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

| | 2016 | 2015 |
|---|------------|-------------|
| Interest and Dividend Income | \$ 70,609 | \$ 68,429 |
| Realized and Unrealized Gains (Losses), Net | 133,302 | (89,955) |
| Less Investment Expenses | (26,506) | (26,695) |
| Investment Income (Loss), Net | \$ 177,405 | \$ (48,221) |

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at a rate of 1.79% and 0% at August 31, 2016 and 2015, respectively. The following is a summary of the Foundation's contributions receivable at August 31:

| | 2016 | 2015 |
|--------------------------------------|------------|-----------|
| Total Amounts Due in: | | |
| One Year | \$ 168,153 | \$ 77,490 |
| Two to Five Years | 95,000 | 2,933 |
| More than Five Years | - | - |
| Gross Contributions Receivable | 263,153 | 80,423 |
| Less Allowance for Doubtful Accounts | - | - |
| Less Discount to Present Value | (5,546) | - |
| Contributions Receivable, Net | \$ 257,607 | \$ 80,423 |

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

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

| | 2016 | 2015 |
|--|--------------|------------|
| Corporate, Online, Whitemail and General Contributions | \$ 1,221,542 | \$ 916,263 |
| Gifts and Travel Reimbursements | 8,656 | - |
| Scholarships | 595 | 1,190 |
| Wish Fulfillment Fund | 25,000 | 33,750 |
| Adopt-A-Wish | 10,000 | 10,000 |
| Other | 1,857 | 8,113 |
| Total Distributions Received | \$ 1,267,650 | \$ 969,316 |

These amounts are recorded in the statement of activities as public support revenue.

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NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

The Foundation paid to the National Organization the following amounts for the years ended August 31:

| | <u>2016</u> | <u>2015</u> |
|--------------------|-------------------|-------------------|
| Management Dues | \$ 161,026 | \$ 129,716 |
| Other | 10,976 | 648 |
| Total Amounts Paid | <u>\$ 172,002</u> | <u>\$ 130,364</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 \$186,110 and \$162,875 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 | \$ 67,928 | \$ 43,814 |
| Due from Other Chapters | 68,438 | 69,539 |
| Total Due from Related Entities | <u>\$ 136,366</u> | <u>\$ 113,353</u> |
| | | |
| Due to National Organization | \$ - | \$ 7 |
| Due to Other Chapters | 53,896 | 26,214 |
| Total Due to Related Entities | <u>\$ 53,896</u> | <u>\$ 26,221</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 \$75,889 and \$87,957, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 PROPERTY AND EQUIPMENT, NET

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

| | 2016 | 2015 |
|--|------------|------------|
| Computer Equipment and Software | \$ 96,266 | \$ 94,308 |
| Office Furniture | 264,347 | 212,264 |
| Leasehold Improvements | 117,249 | 118,004 |
| | 477,862 | 424,576 |
| Less Accumulated Depreciation and Amortization | (187,123) | (155,159) |
| Property and Equipment, Net | \$ 290,739 | \$ 269,417 |

Depreciation and amortization expense totaled \$58,632 and \$59,236 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 as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is not 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, 2016 would be:

| | |
|---|--------------|
| Total Net Assets Presented in Statement of Financial Position | \$ 895,694 |
| In-Kind Amounts Not Unconditionally Promised Included in Accrued Pending Wish Costs - In-Kind | 548,782 |
| Less In-Kinds Unconditionally Promised at Year-End | (41,070) |
| Total Net assets if All In-Kind Was Unconditionally Promised | \$ 1,403,406 |

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)

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 295 and 164 reportable pending wishes, respectively.

NOTE 8 NOTES PAYABLE

The Foundation has a secured line of credit with a financial institution totaling \$500,000, bearing interest at 3.25%. The line of credit is active at the discretion of the bank. There were no outstanding balances on this line of credit as of August 31, 2015. At August 31, 2016, the Foundation overpaid the line of credit by \$4,043. This balance is included in other assets in the statements of financial position.

On September 1, 2014, the Foundation entered into a note payable with The Irvine Company to finance tenant improvements totaling \$25,152. The note bears interest at 8%, requires principal payments in equal monthly installments of \$299. Subsequent to year end, the Foundation paid off the note in October 2016.

NOTE 9 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through March 31, 2023. As of August 31, 2016 and 2015, total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$220,048 and \$191,063, 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>Operating Leases</u> |
|-------------------------------|-----------------------------|
| 2017 | \$ 249,154 |
| 2018 | 251,770 |
| 2019 | 256,131 |
| 2020 | 276,205 |
| 2021 | 279,003 |
| Thereafter | 327,864 |
| Total | <u>\$ 1,640,127</u> |

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS

The Foundation is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and is required to make disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of one individual fund established by a donor-restricted endowment fund. Net assets associated with the endowment fund, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as investments held for long term purposes on the statements of financial position.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the California UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 10 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of August 31, 2016 and 2015 is as follows:

| | 2016 | | | Total |
|----------------------------------|-----------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Donor-Restricted Endowment Funds | \$ - | \$ 12,256 | \$ 82,500 | \$ 94,756 |
| Board-Designated Endowment Funds | 9,016 | - | - | 9,016 |
| Total Funds | <u>\$ 9,016</u> | <u>\$ 12,256</u> | <u>\$ 82,500</u> | <u>\$ 103,772</u> |

| | 2015 | | | Total |
|----------------------------------|--------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Donor-Restricted Endowment Funds | - | \$ 44,828 | \$ 82,500 | \$ 127,328 |
| Total Funds | <u>\$ -</u> | <u>\$ 44,828</u> | <u>\$ 82,500</u> | <u>\$ 127,328</u> |

Changes in endowment net assets for the years ended August 31 are as follows:

| | 2016 | | | Total |
|---|-----------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment Net Assets, Beginning of Year | \$ - | \$ 44,828 | \$ 82,500 | \$ 127,328 |
| Investment Return: | | | | |
| Investment Income | (1,448) | (1,944) | - | (3,392) |
| Net Depreciation (Realized and Unrealized) | (220) | (296) | - | (516) |
| Total Investment Return | <u>(1,668)</u> | <u>(2,240)</u> | <u>-</u> | <u>(3,908)</u> |
| Contributions | - | - | - | - |
| Appropriation of Endowment Assets For Expenditures | 10,684 | (30,332) | - | (19,648) |
| Endowment Net Assets, End of Year | <u>\$ 9,016</u> | <u>\$ 12,256</u> | <u>\$ 82,500</u> | <u>\$ 103,772</u> |

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 10 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended August 31 are as follows:

| | 2015 | | | Total |
|---|--------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment Net Assets, Beginning of Year | \$ - | \$ 45,117 | \$ 82,500 | \$ 127,617 |
| Investment Return: | | | | |
| Investment Income | - | 2,505 | - | 2,505 |
| Net Depreciation (Realized and Unrealized) | - | (2,794) | - | (2,794) |
| Total Investment Return | - | (289) | - | (289) |
| Contributions | - | - | - | - |
| Appropriation of Endowment Assets For Expenditures | - | - | - | - |
| Endowment Net Assets, End of Year | <u>\$ -</u> | <u>\$ 44,828</u> | <u>\$ 82,500</u> | <u>\$ 127,328</u> |

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

| | 2016 | 2015 |
|--|------------------|------------------|
| Permanently Restricted Net Assets: | | |
| The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA | <u>\$ 82,500</u> | <u>\$ 82,500</u> |
| Temporarily restricted Net Assets: | | |
| The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA: Without Purpose Restrictions | <u>\$ 12,256</u> | <u>\$ 44,828</u> |

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There are no fund deficiencies as of August 31, 2016 and 2015.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified periods as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of not appropriating any funds until the endowment reaches \$105,000 at which time the endowment can be drawn down at \$5,000. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 11 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 | \$ 269,862 | \$ 125,251 |
| Purpose Restrictions | - | 2,380 |
| Total Temporarily Restricted Net Assets | <u>\$ 269,862</u> | <u>\$ 127,631</u> |

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 | <u>\$ 82,500</u> | <u>\$ 82,500</u> |

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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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 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 4% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$40,844 and \$45,816, 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. 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 \$261,119 and \$188,900 were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 5.3% and 4.2% of total public support. 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 December 12, 2016, the date at which the financial statements were available to be issued.