

**MAKE-A-WISH FOUNDATION®
OF THE GREATER BAY AREA**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of the Greater Bay Area
San Francisco, California

We have audited the accompanying financial statements of Make-A-Wish Foundation® of the Greater Bay Area which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 controls 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 controls. 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 Greater Bay Area as of August 31, 2016 and 2015, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
February 22, 2017

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 634,812	\$ 1,139,279
Investments	3,148,135	2,977,742
Due from Related Entities	88,044	87,716
Prepaid Expenses	130,818	63,880
Contributions Receivable, Net	282,085	204,313
Other Assets	29,662	45,515
Investments Held for Long-Term Purposes	1,176,242	979,133
Property and Equipment, Net	37,702	78,920
Total Assets	\$ 5,527,500	\$ 5,576,498
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 218,251	\$ 172,090
Accrued Pending Wish Costs (Cash)	1,252,964	1,224,147
Accrued Pending Wish Costs (In-Kind)	971,135	807,437
Deferred Rent	52,700	98,591
Total Liabilities	2,495,050	2,302,265
Net Assets		
Unrestricted	1,692,858	2,090,705
Temporarily Restricted	463,760	405,211
Permanently Restricted	875,832	778,317
Total Net Assets	3,032,450	3,274,233
Total Liabilities and Net Assets	\$ 5,527,500	\$ 5,576,498

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 6,714,616	\$ 24,993	\$ 97,515	\$ 6,837,124
Grants	117,500	-	-	117,500
Total Public Support	<u>6,832,116</u>	<u>24,993</u>	<u>97,515</u>	<u>6,954,624</u>
Internal Special Events	2,425,910	28,000	-	2,453,910
Less: Costs of Direct Benefits to Donors	<u>(1,077,391)</u>	<u>-</u>	<u>-</u>	<u>(1,077,391)</u>
Total Special Events	<u>1,348,519</u>	<u>28,000</u>	<u>-</u>	<u>1,376,519</u>
Investment Income (Loss), Net	37,809	95,439	-	133,248
Other Income	26,490	-	-	26,490
Net Assets Released from Restrictions	<u>89,883</u>	<u>(89,883)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>8,334,817</u>	<u>58,549</u>	<u>97,515</u>	<u>8,490,881</u>
EXPENSES				
Program Services:				
Wish Granting	4,357,399	-	-	4,357,399
Program-Related Support	2,249,078	-	-	2,249,078
Public Information	31,776	-	-	31,776
Total Program Services	<u>6,638,253</u>	<u>-</u>	<u>-</u>	<u>6,638,253</u>
Support Services:				
Fundraising	1,793,431	-	-	1,793,431
Management and General	300,980	-	-	300,980
Total Support Services	<u>2,094,411</u>	<u>-</u>	<u>-</u>	<u>2,094,411</u>
Total Expenses and Losses	<u>8,732,664</u>	<u>-</u>	<u>-</u>	<u>8,732,664</u>
Change in Net Assets	(397,847)	58,549	97,515	(241,783)
Net Assets - Beginning of Year	<u>2,090,705</u>	<u>405,211</u>	<u>778,317</u>	<u>3,274,233</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,692,858</u></u>	<u><u>\$ 463,760</u></u>	<u><u>\$ 875,832</u></u>	<u><u>\$ 3,032,450</u></u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
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	\$ 6,566,504	\$ 60,640	\$ 28,915	\$ 6,656,059
Grants	93,947	-	-	93,947
Total Public Support	6,660,451	60,640	28,915	6,750,006
Internal Special Events	2,369,173	76,715	-	2,445,888
Less: Costs of Direct Benefits to Donors	(1,099,792)	-	-	(1,099,792)
Total Special Events	1,269,381	76,715	-	1,346,096
Investment Loss, Net	(75,272)	(55,176)	-	(130,448)
Other Income	25,950	-	-	25,950
Net Assets Released from Restrictions	171,365	(171,365)	-	-
Total Revenues, Gains, and Other Support	8,051,875	(89,186)	28,915	7,991,604
EXPENSES				
Program Services:				
Wish Granting	3,717,172	-	-	3,717,172
Program-Related Support	2,156,125	-	-	2,156,125
Public Information	19,090	-	-	19,090
Total Program Services	5,892,387	-	-	5,892,387
Support Services:				
Fundraising	1,633,148	-	-	1,633,148
Management and General	324,485	-	-	324,485
Total Support Services	1,957,633	-	-	1,957,633
Total Expenses and Losses	7,850,020	-	-	7,850,020
Change in Net Assets	201,855	(89,186)	28,915	141,584
Net Assets - Beginning of Year	1,888,850	494,397	749,402	3,132,649
NET ASSETS - END OF YEAR	\$ 2,090,705	\$ 405,211	\$ 778,317	\$ 3,274,233

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (241,783)	\$ 141,584
Adjustments to reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	41,217	53,678
Contributions Restricted for Long-Term Investment	(97,515)	(62,988)
Net Realized and Unrealized (Gains) Losses on Investments	(4,733)	269,487
Contributed Investments	(54,392)	(54,994)
Changes in Assets and Liabilities:		
Contributions Receivable	(77,772)	33,224
Due from Related Entities	(328)	(5,444)
Prepaid Expenses	(66,938)	(8,370)
Other Assets	15,853	14,217
Accounts Payable and Accrued Expenses	46,161	40,368
Accrued Pending Wish Costs	192,515	38,530
Due to Related Entities	-	(53,700)
Deferred Rent	(45,891)	(37,934)
Net Cash Provided (Used) by Operating Activities	(293,606)	367,658
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,424,260)	(1,410,710)
Proceeds from Sales of Investments	1,115,884	1,141,466
Net Cash Used by Investing Activities	(308,376)	(269,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	97,515	62,988
Net Cash Provided by Financing Activities	97,515	62,988
Net (Decrease) Increase in Cash and Cash Equivalents	(504,467)	161,402
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,139,279	977,877
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 634,812	\$ 1,139,279

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services			Support Services			Total	
	Wish Granting	Program-Related Support	Public Information	Total Program Services	Fundraising	Management and General		Total Support Services
Direct Costs of Wishes	\$ 4,354,044	\$ -	\$ -	\$ 4,354,044	\$ -	\$ -	\$ -	\$ 4,354,044
Salaries, Taxes, and Benefits	-	1,513,802	-	1,513,802	737,466	205,220	942,686	2,456,488
Printing, Subscriptions, and Publications	-	7,908	17,964	25,872	273,600	2,099	275,699	301,571
Professional Fees	-	153,615	6,108	159,723	228,042	18,444	246,486	406,209
Rent and Utilities	-	160,089	-	160,089	84,841	15,042	99,883	259,972
Postage and Delivery	135	13,213	1,004	14,352	103,066	1,535	104,601	118,953
Travel	37	11,647	198	11,882	19,565	10,304	29,869	41,751
Meetings and Conferences	1,425	6,503	207	8,135	56,399	3,869	60,268	68,403
Office Supplies	1,301	11,791	56	13,148	18,627	1,413	20,040	33,188
Communications	122	14,711	(21)	14,812	9,257	1,804	11,061	25,873
Advertising and Media (Cash)	-	10,263	3,060	13,323	-	-	-	13,323
Advertising and Media (In-Kind)	-	-	3,200	3,200	89,029	-	89,029	92,229
Repairs and Maintenance	335	37,905	-	38,240	19,284	4,549	23,833	62,073
Insurance	-	6,038	-	6,038	3,041	724	3,765	9,803
Membership Dues	-	-	-	-	336	80	416	416
National Partnership Dues	-	213,766	-	213,766	31,077	26,049	57,126	270,892
Miscellaneous	-	62,454	-	62,454	107,001	6,804	113,805	176,259
Depreciation and Amortization	-	25,373	-	25,373	12,800	3,044	15,844	41,217
	<u>\$ 4,357,399</u>	<u>\$ 2,249,078</u>	<u>\$ 31,776</u>	<u>\$ 6,638,253</u>	<u>\$ 1,793,431</u>	<u>\$ 300,980</u>	<u>\$ 2,094,411</u>	<u>\$ 8,732,664</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services			Support Services			Total	
	Wish Granting	Program-Related Support	Public Information	Total Program Services	Fundraising	Management and General		Total Support Services
Direct Costs of Wishes	\$ 3,710,963	\$ -	\$ -	\$ 3,710,963	\$ -	\$ -	\$ -	\$ 3,710,963
Salaries, Taxes, and Benefits	-	1,533,637	-	1,533,637	722,623	216,396	939,019	2,472,656
Printing, Subscriptions, and Publications	-	23,146	10,753	33,899	282,421	2,633	285,054	318,953
Professional Fees	-	36,396	6,857	43,253	147,470	4,387	151,857	195,110
Rent and Utilities	-	180,565	-	180,565	83,449	27,156	110,605	291,170
Postage and Delivery	6,121	13,889	943	20,953	101,596	1,616	103,212	124,165
Travel	-	9,862	288	10,150	22,627	14,132	36,759	46,909
Meetings and Conferences	-	5,413	125	5,538	35,805	9,776	45,581	51,119
Office Supplies	-	18,682	124	18,806	18,373	2,281	20,654	39,460
Communications	88	15,465	-	15,553	10,028	1,915	11,943	27,496
Advertising and Media (In-Kind)	-	-	-	-	53,237	-	53,237	53,237
Repairs and Maintenance	-	33,819	-	33,819	17,170	4,225	21,395	55,214
Insurance	-	6,384	-	6,384	3,085	826	3,911	10,295
Membership Dues	-	770	-	770	332	81	413	1,183
National Partnership Dues	-	195,589	-	195,589	39,275	26,839	66,114	261,703
Miscellaneous	-	49,265	-	49,265	72,809	6,301	79,110	128,375
Depreciation and Amortization	-	33,243	-	33,243	16,136	4,299	20,435	53,678
	<u>\$ 3,717,172</u>	<u>\$ 2,156,125</u>	<u>\$ 19,090</u>	<u>\$ 5,892,387</u>	<u>\$ 1,633,148</u>	<u>\$ 324,485</u>	<u>\$ 1,957,633</u>	<u>\$ 7,850,020</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of the Greater Bay Area (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 fund raising for the benefit of all local chapters. To be a Make-A-Wish chapter, 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 \$247,789 and \$383,634, respectively, of money market mutual funds.

Investments

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

Contributions Receivable

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

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
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 once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to forty years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. 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 GREATER BAY AREA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$52,700 and \$98,591 at August 31, 2016 and 2015, respectively.

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 GREATER BAY AREA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

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

	Support Services			2016 Total
	Program	Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 1,732,141	\$ -	\$ -	\$ 1,732,141
Advertising and Media	3,200	89,029	-	92,229
Total Program and Supported Service Expenses	1,735,341	89,029	-	1,824,370
Direct Benefit Expenses, Netted with Special Event Revenue	-	-	-	443,156
Total	<u>\$ 1,735,341</u>	<u>\$ 89,029</u>	<u>\$ -</u>	2,267,526
Investments (Asset)				54,392
Total				<u>\$ 2,321,918</u>

	Support Services			2015 Total
	Program	Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 1,448,793	\$ -	\$ -	\$ 1,448,793
Professional Services	22,855	-	-	22,855
Advertising and Media	-	53,237	-	53,237
Total Program and Supported Service Expenses	1,471,648	53,237	-	1,524,885
Direct Benefit Expenses, Netted with Special Event Revenue	-	-	-	488,580
Total	<u>\$ 1,471,648</u>	<u>\$ 53,237</u>	<u>\$ -</u>	2,013,465
Investments (Asset)				54,994
Total				<u>\$ 2,068,459</u>

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

Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service, 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 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. In-kind advertising costs totaled \$92,229 and \$53,237 for the years ended August 31, 2016 and 2015, respectively.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and California taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 65 of the California Revised Statutes. 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 five functions: wish granting, program-related support, 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.

Program-Related Support

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

Public Information

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

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the 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.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Management and General (Continued)

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

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments and contributions receivable, 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 2015 financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets or changes in net assets.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

The fair values of the financial instruments shown in the following tables as of August 31, 2016 and 2015 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
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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:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 236,455	\$ -	\$ -	\$ 236,455
International Equity	265,998	-	-	265,998
Bonds	1,363,270	-	-	1,363,270
Exchange-Traded Funds:				
Domestic Equity	798,308	-	-	798,308
Real Estate	202,407	-	-	202,407
Equity Securities:				
U.S. Corporate				
Equity Securities	-	1,457,939	-	1,457,939
Total	<u>\$ 2,866,438</u>	<u>\$ 1,457,939</u>	<u>\$ -</u>	<u>\$ 4,324,377</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:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 516,121	\$ -	\$ -	\$ 516,121
International Equity	287,288	-	-	287,288
Asset Allocation	170,100	-	-	170,100
Bonds	1,175,940	-	-	1,175,940
Exchange-Traded Funds:				
Real Estate	115,857	-	-	115,857
Domestic Equity	600,684	-	-	600,684
Debt Securities:				
Corporate	-	1,090,885	-	1,090,885
Total	<u>\$ 2,865,990</u>	<u>\$ 1,090,885</u>	<u>\$ -</u>	<u>\$ 3,956,875</u>

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

	<u>2016</u>	<u>2015</u>
Interest and Dividend Income	\$ 180,398	\$ 177,269
Realized and Unrealized Gain (Loss), Net	4,733	(269,487)
Less Investment Expenses	(51,883)	(38,230)
Investment Income (Loss), Net	<u>\$ 133,248</u>	<u>\$ (130,448)</u>

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NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that are due within the next twelve months and within two to five years. A present value allowance has not been made as the amount would be immaterial. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2016 and 2015. The following is a summary of the Foundation's contributions receivable at August 31:

	2016	2015
Total Amounts Due in:		
One Year	\$ 276,365	\$ 204,313
Two to Five Years	5,720	-
Contributions Receivable, Net	\$ 282,085	\$ 204,313

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2016 and 2015, the Foundation received \$1,204,004 and \$1,293,935, respectively, from these national revenue streams.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation® of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$306,297 and \$261,703 were paid from the Foundation.

Amounts due from and to related entities are as follows:

	2016	2015
Balance at August 31:		
Due from National Organization	\$ 75,022	\$ 79,469
Due from Other Chapters	13,022	8,247
Total Due from Related Entities	\$ 88,044	\$ 87,716

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 \$172,656 and \$288,727, respectively.

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NOTE 6 PROPERTY AND EQUIPMENT

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

	2016	2015
Computer Equipment and Software	\$ 42,893	\$ 42,893
Office Furniture	19,003	19,003
Other Equipment	64,017	64,017
Leasehold Improvements	214,088	214,088
Total	340,001	340,001
Less: Accumulated Depreciation and Amortization	(302,299)	(261,081)
Property and Equipment, Net	\$ 37,702	\$ 78,920

Depreciation and amortization expense totaled \$41,217 and \$53,678 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.

Estimated cash and in-kind costs owed as of year end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability includes the estimated in-kind outlay that is expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services are received. Although not fully guaranteed, if all the related expected in-kind revenue was recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2016 would be \$2,573,563.

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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 244 and 218 reportable pending wishes, respectively.

NOTE 8 LEASES

The Foundation is obligated under operating leases for its office in San Francisco along with various office equipment. The office lease agreement runs through August 31, 2017 with remaining monthly rental payments of \$21,221. The office equipment leases have various expiration dates from January 2018 to March 2021 with minimum monthly rental payments of \$824. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$276,829 and \$268,144, 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>Amount</u>
2017	\$ 272,335
2018	9,069
2019	7,624
2020	2,844
2021	1,896
Total Minimum Lease Payments	<u>\$ 293,768</u>

NOTE 9 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 donor-restricted endowment. Net assets associated with endowment funds, 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.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 9 ENDOWMENTS (CONTINUED)

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

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

		2016			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-Restricted Endowment Funds	\$ -	\$ 306,130	\$ 870,112	\$ 1,176,242
	Total Funds	\$ -	\$ 306,130	\$ 870,112	\$ 1,176,242
		2015			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-Restricted Endowment Funds	\$ -	\$ 210,691	\$ 768,442	\$ 979,133
	Total Funds	\$ -	\$ 210,691	\$ 768,442	\$ 979,133

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 ENDOWMENTS (CONTINUED)

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

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 210,691	\$ 768,442	\$ 979,133
Investment Return:				
Investment Income	-	37,157	-	37,157
Net Appreciation (Realized and Unrealized)	-	58,282	-	58,282
Total Investment Return	-	95,439	-	95,439
Contributions	-	-	97,515	97,515
Collection of Pledge Receivable	-	-	4,155	4,155
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 306,130</u>	<u>\$ 870,112</u>	<u>\$ 1,176,242</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 265,867	\$ 705,454	\$ 971,321
Investment Return:				
Investment Income	-	32,973	-	32,973
Net Depreciation (Realized and Unrealized)	-	(88,149)	-	(88,149)
Total Investment Return	-	(55,176)	-	(55,176)
Contributions	-	-	28,915	28,915
Collection of Pledge Receivable	-	-	34,073	34,073
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 210,691</u>	<u>\$ 768,442</u>	<u>\$ 979,133</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	\$ 870,112	\$ 768,442
Pledges Receivable	5,720	9,875
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 875,832</u>	<u>\$ 778,317</u>
Temporarily Restricted Net Assets:		
Term Endowment Funds	\$ 306,130	\$ 210,691
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$ 306,130</u>	<u>\$ 210,691</u>

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
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NOTE 9 ENDOWMENTS (CONTINUED)

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. In accordance with GAAP, no deficiencies of this nature are reported in unrestricted net assets as of August 31, 2016 and 2015.

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 period(s) 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 7% 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 appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. 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 5% 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.

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NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Time Restrictions	\$ 157,630	\$ 194,520
Purpose Restrictions	306,130	210,691
Total Temporarily Restricted Net Assets	<u>\$ 463,760</u>	<u>\$ 405,211</u>

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

	<u>2016</u>	<u>2015</u>
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	<u>\$ 875,832</u>	<u>\$ 778,317</u>

NOTE 11 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of 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 \$75,090 and \$75,685, respectively.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of \$250,000. 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 \$441,270 and \$428,217, were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 6.3% and 6.3%, respectively, of total public support.

MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 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.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 22, 2017, the date at which the financial statements were available to be issued.