

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

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2017 AND 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA  
TABLE OF CONTENTS  
YEARS ENDED AUGUST 31, 2017 AND 2016**

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



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of the Greater Bay Area  
Oakland, 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, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2017 and 2016, 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 8, 2018

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 559,399	\$ 634,812
Investments	3,262,158	3,148,135
Due from Related Entities	89,783	88,044
Prepaid Expenses	65,786	130,818
Contributions Receivable, Net	234,687	282,085
Other Assets	9,997	29,662
Investments Held for Long-Term Purposes	1,329,035	1,176,242
Property and Equipment, Net	141,531	37,702
Total Assets	\$ 5,692,376	\$ 5,527,500
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable and Accrued Expenses	\$ 249,309	\$ 218,251
Accrued Pending Wish Costs - Cash	1,810,346	1,252,964
Accrued Pending Wish Costs - In-Kind	1,293,336	971,135
Deferred Rent	42,337	52,700
Total Liabilities	3,395,328	2,495,050
Net Assets		
Unrestricted	795,181	1,692,858
Temporarily Restricted	615,820	463,760
Permanently Restricted	886,047	875,832
Total Net Assets	2,297,048	3,032,450
Total Liabilities and Net Assets	\$ 5,692,376	\$ 5,527,500

*See accompanying Notes to Financial Statements.*

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Public Support:				
Contributions, Net of Write-Offs	\$ 6,945,673	\$ 252,904	\$ 10,215	\$ 7,208,792
Grants	101,195	-	-	101,195
Total Public Support	<u>7,046,868</u>	<u>252,904</u>	<u>10,215</u>	<u>7,309,987</u>
Internal Special Events	2,431,495	-	-	2,431,495
Less Costs of Direct Benefits to Donors	<u>(1,095,171)</u>	<u>-</u>	<u>-</u>	<u>(1,095,171)</u>
Total Special Events	<u>1,336,324</u>	<u>-</u>	<u>-</u>	<u>1,336,324</u>
Investment Income, Net	147,567	140,627	-	288,194
Other Income	36,588	-	-	36,588
Net Assets Released from Restrictions	<u>241,471</u>	<u>(241,471)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>8,808,818</u>	<u>152,060</u>	<u>10,215</u>	<u>8,971,093</u>
<b>EXPENSES</b>				
Program Services:				
Wish Granting	5,116,732	-	-	5,116,732
Program-Related Support	2,330,014	-	-	2,330,014
Public Information	56,744	-	-	56,744
Total Program Services	<u>7,503,490</u>	<u>-</u>	<u>-</u>	<u>7,503,490</u>
Support Services:				
Fundraising	1,870,504	-	-	1,870,504
Management and General	332,501	-	-	332,501
Total Support Services	<u>2,203,005</u>	<u>-</u>	<u>-</u>	<u>2,203,005</u>
Total Expenses and Losses	<u>9,706,495</u>	<u>-</u>	<u>-</u>	<u>9,706,495</u>
Change in Net Assets	(897,677)	152,060	10,215	(735,402)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,692,858</u>	<u>463,760</u>	<u>875,832</u>	<u>3,032,450</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 795,181</u>	<u>\$ 615,820</u>	<u>\$ 886,047</u>	<u>\$ 2,297,048</u>

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
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
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 Gain, 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>
<b>EXPENSES</b>				
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)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,090,705</u>	<u>405,211</u>	<u>778,317</u>	<u>3,274,233</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,692,858</u>	<u>\$ 463,760</u>	<u>\$ 875,832</u>	<u>\$ 3,032,450</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (735,402)	\$ (241,783)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	34,338	41,217
Contributions Restricted for Long-Term Investment	(10,215)	(97,515)
Net Realized and Unrealized Gains on Investments	(126,941)	(4,733)
Loss on Sale of Property and Equipment	5,564	-
Changes in Assets and Liabilities:		
Contributions Receivable	47,398	(77,772)
Due from Related Entities	(1,739)	(328)
Prepaid Expenses	65,032	(66,938)
Other Assets	19,665	15,853
Accounts Payable and Accrued Expenses	31,058	46,161
Accrued Pending Wish Costs	879,583	192,515
Deferred Rent	(10,363)	(45,891)
Net Cash Provided by (Used in) Operating Activities	197,978	(239,214)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,267,317)	(1,424,260)
Proceeds from Sales of Investments	1,127,442	1,061,492
Purchases of Property and Equipment	(143,731)	-
Net Cash Used in Investing Activities	(283,606)	(362,768)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Investment	10,215	97,515
Net Cash Provided by Financing Activities	10,215	97,515
 Net Decrease in Cash and Cash Equivalents	(75,413)	(504,467)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	634,812	1,139,279
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 559,399	\$ 634,812

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2017**

	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	\$ 5,116,732	\$ -	\$ -	\$ 5,116,732	\$ -	\$ -	\$ -	\$ 5,116,732
Salaries, Taxes, and Benefits	-	1,626,658	-	1,626,658	786,752	226,189	1,012,941	2,639,599
Printing, Subscriptions, and Publications	-	6,917	15,849	22,766	251,594	2,490	254,084	276,850
Professional Fees	-	126,740	5,704	132,444	248,326	20,657	268,983	401,427
Rent and Utilities	-	198,023	-	198,023	95,766	27,573	123,339	321,362
Postage and Delivery	-	11,424	2,246	13,670	124,331	1,484	125,815	139,485
Travel	-	20,150	488	20,638	22,539	5,539	28,078	48,716
Meetings and Conferences	-	8,585	205	8,790	41,800	3,150	44,950	53,740
Office Supplies	-	25,109	295	25,404	21,206	5,607	26,813	52,217
Communications	-	17,159	-	17,159	10,547	2,507	13,054	30,213
Advertising and Media (Cash)	-	12,923	8,157	21,080	-	-	-	21,080
Advertising and Media (In-Kind)	-	-	23,800	23,800	50,941	-	50,941	74,741
Repairs and Maintenance	-	46,558	-	46,558	27,949	6,488	34,437	80,995
Insurance	-	5,969	-	5,969	2,887	831	3,718	9,687
Membership Dues	-	-	-	-	1,515	253	1,768	1,768
National Partnership Dues	-	159,332	-	159,332	77,054	22,185	99,239	258,571
Miscellaneous	-	43,308	-	43,308	97,064	4,602	101,666	144,974
Depreciation and Amortization	-	21,159	-	21,159	10,233	2,946	13,179	34,338
Investment Expenses	-	-	-	-	-	590	590	590
Special Event Expenses	-	-	-	-	1,095,171	-	1,095,171	1,095,171
	<u>5,116,732</u>	<u>2,330,014</u>	<u>56,744</u>	<u>7,503,490</u>	<u>2,965,675</u>	<u>333,091</u>	<u>3,298,766</u>	<u>10,802,256</u>
Less Expenses Netted Against Revenues on the Statement of Activities:								
Investment Expenses	-	-	-	-	-	(590)	(590)	(590)
Special Event Expenses	-	-	-	-	(1,095,171)	-	(1,095,171)	(1,095,171)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 5,116,732</u>	<u>\$ 2,330,014</u>	<u>\$ 56,744</u>	<u>\$ 7,503,490</u>	<u>\$ 1,870,504</u>	<u>\$ 332,501</u>	<u>\$ 2,203,005</u>	<u>\$ 9,706,495</u>

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
Investment Expenses	-	-	-	-	-	51,883	51,883	51,883
Special Event Expenses	-	-	-	-	1,077,391	-	1,077,391	1,077,391
	<u>4,357,399</u>	<u>2,249,078</u>	<u>31,776</u>	<u>6,638,253</u>	<u>2,870,822</u>	<u>352,863</u>	<u>3,223,685</u>	<u>9,861,938</u>
Less Expenses Netted Against Revenues on the Statement of Activities:								
Investment Expenses	-	-	-	-	-	(51,883)	(51,883)	(51,883)
Special Event Expenses	-	-	-	-	(1,077,391)	-	(1,077,391)	(1,077,391)
Total Expenses Included in the Expense Section of the Statement of Activities	<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**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**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 fundraising 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, 2017 and 2016 is \$52,140 and \$247,789, 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, 2017 AND 2016**

**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 lives 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, 2017 AND 2016**

**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 \$42,337 and \$52,700 at August 31, 2017 and 2016, 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 contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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

**In-Kind Contributions**

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

		August 31, 2017			
		Program	Fundraising	Management and General	Total
Wish Related		\$ 1,795,324	\$ -	\$ -	\$ 1,795,324
Advertising and Media		23,800	50,941	-	74,741
		<u>\$ 1,819,124</u>	<u>\$ 50,941</u>	<u>\$ -</u>	1,870,065
Special Events					449,877
Total					<u>\$ 2,319,942</u>
		August 31, 2016			
		Program	Fundraising	Management and General	Total
Wish Related		\$ 1,732,141	\$ -	\$ -	\$ 1,732,141
Advertising and Media		3,200	89,029	-	92,229
		<u>\$ 1,735,341</u>	<u>\$ 89,029</u>	<u>\$ -</u>	1,824,370
Special Events					443,156
Total					<u>\$ 2,267,526</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. Donated 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. Advertising costs totaled \$95,821 and \$105,552 for the years ended August 31, 2017 and 2016, respectively.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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

**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, 2017 and 2016, 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, 2017 AND 2016**

**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 in-kind contributions receivable, accrued pending wish costs, net of attrition on pending wish costs, and the functional allocation of expenses.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying 2016 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, 2017 and 2016 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.



**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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

**Fair Value Hierarchy**

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2017:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 142,482	\$ -	\$ -	\$ 142,482
International Equity	368,568	-	-	368,568
Bonds	1,507,163	-	-	1,507,163
Exchange-Traded Funds:				
Domestic Equity	1,059,080	-	-	1,059,080
Real Estate	177,745	-	-	177,745
Equity Securities:				
U.S. Corporate	1,336,155	-	-	1,336,155
Total	<u>\$ 4,591,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,591,193</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, 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:				
Real Estate	202,407	-	-	202,407
Domestic Equity	798,308	-	-	798,308
Debt Securities:				
Corporate	1,457,939	-	-	1,457,939
Total	<u>\$ 4,324,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,324,377</u>

Total investment income, gains, losses for the years ended August 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividend Income	\$ 161,843	\$ 180,398
Realized and Unrealized Gain, Net	126,941	4,733
Less Investment Expenses	(590)	(51,883)
Investment Income, Net	<u>\$ 288,194</u>	<u>\$ 133,248</u>

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**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, 2017 and 2016. The following is a summary of the Foundation's contributions receivable at August 31:

	<u>2017</u>	<u>2016</u>
Total Amounts Due in:		
One Year	\$ 230,918	\$ 276,365
Two to Five Years	3,769	5,720
Contributions Receivable, Net	<u>\$ 234,687</u>	<u>\$ 282,085</u>

**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, 2017 and 2016, the Foundation received \$1,248,872 and \$1,236,048, respectively, from these national revenue streams.

Conversely, the Foundation pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation® of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$302,174 and \$306,297 were paid from the Foundation.

Amounts due from and to related entities are as follows:

	<u>2017</u>	<u>2016</u>
Balance at August 31:		
Due from National Organization	\$ 69,351	\$ 75,022
Due from Other Chapters	20,432	13,022
Total Due from Related Entities	<u>\$ 89,783</u>	<u>\$ 88,044</u>
Due to National Organization	<u>\$ 3,563</u>	<u>\$ -</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. Amounts due to the National Organization generally represent unpaid chapter dues and services.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 6 PROPERTY AND EQUIPMENT**

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

	2017	2016
Computer Equipment and Software	\$ 87,296	\$ 42,893
Office Furniture	99,327	19,003
Other Equipment	64,017	64,017
Leasehold Improvements	-	214,088
Total	250,640	340,001
Less: Accumulated Depreciation and Amortization	(109,109)	(302,299)
Property and Equipment, Net	\$ 141,531	\$ 37,702

Depreciation and amortization expense totaled \$34,338 and \$41,217 for the years ended August 31, 2017 and 2016, 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 are accrued as pending wish liability at year-end for all reportable pending wishes. The in-kind portion of the pending wish liability includes the estimated in-kind expenses that are expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2017 would be increased by \$955,210, resulting in adjusted net assets of \$3,352,258.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**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, 2017 and 2016, the Foundation had 405 and 244 reportable pending wishes, respectively.

**NOTE 8 LEASES**

The Foundation is obligated under operating leases for its office in Oakland along with various office equipment. The office lease agreement runs through July 30, 2024 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 (including common area maintenance expenses) for all operating leases totaled \$333,687 and \$276,829 for the years ended August 31, 2017 and 2016, 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>	
2018	\$ 418,869
2019	512,078
2020	521,976
2021	535,800
2022	549,805
Thereafter	1,097,184
Total Minimum Lease Payments	<u><u>\$ 3,635,712</u></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, 2017 AND 2016**

**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, 2017 and 2016 is as follows:

		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-Restricted Endowment Funds	\$ -	\$ 446,757	\$ 882,278	\$ 1,329,035
	Total Funds	\$ -	\$ 446,757	\$ 882,278	\$ 1,329,035
		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

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 9 ENDOWMENTS (CONTINUED)**

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 306,130	\$ 870,112	\$ 1,176,242
Investment Return:				
Investment Income	-	28,727	-	28,727
Net Appreciation (Realized and Unrealized)	-	111,900	-	111,900
Total Investment Return	-	140,627	-	140,627
Contributions	-	-	10,215	10,215
Collection of Pledge Receivable	-	-	1,951	1,951
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 446,757</u>	<u>\$ 882,278</u>	<u>\$ 1,329,035</u>
	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 Depreciation (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>

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

	2017	2016
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	\$ 882,278	\$ 870,112
Pledges Receivable	3,769	5,720
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 886,047</u>	<u>\$ 875,832</u>
Temporarily Restricted Net Assets:		
Term Endowment Funds	\$ 446,757	\$ 306,130
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$ 446,757</u>	<u>\$ 306,130</u>

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**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, 2017 and 2016.

**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.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

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

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

	<u>2017</u>	<u>2016</u>
Time Restrictions	\$ 169,063	\$ 157,630
Purpose Restrictions	446,757	306,130
Total Temporarily Restricted Net Assets	<u>\$ 615,820</u>	<u>\$ 463,760</u>

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

	<u>2017</u>	<u>2016</u>
Investments in Perpetuity, the Income from which is Expendable to Support any Activities of the Foundation	<u>\$ 886,047</u>	<u>\$ 875,832</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, 2017 and 2016 were \$79,105 and \$75,090, 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 \$358,685 and \$441,270, were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 4.9% and 6.3%, respectively, of total public support.



**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**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 8, 2018, the date at which the financial statements were available to be issued.