

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

**MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation of San Diego, Inc.
Phoenix, Arizona

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Make-A-Wish Foundation of San Diego, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation of San Diego, Inc. 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
January 13, 2017

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 153,168	\$ 442,021
Investments	4,732,510	4,789,331
Due from Related Entities	69,810	56,657
Prepaid Expenses	47,314	44,936
Contributions Receivable, Net	370,707	423,323
Other Assets	190	23,540
Property and Equipment, Net	23,465	18,162
Beneficial Interest in Assets Held by Others	135,207	133,857
Total Assets	\$ 5,532,371	\$ 5,931,827
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 218,012	\$ 263,339
Accrued Pending Wish Costs - Cash	541,689	484,013
Accrued Pending Wish Costs - In-kinds	316,770	198,353
Due to Related Entities	51,434	11,508
Other Liabilities	25,028	3,966
Total Liabilities	1,152,933	961,179
NET ASSETS		
Unrestricted	4,104,920	4,688,509
Temporarily Restricted	274,518	282,139
Total Net Assets	4,379,438	4,970,648
Total Liabilities and Net Assets	\$ 5,532,371	\$ 5,931,827

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
(WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2015 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,131,342	\$ 89,518	\$ 3,220,860	\$ 2,780,147
Grants	138,245	-	138,245	334,065
Total Public Support	<u>3,269,587</u>	<u>89,518</u>	<u>3,359,105</u>	<u>3,114,212</u>
Internal Special Events	769,410	35,000	804,410	856,122
Less Costs of Direct Benefits to Donors	<u>(174,402)</u>	<u>-</u>	<u>(174,402)</u>	<u>(176,165)</u>
Total Special Events	<u>595,008</u>	<u>35,000</u>	<u>630,008</u>	<u>679,957</u>
Investment Gain (Loss), Net	225,624	-	225,624	(340,860)
Other Income	82,976	-	82,976	75,653
Net Assets Released from Restrictions	<u>132,139</u>	<u>(132,139)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>4,305,334</u>	<u>(7,621)</u>	<u>4,297,713</u>	<u>3,528,962</u>
EXPENSES				
Program Services:				
Wish Granting	2,977,121	-	2,977,121	2,187,273
Program-Related Support	1,138,936	-	1,138,936	833,339
Total Program Services	<u>4,116,057</u>	<u>-</u>	<u>4,116,057</u>	<u>3,020,612</u>
Support Services:				
Fundraising	413,679	-	413,679	372,281
Management and General	359,187	-	359,187	375,610
Total Support Services	<u>772,866</u>	<u>-</u>	<u>772,866</u>	<u>747,891</u>
Total Program and Support Services Expense	<u>4,888,923</u>	<u>-</u>	<u>4,888,923</u>	<u>3,768,503</u>
Change in Net Assets	(583,589)	(7,621)	(591,210)	(239,541)
Net Assets, Beginning of Year	<u>4,688,509</u>	<u>282,139</u>	<u>4,970,648</u>	<u>5,210,189</u>
NET ASSETS, END OF YEAR	<u>\$ 4,104,920</u>	<u>\$ 274,518</u>	<u>\$ 4,379,438</u>	<u>\$ 4,970,648</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 2,498,008	\$ 282,139	\$ 2,780,147
Grants	334,065	-	334,065
Total Public Support	2,832,073	282,139	3,114,212
Internal Special Events	856,122	-	856,122
Less Costs of Direct Benefits to Donors	(176,165)	-	(176,165)
Total Special Events	679,957	-	679,957
Investment Loss, Net	(340,860)	-	(340,860)
Other Income	75,653	-	75,653
Net Assets Released from Restrictions	103,265	(103,265)	-
Total Revenues, Gains, and Other Support	3,350,088	178,874	3,528,962
EXPENSES			
Program Services:			
Wish Granting	2,187,273	-	2,187,273
Program-Related Support	833,339	-	833,339
Total Program Services	3,020,612	-	3,020,612
Support Services:			
Fundraising	372,281	-	372,281
Management and General	375,610	-	375,610
Total Support Services	747,891	-	747,891
Total Program and Support Services Expense	3,768,503	-	3,768,503
Change in Net Assets	(418,415)	178,874	(239,541)
Net Assets, Beginning of Year	5,106,924	103,265	5,210,189
NET ASSETS, END OF YEAR	\$ 4,688,509	\$ 282,139	\$ 4,970,648

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (591,210)	\$ (239,541)
Adjustments to reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization	10,946	21,040
Bad Debts and Other	2,113	-
Net Realized and Unrealized (Gains) Losses on Investments	(101,495)	483,035
Changes in Assets and Liabilities:		
Contributions Receivable	50,503	(296,286)
Due from Related Entities	(13,153)	7,192
Prepaid Expenses	(2,378)	(9,589)
Other Assets	23,350	(21,307)
Accounts Payable and Accrued Expenses	(45,327)	42,400
Accrued Pending Wish Costs	176,093	42,981
Due to Related Entities	39,926	3,765
Other Liabilities	21,062	(12,212)
Net Cash Provided (Used) by Operating Activities	(429,570)	21,478
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,915,969)	(3,818,403)
Proceeds from Sales of Investments	2,066,839	3,944,572
Purchases of Property and Equipment	(16,249)	(5,721)
Proceeds from Assets Held at Community Foundation	6,096	6,072
Net Cash Provided by Investing Activities	140,717	126,520
 Net Increase (Decrease) in Cash and Cash Equivalents	(288,853)	147,998
 Cash and Cash Equivalents, Beginning of Year	442,021	294,023
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 153,168	\$ 442,021

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services			Support Services			
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	Total
Direct Costs of Wishes	\$ 2,927,121	\$ -	\$ 2,927,121	\$ -	\$ -	\$ -	\$ 2,927,121
Salaries, Taxes, and Benefits	-	827,747	827,747	220,734	279,677	500,411	1,328,158
Printing, Subscriptions, and Publications	-	7,521	7,521	12,498	48	12,546	20,067
Professional Fees	-	5,914	5,914	12,347	12,334	24,681	30,595
Rent and Utilities	-	78,753	78,753	25,899	23,124	49,023	127,776
Postage and Delivery	-	7,447	7,447	7,377	1,335	8,712	16,159
Travel	-	7,911	7,911	12,088	3,088	15,176	23,087
Meetings and Conferences	-	22,144	22,144	51,807	2,890	54,697	76,841
Office Supplies	-	20,941	20,941	5,336	5,042	10,378	31,319
Communications	-	5,654	5,654	4,536	2,145	6,681	12,335
Repairs and Maintenance	-	15,810	15,810	10,085	6,122	16,207	32,017
Insurance	-	5,776	5,776	1,762	1,826	3,588	9,364
Bad Debt Expense	-	-	-	-	2,113	2,113	2,113
Membership Dues	-	2,928	2,928	3,351	1,076	4,427	7,355
Grants and Scholarships	50,000	-	50,000	-	-	-	50,000
Volunteer Training	-	18,056	18,056	-	-	-	18,056
National Partnership Dues	-	103,082	103,082	12,885	12,885	25,770	128,852
Miscellaneous	-	2,482	2,482	31,086	3,194	34,280	36,762
Depreciation and Amortization	-	6,770	6,770	1,888	2,288	4,176	10,946
	<u>\$ 2,977,121</u>	<u>\$ 1,138,936</u>	<u>\$ 4,116,057</u>	<u>\$ 413,679</u>	<u>\$ 359,187</u>	<u>\$ 772,866</u>	<u>\$ 4,888,923</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services			Support Services			
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	Total
Direct Costs of Wishes	\$ 2,087,273	\$ -	\$ 2,087,273	\$ -	\$ -	\$ -	\$ 2,087,273
Salaries, Taxes, and Benefits	-	593,643	593,643	212,213	279,403	491,616	1,085,259
Printing, Subscriptions, and Publications	-	14,619	14,619	8,130	244	8,374	22,993
Professional Fees	-	4,137	4,137	4,529	12,821	17,350	21,487
Rent and Utilities	-	59,763	59,763	18,887	24,443	43,330	103,093
Postage and Delivery	-	8,699	8,699	5,159	1,435	6,594	15,293
Travel	-	9,879	9,879	8,481	4,083	12,564	22,443
Meetings and Conferences	-	6,386	6,386	48,321	3,059	51,380	57,766
Office Supplies	-	18,471	18,471	4,266	3,069	7,335	25,806
Communications	-	6,683	6,683	3,625	2,091	5,716	12,399
Repairs and Maintenance	-	10,275	10,275	3,548	7,457	11,005	21,280
Insurance	-	5,050	5,050	1,506	2,012	3,518	8,568
Membership Dues	-	2,630	2,630	5,041	1,259	6,300	8,930
Grants and Scholarships	100,000	-	100,000	-	-	-	100,000
Volunteer Training	-	15,291	15,291	-	-	-	15,291
National Partnership Dues	-	63,581	63,581	20,435	26,025	46,460	110,041
Miscellaneous	-	2,075	2,075	24,233	3,233	27,466	29,541
Depreciation and Amortization	-	12,157	12,157	3,907	4,976	8,883	21,040
	<u>\$ 2,187,273</u>	<u>\$ 833,339</u>	<u>\$ 3,020,612</u>	<u>\$ 372,281</u>	<u>\$ 375,610</u>	<u>\$ 747,891</u>	<u>\$ 3,768,503</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 ORGANIZATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law. Certain investments are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

Contributions Receivable

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

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a useful life of more than one year are capitalized at cost when purchased with no minimum threshold. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset is placed into service. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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 SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

See additional information in Note 3.

The Foundation adopted the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

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 SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Program	Support Services		2016 Total
		Fundraising	Management and General	
Program - Wish Granting				
Wish Related	\$ 664,350	\$ -	\$ -	\$ 664,350
Professional Services	404,308	-	-	404,308
Other	8,555	-	-	8,555
Professional Services	-	-	9,132	9,132
Total Program and Supported Services Expenses	1,077,213	-	9,132	1,086,345
Direct Benefit Expenses, Netted with Special Event Revenue	-	322,051	-	322,051
Total	<u>\$ 1,077,213</u>	<u>\$ 322,051</u>	<u>\$ 9,132</u>	<u>1,408,396</u>
Property and Equipment (Capitalized) Total				<u>1,995</u> <u>\$ 1,410,391</u>

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

	Program	Support Services		2015 Total
		Fundraising	Management and General	
Program - Wish Granting				
Wish Related	\$ 498,023	\$ -	\$ -	\$ 498,023
Professional Services	324,238	-	8,032	332,270
Total Program and Supported Services Expenses	822,261	-	8,032	830,293
Direct Benefit Expenses, Netted with Special Event Revenue	-	334,444	-	334,444
Total	<u>\$ 822,261</u>	<u>\$ 334,444</u>	<u>\$ 8,032</u>	<u>\$ 1,164,737</u>

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

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue 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 \$-0- for each of the years ended August 31, 2016 and 2015, respectively.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and California income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23701d of the California Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

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

Functional Expenses

The Foundation performs six functions: wish granting, program-related support, training and development, public information, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

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

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.

Training and Development

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

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Management and General

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

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

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, 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, 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 reclassification had no impact on previously reported net assets for 2015.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

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

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

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	\$ 1,153,138	\$ -	\$ -	\$ 1,153,138
International Equity	563,272	-	-	563,272
Global	137,913	-	-	137,913
Real Estate	142,824	-	-	142,824
Asset Allocation	292,172	-	-	292,172
Commodities	201,613	-	-	201,613
Options	244,268	-	-	244,268
Bonds	436,341	-	-	436,341
Exchange-Traded Funds:				
Domestic Equity	238,802	-	-	238,802
International Equity	301,986	-	-	301,986
Bonds	451,068	-	-	451,068
Debt Securities:				
U.S. Agency	-	75,318	-	75,318
Corporate	-	474,847	-	474,847
Money Market Funds	18,948	-	-	18,948
Beneficial Interests in				
Assets Held by Others	-	-	135,207	135,207
Total	<u>\$ 4,182,345</u>	<u>\$ 550,165</u>	<u>\$ 135,207</u>	<u>\$ 4,867,717</u>

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

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

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,556,260	\$ -	\$ -	\$ 1,556,260
International Equity	235,121	-	-	235,121
Real Estate	145,965	-	-	145,965
Asset Allocation	308,565	-	-	308,565
Commodities	394,644	-	-	394,644
Options	173,909	-	-	173,909
Bonds	460,756	-	-	460,756
Exchange-Traded Funds:				
International Equity	71,702	-	-	71,702
Bonds	432,848	-	-	432,848
Debt Securities:				
U.S. Agency	-	84,187	-	84,187
Corporate	-	446,734	-	446,734
Money Market Funds	478,640	-	-	478,640
Beneficial Interests in				
Assets Held by Others	-	-	133,857	133,857
Total	<u>\$ 4,258,410</u>	<u>\$ 530,921</u>	<u>\$ 133,857</u>	<u>\$ 4,923,188</u>

For the valuation of structured notes and corporate debt securities at August 31, 2016 and 2015, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

For the valuation of beneficial interest in assets held by others at August 31, 2016 and 2015, the Foundation used significant unobservable inputs including net asset value, as practical expedient (Level 3).

Quantitative Information About Level 3 Fair Value Measurements)				
Type of Investments	Fair Value at August 31, 2016	Fair Value at August 31, 2015	Valuation Technique	Unobservable Input
Beneficial interests in assets held by others	<u>\$ 135,207</u>	<u>\$ 133,857</u>	Net Asset Value (NAV)	Percentage of annual investment return applied to outstanding account

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2016 and 2015:

	2016	2015
Beginning Balance	\$ 133,857	\$ 146,296
Transfers into Level 3	-	-
Transfer out of Level 3	-	-
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets	7,446	(6,367)
Purchases	-	-
Distributions	(6,096)	(6,072)
Ending Balance	<u>\$ 135,207</u>	<u>\$ 133,857</u>
Change in Unrealized Gains or Losses for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	<u>\$ 7,446</u>	<u>\$ (6,367)</u>

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

	2016	2015
Interest and Dividend Income	\$ 159,092	\$ 179,623
Realized and Unrealized Gains (Losses), Net	101,495	(483,035)
less Investment Expenses	(34,963)	(37,448)
Investment Income (Loss), Net	<u>\$ 225,624</u>	<u>\$ (340,860)</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include long-term pledges that have not been discounted due to the immateriality of the estimate at August 31, 2016 and 2015, respectively. The following is a summary of the Foundation's contributions receivable at August 31:

	2016	2015
Total Amounts Due in:		
One Year	\$ 270,707	\$ 208,323
Two to Five Years	100,000	215,000
Gross Contributions Receivable	<u>370,707</u>	<u>423,323</u>
Less Allowance for Doubtful Accounts	-	-
Less Discount to Present Value	-	-
Contributions Receivable, Net	<u>\$ 370,707</u>	<u>\$ 423,323</u>

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 5 SPLIT-INTEREST AGREEMENTS

Beneficial Interests in Assets Held by Others

In November 2008, the Foundation transferred \$100,000 to The San Diego Foundation (TSDF). Distributions of income earned from TSDF are to be made semiannually, in March and September, or upon request after an allocation period, in amount determined by TSDF's board of directors based on earnings as defined in the agreement, to support the mission of the Foundation. See note 3 for fair value information on beneficial interest in assets held by others.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

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

	2016	2015
Corporate, Online, Whitemail and General Contributions	\$ 601,897	\$ 633,391
Gifts and Travel Reimbursements	-	264
Other	-	6,948
Total Distributions Received	\$ 601,897	\$ 640,603

These amounts are recorded in the Statement of Activities as public support revenue.

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

	2016	2015
Partnership Dues	\$ 128,853	\$ 110,041
Other	46,202	-
Total Amounts Paid	\$ 175,055	\$ 110,041

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Chapter contributed \$50,000 and \$100,000 for the years ended August 31, 2016 and 2015, respectively.

Chapters who assist with the organization in granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$66,225 and \$71,850 for the years ended August 31, 2016 and 2015, respectively, which is recorded in the accompanying statements of activities as other income.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows:

	<u>2016</u>	<u>2015</u>
Balance at August 31:		
Due from National Organization	\$ 17,021	\$ 28,648
Due from Other Chapters	52,789	28,009
Total Due from Related Entities	<u>\$ 69,810</u>	<u>\$ 56,657</u>
Due to Other Chapters	\$ 51,434	\$ 11,508
Total Due to Related Entities	<u>\$ 51,434</u>	<u>\$ 11,508</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 and wish assist fee income receivable. 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 \$60,342 and \$63,274, respectively. There are no outstanding contribution receivables from board members as of August 31, 2016 and 2015.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2016</u>	<u>2015</u>
Computer Equipment and Software	\$ 83,100	\$ 68,976
Office Furniture	82,272	80,148
	<u>165,372</u>	<u>149,124</u>
Less Accumulated Depreciation and Amortization	(141,907)	(130,962)
Property and Equipment, Net	<u>\$ 23,465</u>	<u>\$ 18,162</u>

Depreciation and amortization expense totaled \$10,946 and \$21,040 for the years ended August 31, 2016 and 2015, respectively.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 8 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 related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2016 would be \$4,611,116.

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 93 and 69 reportable pending wishes, respectively.

NOTE 9 LEASES

The Foundation is obligated under operating leases for office space, which expires in September 2020. Total rent expense for this lease for the years ended August 31, 2016 and 2015 totaled \$127,776 and \$100,825, respectively.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 9 LEASES (CONTINUED)

Future minimum lease payments under this lease are as follows:

<u>Year Ending August 31:</u>	<u>Operating Leases</u>
2017	\$ 121,621
2018	125,269
2019	129,027
2020	132,898
2021	11,102
Total Minimum Lease Payments	<u>\$ 519,917</u>

NOTE 10 ENDOWMENTS

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

The Foundation's endowment consists of one individual fund held by a community foundation in an original amount totaling \$100,000 established to support the Foundation and includes funds designated by the board of directors to function as endowments. Net assets associated with these endowment funds are classified and reported as unrestricted net assets.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchase power of the endowment assets. The current long-term return objective is to produce, after investment expenses, a minimum annual compound total rate of return of 4.5% in excess of the rate of inflation. Actual returns in any given year may vary from this amount.

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.

The Foundation has a policy of appropriating for distributions each year the amount distributed to them from the community foundation that holds the investment. For the years ended August 31, 2016 and 2015, such appropriations totaled \$6,096 and \$6,072, respectively.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 10 ENDOWMENTS (CONTINUED)

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-Designated Endowment Funds	\$ 135,207	\$ -	\$ -	\$ 135,207
Total Funds	<u>\$ 135,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,207</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-Designated Endowment Funds	\$ 133,857	\$ -	\$ -	\$ 133,857
Total Funds	<u>\$ 133,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,857</u>

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ 133,857	\$ -	\$ -	\$ 133,857
Investment Return:				
Investment Income	-	-	-	-
Net Appreciation (Realized and Unrealized)	7,446	-	-	7,446
Appropriation of Endowment Assets for Expenditure	<u>(6,096)</u>	<u>-</u>	<u>-</u>	<u>(6,096)</u>
Endowment Net Assets, End of Year	<u>\$ 135,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,207</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ 146,296	\$ -	\$ -	\$ 146,296
Investment Return:				
Investment Income	-	-	-	-
Net Appreciation (Realized and Unrealized)	(6,367)	-	-	(6,367)
Appropriation of Endowment Assets for Expenditure	<u>(6,072)</u>	<u>-</u>	<u>-</u>	<u>(6,072)</u>
Endowment Net Assets, End of Year	<u>\$ 133,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,857</u>

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
Time Restrictions	\$ 185,000	\$ 215,000
Purpose Restrictions	89,518	67,139
Total Temporarily Restricted Net Assets	\$ 274,518	\$ 282,139

NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$35,118 and \$25,900, respectively.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

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

In-kind contributions totaling \$666,062 and \$227,915 were received from two donors and a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 19.8% and 7.3%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 13, 2017, the date at which the financial statements were available to be issued.