

**MAKE-A-WISH FOUNDATION®
OF GREATER VIRGINIA**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

**MAKE-A-WISH FOUNDATION® OF GREATER VIRGINIA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Greater Virginia
Richmond, Virginia

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Greater Virginia, 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 Greater Virginia

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 Greater Virginia 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 11, 2017

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

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 500,394	\$ 549,904
Investments	115,919	51,301
Due from Related Entities	39,957	42,138
Prepaid Expenses	16,090	19,115
Contributions Receivable, Net	97,525	153,757
Other Assets	5,657	18,515
Investments Held for Long-Term Purposes	67,860	69,366
Property and Equipment, Net	17,561	21,000
Total Assets	\$ 860,963	\$ 925,096
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts Payable and Accrued Expenses	\$ 94,325	\$ 107,592
Accrued Pending Wish Costs - Cash	825,573	766,902
Accrued Pending Wish Costs - In-Kinds	707,940	609,859
Due to Related Entities	8,522	10,592
Deferred Rent	5,060	4,184
Other Liabilities	5,255	7,945
Total Liabilities	1,646,675	1,507,074
NET ASSETS (DEFICIT)		
Unrestricted	(1,054,888)	(966,071)
Temporarily Restricted	219,240	334,157
Permanently Restricted	49,936	49,936
Total Net Assets (Deficit)	(785,712)	(581,978)
Total Liabilities and Net Assets (Deficit)	\$ 860,963	\$ 925,096

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
(WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
REVENUES, GAINS AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	\$ 1,769,240	\$ 97,525	\$ -	\$ 1,866,765	\$ 1,876,937
Grants	314,284	13,190	-	327,474	561,078
Total Public Support	<u>2,083,524</u>	<u>110,715</u>	<u>-</u>	<u>2,194,239</u>	<u>2,438,015</u>
Internal Special Events	311,348	-	-	311,348	290,479
Less Costs of Direct Benefits to Donors	(18,724)	-	-	(18,724)	(20,456)
Total Special Events	<u>292,624</u>	<u>-</u>	<u>-</u>	<u>292,624</u>	<u>270,023</u>
Investment Income, Net	4,738	3,320	-	8,058	1,128
Other Income	2,927	-	-	2,927	1,875
Net Assets Released from Restrictions	228,952	(228,952)	-	-	-
Total Revenues, Gains, and Other Support	<u>2,612,765</u>	<u>(114,917)</u>	<u>-</u>	<u>2,497,848</u>	<u>2,711,041</u>
EXPENSES					
Program Services:					
Wish Granting	2,098,550	-	-	2,098,550	2,204,294
Total Program Services	<u>2,098,550</u>	<u>-</u>	<u>-</u>	<u>2,098,550</u>	<u>2,204,294</u>
Support Services:					
Fundraising	453,047	-	-	453,047	358,555
Management and General	149,985	-	-	149,985	211,599
Total Support Services	<u>603,032</u>	<u>-</u>	<u>-</u>	<u>603,032</u>	<u>570,154</u>
Total Program and Support Services Expenses	<u>2,701,582</u>	<u>-</u>	<u>-</u>	<u>2,701,582</u>	<u>2,774,448</u>
Change in Net Assets	(88,817)	(114,917)	-	(203,734)	(63,407)
Net Assets (Deficit), Beginning of Year	<u>(966,071)</u>	<u>334,157</u>	<u>49,936</u>	<u>(581,978)</u>	<u>(518,571)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (1,054,888)</u>	<u>\$ 219,240</u>	<u>\$ 49,936</u>	<u>\$ (785,712)</u>	<u>\$ (581,978)</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 1,760,575	\$ 116,362	\$ -	\$ 1,876,937
Grants	437,715	123,363	-	561,078
Total Public Support	<u>2,198,290</u>	<u>239,725</u>	<u>-</u>	<u>2,438,015</u>
Internal Special Events	290,479	-	-	290,479
Less Costs of Direct Benefits to Donors	(20,456)	-	-	(20,456)
Total Special Events	<u>270,023</u>	<u>-</u>	<u>-</u>	<u>270,023</u>
Investment Income, Net	1,388	(260)	-	1,128
Other Income	1,875	-	-	1,875
Net Assets Released from Restrictions	<u>252,077</u>	<u>(252,077)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>2,723,653</u>	<u>(12,612)</u>	<u>-</u>	<u>2,711,041</u>
EXPENSES				
Program Services:				
Wish Granting	2,204,294	-	-	2,204,294
Total Program Services	<u>2,204,294</u>	<u>-</u>	<u>-</u>	<u>2,204,294</u>
Support Services:				
Fundraising	358,555	-	-	358,555
Management and General	211,599	-	-	211,599
Total Support Services	<u>570,154</u>	<u>-</u>	<u>-</u>	<u>570,154</u>
Total Program and Support Services Expense	<u>2,774,448</u>	<u>-</u>	<u>-</u>	<u>2,774,448</u>
Change in Net Assets	(50,795)	(12,612)	-	(63,407)
Net Assets (Deficit), Beginning of Year	<u>(915,276)</u>	<u>346,769</u>	<u>49,936</u>	<u>(518,571)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (966,071)</u>	<u>\$ 334,157</u>	<u>\$ 49,936</u>	<u>\$ (581,978)</u>

See accompanying Notes to Financial Statements.

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (203,734)	\$ (63,407)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	11,690	10,950
Net Realized and Unrealized (Gains) Losses on Investments	(1,256)	3,103
Contributed Property and Equipment, Inventory and Investments	(5,878)	-
Change in Attrition on Accrued Pending Wish Costs	(22,723)	1,985
Change in Discount to Present Value of Contributions Receivable	(3,825)	3,825
Changes in Assets and Liabilities:		
Contributions Receivable	60,057	(110,397)
Due from Related Entities	2,181	131,718
Prepaid Expenses	3,025	(9,236)
Other Assets	12,858	(4,340)
Accounts Payable and Accrued Expenses	(13,267)	30,657
Accrued Pending Wish Costs	179,475	248,788
Due to Related Entities	(2,070)	3,015
Deferred Rent	876	4,184
Net Cash Provided by Operating Activities	17,409	250,845
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(66,162)	(110,552)
Proceeds from Sales of Investments	4,306	77,023
Purchases of Property and Equipment	(2,373)	(5,665)
Net Cash Used in Investing Activities	(64,229)	(39,194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(2,690)	(2,483)
Net Cash Used in Financing Activities	(2,690)	(2,483)
Net Increase (Decrease) in Cash and Cash Equivalents	(49,510)	209,168
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	549,904	340,736
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 500,394	\$ 549,904
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid For Interest	\$ 538	\$ 744
Contributed Property and Equipment	\$ 5,878	\$ -

See accompanying Notes to Financial Statements.

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

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 1,668,942	\$ -	\$ -	\$ -	\$ 1,668,942
Salaries, Taxes, and Benefits	310,262	300,082	100,860	400,942	711,204
Printing, Subscriptions, and Publications	832	5,043	474	5,517	6,349
Professional Fees	22,140	23,655	16,279	39,934	62,074
Rent and Utilities	24,128	20,745	10,702	31,447	55,575
Postage and Delivery	5,356	3,828	155	3,983	9,339
Travel	3,994	9,285	1,725	11,010	15,004
Meetings and Conferences	11,442	10,220	1,446	11,666	23,108
Office Supplies	11,620	7,284	766	8,050	19,670
Communications	3,758	3,757	1,527	5,284	9,042
Advertising and Media (Cash)	-	400	-	400	400
Advertising and Media (In-Kind)	-	22,600	-	22,600	22,600
Repairs and Maintenance	3,615	3,450	1,150	4,600	8,215
Insurance	(1,213)	751	250	1,001	(212)
Membership Dues	306	288	103	391	697
National Partnership Dues	20,218	17,974	8,185	26,159	46,377
Miscellaneous	8,007	18,775	4,726	23,501	31,508
Depreciation and Amortization	5,143	4,910	1,637	6,547	11,690
	<u>\$ 2,098,550</u>	<u>\$ 453,047</u>	<u>\$ 149,985</u>	<u>\$ 603,032</u>	<u>\$ 2,701,582</u>

See accompanying Notes to Financial Statements.

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

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 1,757,074	\$ -	\$ -	\$ -	\$ 1,757,074
Salaries, Taxes, and Benefits	302,022	238,841	161,307	400,148	702,170
Printing, Subscriptions, and Publications	1,676	6,008	784	6,792	8,468
Professional Fees	25,406	25,069	13,589	38,658	64,064
Rent and Utilities	26,183	20,703	14,004	34,707	60,890
Postage and Delivery	4,092	4,321	485	4,806	8,898
Travel	5,914	11,839	3,028	14,867	20,781
Meetings and Conferences	27,483	5,502	2,516	8,018	35,501
Office Supplies	7,123	5,504	946	6,450	13,573
Communications	3,339	2,683	1,835	4,518	7,857
Advertising and Media (Cash)	108	735	58	793	901
Advertising and Media (In-Kind)	700	8,000	-	8,000	8,700
Repairs and Maintenance	3,370	2,785	1,855	4,640	8,010
Insurance	2,604	478	323	801	3,405
Membership Dues	287	477	154	631	918
National Partnership Dues	23,642	3,292	2,993	6,285	29,927
Miscellaneous	8,436	18,670	5,255	23,925	32,361
Depreciation and Amortization	4,835	3,648	2,467	6,115	10,950
	<u>\$ 2,204,294</u>	<u>\$ 358,555</u>	<u>\$ 211,599</u>	<u>\$ 570,154</u>	<u>\$ 2,774,448</u>

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The Foundation does not have cash equivalents at years ended August 31, 2016 and 2015, respectively.

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 GREATER VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs: Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).
- Level 3 Inputs: Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

	Program	Support Services		2016 Total
	Wish Granting	Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 653,678	\$ -	\$ -	\$ 653,678
Professional Services	-	-	9,238	9,238
Advertising and Media	-	22,600	-	22,600
Other	13,128	7,655	838	21,621
Total Program and Supported Service Expenses	666,806	30,255	10,076	707,137
Direct Benefit Expenses, Netted with Special Event Revenue	-	-	-	4,193
Total	<u>\$ 666,806</u>	<u>\$ 30,255</u>	<u>\$ 10,076</u>	<u>711,330</u>
Property and Equipment (Capitalized)				5,878
Total				<u>\$ 717,208</u>

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

	Program	Support Services		2015 Total
	Wish Granting	Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 769,449	\$ -	\$ -	\$ 769,449
Advertising and Media	700	8,000	-	8,700
Other	28,780	1,817	955	31,552
Total Program and Supported Service Expenses	798,929	9,817	955	809,701
Direct Benefit Expenses, Netted with Special Event Revenue	-	-	-	8,189
Total	<u>\$ 798,929</u>	<u>\$ 9,817</u>	<u>\$ 955</u>	<u>\$ 817,890</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 GREATER VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Donated advertising and media are reported as contribution revenue and fundraising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at fair value. Advertising costs totaled \$23,000 and \$9,601 for the years ended August 31, 2016 and 2015, respectively.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and Virginia taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 58.1 of the Virginia code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

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

Functional Expenses

The Foundation performs three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

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

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2016 and 2015, the Foundation incurred no significant joint costs for activities that include 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 GREATER VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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 \$5,060 and \$4,184 at August 31, 2016 and 2015, respectively.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments and contributions receivable, accrued pending wish costs, net of attrition on pending wish costs and whether an allowance for uncollectible contributions receivable is required. The current economic environment continues to create a high degree of uncertainty in those estimates and assumptions.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

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

**MAKE-A-WISH FOUNDATION® OF GREATER VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments

Overall Investment Objective

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

Allocation of Investment Strategies

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

Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2016:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 21,327	\$ -	\$ -	\$ 21,327
Bonds	115,919	-	-	115,919
Equity Securities:				
U.S. Corporate Equity Securities	46,411	-	-	46,411
Cash and Cash Equivalents	-	-	-	122
Total	<u>\$ 183,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,779</u>

MAKE-A-WISH FOUNDATION® OF GREATER VIRGINIA
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NOTE 3 FAIR VALUE MEASUREMENTS (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:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 20,986	\$ -	\$ -	\$ 20,986
Bonds	51,301	-	-	51,301
Equity Securities:				
U.S. Corporate Equity Securities	47,439	-	-	47,439
Cash and Cash Equivalents	-	-	-	941
Total	<u>\$ 119,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,667</u>

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

	<u>2016</u>	<u>2015</u>
Interest and Dividend Income	\$ 7,135	\$ 4,688
Realized and Unrealized Gains (Losses), Net	1,256	(3,103)
Less Investment Expenses	(333)	(457)
Investment Income, Net	<u>\$ 8,058</u>	<u>\$ 1,128</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at a rate of -0% and 4.50% at August 31, 2016 and 2015, respectively. The following is a summary of the Foundation's contributions receivable at August 31:

	<u>2016</u>	<u>2015</u>
Total Amounts Due in:		
One Year	\$ 97,525	\$ 127,582
Two to Five Years	-	30,000
Gross Contributions Receivable	97,525	157,582
Less Allowance for Doubtful Accounts	-	-
Less Discount to Present Value	-	(3,825)
Contributions Receivable, Net	<u>\$ 97,525</u>	<u>\$ 153,757</u>

**MAKE-A-WISH FOUNDATION® OF GREATER VIRGINIA
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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2016 and 2015, the Foundation received \$629,199 and \$993,818, respectively, from these national revenue streams.

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 Foundation received \$200,000 and \$300,000, respectively, during the years August 31, 2016 and 2015, respectively.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation. Amounts totaling \$89,841 and \$92,467 were paid from the Foundation to the National Organization during the years ended August 31, 2016 and 2015, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$2,900 and \$1,875 for the years ended August 31, 2016 and 2015, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	<u>2016</u>	<u>2015</u>
Balance at August 31:		
Due from National Organization	\$ 39,165	\$ 41,413
Due from Other Chapters	792	725
Total Due from Related Entities	<u>\$ 39,957</u>	<u>\$ 42,138</u>
Due to National Organization	\$ 3,000	\$ 3,000
Due to Other Chapters	5,522	7,592
Total Due to Related Entities	<u>\$ 8,522</u>	<u>\$ 10,592</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation.

During 2016 and 2015 the Foundation received contributions, both cash and in-kind, from board members totaling \$41,135 and \$37,227, respectively. There were no amounts due from board members as of August 31, 2016 and 2015.

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NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2016	2015
Computer Equipment and Software	\$ 51,237	\$ 49,013
Office Furniture and Other Equipment	23,276	21,275
Leasehold Improvements	4,028	-
	<u>78,541</u>	<u>70,288</u>
Less Accumulated Depreciation and Amortization	(60,980)	(49,288)
Property and Equipment, Net	<u>\$ 17,561</u>	<u>\$ 21,000</u>

Depreciation and amortization expense totaled \$11,690 and \$10,950 for the years ended August 31, 2016 and 2015, respectively.

NOTE 7 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is not considered an obligation due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish. This accrual does not represent a legally binding liability, but is considered a moral obligation to the child by the Foundation arising when the five criteria are met. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

Estimated cash and in-kind costs owed as of year-end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability includes the estimated in-kind outlay that is expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if all the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total deficit at August 31, 2016 would be \$(175,297).

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NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2016 and 2015, the Foundation had 177 and 171 reportable pending wishes, respectively.

NOTE 8 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through February 28, 2019. As of August 31, 2016 and 2015, the cost of leased property and equipment under capital leases was \$13,267, and accumulated depreciation was \$8,623 and \$5,970, respectively. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$56,484 and \$64,716, respectively.

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

	Operating Leases	Capital Leases
<u>Year Ending August 31:</u>		
2017	\$ 58,885	\$ 3,228
2018	60,625	2,421
2019	30,442	-
Total Minimum Lease Payments	149,952	5,649
Less Amounts Representing Interest	-	(394)
Present Value of Net Minimum Lease Payments	\$ 149,952	\$ 5,255

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 individual fund established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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.

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NOTE 9 ENDOWMENTS (CONTINUED)

Endowment assets, both donor-restricted and board-designated, are reflected as investments held for long term purposes on the statements of financial position.

Interpretation of Relevant Law

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

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

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

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ 17,924	\$ 49,936	\$ 67,860
Total Funds	\$ 17,924	\$ 49,936	\$ 67,860
	2015		
	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ 19,430	\$ 49,936	\$ 69,366
Total Funds	\$ 19,430	\$ 49,936	\$ 69,366

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NOTE 9 ENDOWMENTS (CONTINUED)

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

	2016		
	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 19,430	\$ 49,936	\$ 69,366
Investment Return:			
Investment Income	4,840	-	4,840
Net Depreciation (Realized and Unrealized)	(1,520)	-	(1,520)
Total Investment Return	3,320	-	3,320
Other Changes:			
Appropriation of Endowment Earnings	(4,826)	-	(4,826)
Endowment Net Assets, End of Year	<u>\$ 17,924</u>	<u>\$ 49,936</u>	<u>\$ 67,860</u>

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

	2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 23,293	\$ 49,936	\$ 73,229
Investment Return:			
Investment Income	3,092	-	3,092
Net Depreciation (Realized and Unrealized)	(3,352)	-	(3,352)
Total Investment Return	(260)	-	(260)
Appropriation of Endowment	(3,603)	-	(3,603)
Endowment Net Assets, End of Year	<u>\$ 19,430</u>	<u>\$ 49,936</u>	<u>\$ 69,366</u>

MAKE-A-WISH FOUNDATION® OF GREATER VIRGINIA
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NOTE 9 ENDOWMENTS (CONTINUED)

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

	2016	2015
Permanently Restricted Net Assets:		
The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	\$ 49,936	\$ 49,936
Temporarily restricted Net Assets:		
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:		
Without Purpose Restrictions	\$ 17,924	\$ 19,430
With Purpose Restrictions	-	-
Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ 17,924	\$ 19,430

Fund Deficiencies

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

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor specified purpose.

Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to generate a level of current income (interest and dividends) consistent with the overriding investment goal of the Fund while avoiding excessive risk. The Foundation expects its endowment funds, over time, to achieve a total return in excess of the rate of inflation plus cash flow needs over the investment horizon in order to preserve purchasing power of Fund assets. The overriding investment goal of the Fund is to conserve and enhance the capital value of the Fund in real terms, through asset appreciation and income generation. Actual returns in any given year may vary from this goal.

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 has selected the Morningstar Moderate Target Risk Index to serve as a benchmark for investment selection and evaluation.

**MAKE-A-WISH FOUNDATION® OF GREATER VIRGINIA
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NOTE 9 ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year between 3% and 5% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. However, if the market value of the endowment, as defined in the Endowment Policy, are less than the Fund's threshold level, the distribution will be less than the Targeted Distribution, as defined in the Endowment Policy. If the market value of the endowment is less than the Fund's corpus but more than the threshold level, the distribution will be limited to the lower of its Targeted Distribution or Realized Increase, as defined in the Endowment Policy. The Endowment Policy also entitles the Foundation to receive from the Endowment Fund, a reasonable percentage, not to exceed 3% of the Fund's market value, for administering the Fund.

NOTE 10 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	\$ 21,114	\$ 74,390
Purpose Restrictions	198,126	259,767
Total Temporarily Restricted Net Assets	\$ 219,240	\$ 334,157

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

	2016	2015
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	\$ 49,936	\$ 49,936

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. 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 5% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$22,977 and \$25,013, respectively.

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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 \$342,390 and \$323,338 were received from one donor for the years ended August 31, 2016 and 2015, respectively, which represents 16% and 13%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

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 January 11, 2017, the date at which the financial statements were available to be issued.