

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

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2017 AND 2016

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Make-A-Wish Foundation® Orange County & The Inland Empire, Inc., which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® Orange County & The Inland Empire, Inc. as of August 31, 2017 and 2016, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 24, 2018

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

ASSETS	2017	2016
Cash and Cash Equivalents	\$ 453,100	\$ 246,750
Investments	2,101,729	2,052,787
Due from Related Entities	152,567	136,366
Prepaid Expenses	94,946	88,007
Contributions Receivable, Net	358,310	257,607
Other Assets	112,773	107,696
Investments Held for Long-Term Purposes	102,642	103,772
Property and Equipment, Net	237,253	290,739
Total Assets	\$ 3,613,320	\$ 3,283,724
LIABILITIES AND NET ASSETS		
Line of Credit	\$ 191,999	\$ -
Accounts Payable and Accrued Expenses	341,933	491,410
Accrued Pending Wish Costs, Cash	1,347,473	1,159,955
Accrued Pending Wish Costs, In-Kinds	643,205	548,782
Due to Related Entities	35,609	53,896
Note Payable	-	20,059
Other Liabilities	131,568	113,928
Total Liabilities	2,691,787	2,388,030
Net Assets		
Unrestricted	451,988	543,332
Temporarily Restricted	387,045	269,862
Permanently Restricted	82,500	82,500
Total Net Assets	921,533	895,694
Total Liabilities and Net Assets	\$ 3,613,320	\$ 3,283,724

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017
(With Summary Totals For Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
REVENUES, GAINS, AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	\$ 4,743,599	\$ 279,766	\$ -	\$ 5,023,365	\$ 4,117,283
Grants	21,500	2,800	-	24,300	90,095
Total Public Support	4,765,099	282,566	-	5,047,665	4,207,378
Internal Special Events	873,695	-	-	873,695	711,880
Less Costs of Direct Benefits to Donors	(318,532)	-	-	(318,532)	(306,984)
Total Special Events	555,163	-	-	555,163	404,896
Investment Income, Net	190,807	12,325	-	203,132	177,405
Other Income	209,202	-	-	209,202	175,036
Net Assets Released from Restrictions	177,708	(177,708)	-	-	-
Total Revenues, Gains, and Other Support	5,897,979	117,183	-	6,015,162	4,964,715
EXPENSES					
Program Services:					
Wish Granting	4,192,244	-	-	4,192,244	3,983,569
Training and Development	305,317	-	-	305,317	305,051
Public Information	250,227	-	-	250,227	256,903
Total Program Services	4,747,788	-	-	4,747,788	4,545,523
Support Services:					
Fundraising	811,081	-	-	811,081	665,725
Management and General	430,454	-	-	430,454	400,674
Total Support Services	1,241,535	-	-	1,241,535	1,066,399
Total Program and Support Services Expense	5,989,323	-	-	5,989,323	5,611,922
Change in Net Assets	(91,344)	117,183	-	25,839	(647,207)
NET ASSETS, BEGINNING OF YEAR	543,332	269,862	82,500	895,694	1,542,901
NET ASSETS, END OF YEAR	<u>\$ 451,988</u>	<u>\$ 387,045</u>	<u>\$ 82,500</u>	<u>\$ 921,533</u>	<u>\$ 895,694</u>

See accompanying Notes to Financial Statements.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,819,890	\$ 297,393	\$ -	\$ 4,117,283
Grants	90,095	-	-	90,095
Total Public Support	3,909,985	297,393	-	4,207,378
Internal Special Events	711,880	-	-	711,880
Less Costs of Direct Benefits to Donors	(306,984)	-	-	(306,984)
Total Special Events	404,896	-	-	404,896
Investment Income (Loss), Net	179,645	(2,240)	-	177,405
Other Income	175,036	-	-	175,036
Net Assets Released from Restrictions	152,922	(152,922)	-	-
Total Revenues, Gains, and Other Support	4,822,484	142,231	-	4,964,715
EXPENSES				
Program Services:				
Wish Granting	3,983,569	-	-	3,983,569
Training and Development	305,051	-	-	305,051
Public Information	256,903	-	-	256,903
Total Program Services	4,545,523	-	-	4,545,523
Support Services:				
Fundraising	665,725	-	-	665,725
Management and General	400,674	-	-	400,674
Total Support Services	1,066,399	-	-	1,066,399
Total Program and Support Services Expense	5,611,922	-	-	5,611,922
Change in Net Assets	(789,438)	142,231	-	(647,207)
NET ASSETS, BEGINNING OF YEAR	1,332,770	127,631	82,500	1,542,901
NET ASSETS, END OF YEAR	\$ 543,332	\$ 269,862	\$ 82,500	\$ 895,694

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 25,839	\$ (647,207)
Adjustments to reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	61,001	58,632
Bad Debts and Other	90,000	-
Net Realized and Unrealized Gains on Investments	(149,809)	(133,302)
Contributed Inventory	-	(80,789)
Loss on Disposal of Property and Equipment	-	14,580
Change in Attrition on Accrued Pending Wish Costs	(45,926)	10,702
Change in Discount to Present Value of Contribution Receivables	1,562	(5,546)
Changes in Assets and Liabilities:		
Contributions Receivable	(192,265)	(171,638)
Due from Related Entities	(16,201)	(23,013)
Prepaid Expenses	(6,939)	(70,973)
Other Assets	(5,077)	18,169
Accounts Payable and Accrued Expenses	(149,477)	289,358
Accrued Pending Wish Costs	327,867	167,084
Due to Related Entities	(18,287)	27,675
Other Liabilities	17,640	5,549
Net Cash Used In Operating Activities	(60,072)	(540,719)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(579,344)	(791,181)
Proceeds from Sales of Investments	681,341	1,295,572
Purchases of Property and Equipment	(7,515)	(94,534)
Net Cash Provided by Investing Activities	94,482	409,857
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Note Payable	(20,060)	(1,758)
Proceeds from Line of Credit	795,000	585,957
Principal Payments on Line of Credit	(603,000)	(590,000)
Net Cash Provided by (Used In) Financing Activities	171,940	(5,801)
 Net Increase (Decrease) in Cash and Cash Equivalents	206,350	(136,663)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	246,750	383,413
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 453,100	\$ 246,750
 SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid	\$ 4,309	\$ 13,619
Donated Inventory	\$ -	\$ 80,789

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services				Support Services			
	Wish Granting	Training and Development	Public Information	Total Program Services	Fundraising	Management and General	Total Support Services	Total
Direct Costs of Wishes	\$ 3,086,309	\$ -	\$ -	\$ 3,086,309	\$ -	\$ -	\$ -	\$ 3,086,309
Salaries, Taxes, and Benefits	668,769	220,629	164,396	1,053,794	461,837	302,345	764,182	1,817,976
Printing, Subscriptions, and Publications	6,759	2,037	9,050	17,846	14,163	2,089	16,252	34,098
Professional Fees	40,480	10,661	8,558	59,699	22,003	21,960	43,963	103,662
Rent and Utilities	143,266	37,908	30,276	211,450	77,945	50,628	128,573	340,023
Postage and Delivery	2,121	534	3,562	6,217	3,457	728	4,185	10,402
Travel	4,935	2,241	2,358	9,534	8,176	1,839	10,015	19,549
Meetings and Conferences	19,607	6,442	3,342	29,391	8,101	4,991	13,092	42,483
Office Supplies	40,723	1,306	1,269	43,298	3,470	1,933	5,403	48,701
Communications	8,659	1,780	1,472	11,911	3,913	2,478	6,391	18,302
Advertising and Media (Cash)	-	-	-	-	28,571	-	28,571	28,571
Advertising and Media (In-Kind)	-	-	-	-	17,614	-	17,614	17,614
Repairs and Maintenance	8,419	2,223	1,779	12,421	4,576	2,975	7,551	19,972
Insurance	1,693	447	358	2,498	920	598	1,518	4,016
Bad Debt Expense	-	-	-	-	90,000	-	90,000	90,000
Membership Dues	1,323	819	9,270	11,412	463	301	764	12,176
National Partnership Dues	90,565	-	-	90,565	11,464	12,610	24,074	114,639
Miscellaneous	42,904	11,501	9,102	63,507	40,433	15,889	56,322	119,829
Depreciation and Amortization	25,712	6,789	5,435	37,936	13,975	9,090	23,065	61,001
Special Event Expenses	-	-	-	-	318,532	-	318,532	318,532
Investment Fees	-	-	-	-	-	22,442	22,442	22,442
Total	4,192,244	305,317	250,227	4,747,788	1,129,613	452,896	1,582,509	6,330,297
Less Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	(318,532)	-	(318,532)	(318,532)
Investment Fees	-	-	-	-	-	(22,442)	(22,442)	(22,442)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 4,192,244	\$ 305,317	\$ 250,227	\$ 4,747,788	\$ 811,081	\$ 430,454	\$ 1,241,535	\$ 5,989,323

See accompanying Notes to Financial Statements.

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

	Program Services			Support Services			Total	
	Wish Granting	Training and Development	Public Information	Total Program Services	Fundraising	Management and General		Total Support Services
Direct Costs of Wishes	\$ 2,944,274	\$ -	\$ -	\$ 2,944,274	\$ -	\$ -	\$ -	\$ 2,944,274
Salaries, Taxes, and Benefits	626,167	212,437	181,263	1,019,867	428,124	289,736	717,860	1,737,727
Printing, Subscriptions, and Publications	7,385	5,392	7,838	20,615	11,335	2,686	14,021	34,636
Professional Fees	34,820	9,290	7,970	52,080	11,705	7,484	19,189	71,269
Rent and Utilities	130,796	36,875	30,242	197,913	74,226	43,177	117,403	315,316
Postage and Delivery	2,382	169	2,246	4,797	4,134	636	4,770	9,567
Travel	7,275	3,369	1,715	12,359	6,130	4,902	11,032	23,391
Meetings and Conferences	13,895	10,555	3,578	28,028	23,584	4,289	27,873	55,901
Office Supplies	7,468	1,595	3,112	12,175	3,561	2,085	5,646	17,821
Communications	13,402	2,738	2,392	18,532	3,658	2,059	5,717	24,249
Advertising and Media (Cash)	-	-	-	-	23,479	-	23,479	23,479
Advertising and Media (In-kind)	-	-	-	-	5,836	-	5,836	5,836
Repairs and Maintenance	9,326	2,643	2,171	14,140	5,309	3,060	8,369	22,509
Insurance	5,031	1,472	1,223	7,726	2,927	1,589	4,516	12,242
Membership Dues	3,420	1,117	2,299	6,836	1,944	1,124	3,068	9,904
Volunteer Training	-	1,072	-	1,072	-	-	-	1,072
National Partnership Dues	127,211	-	-	127,211	18,693	15,122	33,815	161,026
Miscellaneous	26,388	9,475	5,238	41,101	27,281	14,689	41,970	83,071
Depreciation and Amortization	24,329	6,852	5,616	36,797	13,799	8,036	21,835	58,632
Special Event Expenses	-	-	-	-	306,984	-	306,984	306,984
Investment Fees	-	-	-	-	-	26,506	26,506	26,506
Total	3,983,569	305,051	256,903	4,545,523	972,709	427,180	1,399,889	5,945,412
Less Expenses Netted Against Revenues on the Statement of Activities:								
Special Event Expenses	-	-	-	-	(306,984)	-	(306,984)	(306,984)
Investment Fees	-	-	-	-	-	(26,506)	(26,506)	(26,506)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 3,983,569	\$ 305,051	\$ 256,903	\$ 4,545,523	\$ 665,725	\$ 400,674	\$ 1,066,399	\$ 5,611,922

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 1 ORGANIZATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2017 and 2016 is \$34,357 and \$77,509, respectively, of money market mutual funds.

Investments

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

Contributions Receivable

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released over time in an amount equivalent to annual depreciation. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 15 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

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

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

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

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

Revenue Recognition

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

	August 31, 2017			
	Program	Fundraising	Management and General	Total
Wish Related	\$ 1,199,495	\$ -	\$ -	\$ 1,199,495
Advertising and Media	-	17,614	-	17,614
Other	38,944	1,046	615	40,605
	<u>\$ 1,238,439</u>	<u>\$ 18,660</u>	<u>\$ 615</u>	1,257,714
Direct Donor Benefit Expense				118,245
Investments (Asset)				15,540
Total				<u>\$ 1,391,499</u>
	August 31, 2016			
	Program	Fundraising	Management and General	Total
Wish Related	\$ 1,027,773	\$ -	\$ -	\$ 1,027,773
Advertising and Media	3,818	2,018	-	5,836
Other	1,863	4,256	331	6,450
	<u>\$ 1,033,454</u>	<u>\$ 6,274</u>	<u>\$ 331</u>	1,040,059
Direct Donor Benefit Expense				45,390
Inventory (Asset)				80,789
Total				<u>\$ 1,166,238</u>

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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 fund raising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

Income Taxes

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

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2017 and 2016. The Foundation files income tax returns in the U.S. federal jurisdiction and state jurisdictions.

Functional Expenses

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

Wish Granting

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

Training and Development

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

Public Information

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2017 and 2016, the Foundation incurred no significant joint costs for activities that included fundraising appeals.

Management and General

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

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

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$81,218 and \$76,928 at August 31, 2017 and 2016, respectively, and included in other liabilities on the statements of financial positions.

Management Estimates

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

Reclassifications

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

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

The fair values of the financial instruments shown in the following tables as of August 31, 2017 and 2016 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

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, 2017 and 2016, the Foundations' investments were held in either money market accounts or publically traded mutual funds classified with Level 1 of the fair value hierarchy or in shares or units in bonds classified with Level 2 of the fair value hierarchy. All investments held at August 31, 2017 and 2016, are redeemable on a daily basis.

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Exchange-Traded Funds:				
Domestic Equity	\$ 1,113,847	\$ -	\$ -	\$ 1,113,847
Equity Securities:				
U.S. Corporate Equity Securities	501,344	-	-	501,344
Debt Securities:				
Government	141,647	-	-	141,647
Corporate	303,480	141,810	-	445,290
Cash and Cash Equivalents	-	-	-	2,243
Total Recurring	<u>\$ 2,060,318</u>	<u>\$ 141,810</u>	<u>\$ -</u>	<u>\$ 2,204,371</u>

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Exchange-Traded Funds:				
Domestic Equity	\$ 1,070,014	\$ -	\$ -	\$ 1,070,014
Equity Securities:				
U.S. Corporate Equity Securities	510,352	-	-	510,352
Debt Securities:				
Government	151,827	-	-	151,827
Corporate	319,030	104,058	-	423,088
Cash and Cash Equivalents	-	-	-	1,278
Total	<u>\$ 2,051,223</u>	<u>\$ 104,058</u>	<u>\$ -</u>	<u>\$ 2,156,559</u>

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

	2017	2016
Interest and Dividend Income	\$ 75,765	\$ 70,609
Realized and Unrealized Gains, Net	149,809	133,302
Less Investment Expenses	(22,442)	(26,506)
Investment Income, Net	<u>\$ 203,132</u>	<u>\$ 177,405</u>

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NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable includes pledges that have been discounted at a rate of 1.84% and 1.79% at August 31, 2017 and 2016, respectively. The following is a summary of the Foundation's contributions receivable at August 31:

	2017	2016
Total Amounts Due in:		
One Year	\$ 180,418	\$ 168,153
Two to Five Years	185,000	95,000
More than Five Years	-	-
Gross Contributions Receivable	365,418	263,153
Less Allowance for Doubtful Accounts	-	-
Less Discount to Present Value	(7,108)	(5,546)
Contributions Receivable, Net	\$ 358,310	\$ 257,607

The Foundation's contributions receivable at August 31, 2017 and 2016 includes three and five contributors, respectively, which represent 65% and 92%, respectively, of the balance.

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

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

	2017	2016
Corporate, Online, Whitemail and General Contributions	\$ 1,982,490	\$ 1,221,542
Gifts and Travel Reimbursements	19,800	8,656
Wishes Forever Fund	5,103	-
Grants	1,500	-
Scholarships	1,300	595
Wish Fullfillment Fund	-	25,000
Adopt-A-Wish	10,000	10,000
Other	6,637	1,857
Total Distributions Received	\$ 2,026,830	\$ 1,267,650

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

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

	2017	2016
Chapter Dues	\$ 114,639	\$ 161,026
Services and Other	83,624	10,976
Total Amounts Paid	\$ 198,263	\$ 172,002

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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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 originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking and facilitating of the wish for the home chapter. Under this program, the Foundation received \$193,300 and \$186,110 for the years ended August 31, 2017 and 2016, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	<u>2017</u>	<u>2016</u>
Balance at August 31:		
Due from National Organization	\$ 78,317	\$ 67,928
Due from Other Chapters	74,250	68,438
Total Due from Related Entities	<u>\$ 152,567</u>	<u>\$ 136,366</u>
Due to Other Chapters	\$ 35,609	\$ 53,896
Total Due to Related Entities	<u>\$ 35,609</u>	<u>\$ 53,896</u>

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

During 2017 and 2016 the Foundation received contributions, both cash and in-kind, from board members totaling \$181,578 and \$75,889, respectively. In 2017 and 2016, amounts due from board members totaled \$70,000 and \$-0-, respectively, and are included in contributions receivable in the accompanying statements of financial position.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
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NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2017	2016
Computer Equipment and Software	\$ 103,781	\$ 96,266
Office Furniture	264,347	264,347
Leasehold Improvements	117,249	117,249
	<u>485,377</u>	<u>477,862</u>
Less Accumulated Depreciation and Amortization	(248,124)	(187,123)
Property and Equipment, Net	<u>\$ 237,253</u>	<u>\$ 290,739</u>

Depreciation and amortization expense totaled \$61,001 and \$58,632 for the years ended August 31, 2017 and 2016, respectively.

NOTE 7 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is not considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

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

Estimated cash and in-kind costs owed as of year-end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability includes the estimated in-kind outlay that is expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2017 would be:

Total Net Assets Presented in Statement of Financial Position	\$ 921,533
In-kind Amounts Note Unconditionally Promised Included	
in Accrued Pending Wish Costs, In-kinds	643,205
Less In-kinds Unconditionally Promised at Year-End	(97,835)
Total Net Assets if All In-kind was Unconditionally Promised	<u>\$ 1,466,903</u>

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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, 2017 and 2016, the Foundation had approximately 233 and 295 reportable pending wishes, respectively.

NOTE 8 NOTE PAYABLE AND LINE OF CREDIT

The Foundation has a secured line of credit with a financial institution totaling \$500,000, bearing interest at 3.25%. There was \$191,999 and \$-0- outstanding on the line of credit as of August 31, 2017 and August 31, 2016, respectively. The line of credit was paid off in September 2017.

At August 31, 2016, the Foundation overpaid the line of credit by \$4,043. This balance is included in other assets in the statements of financial position.

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

NOTE 9 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through March 31, 2023. Total rent expense for all operating leases for the years ended August 31, 2017 and 2016 totaled \$246,598 and \$220,048, respectively.

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>
2018	\$ 251,770
2019	256,131
2020	276,205
2021	279,003
2022	267,084
Thereafter	60,780
Total	<u>\$ 1,390,973</u>

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

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

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

Interpretation of Relevant Law

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

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS (CONTINUED)

Endowment fund composition by type of fund as of August 31, 2017 and 2016 is as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 9,581	\$ 82,500	\$ 92,081
Board-Designated Endowment Funds	10,561	-	-	10,561
Total Funds	<u>\$ 10,561</u>	<u>\$ 9,581</u>	<u>\$ 82,500</u>	<u>\$ 102,642</u>

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

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Funds, Beginning of Year	\$ 9,016	\$ 12,256	\$ 82,500	\$ 103,772
Investment Return:				
Investment Income	797	6,357	-	7,154
Net Appreciation (Realized and Unrealized)	748	5,968	-	6,716
Total Investment Return	<u>1,545</u>	<u>12,325</u>	<u>-</u>	<u>13,870</u>
Contributions	-	-	-	-
Appropriation of Endowment Assets For Expenditures	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Endowment Funds, End of Year	<u>\$ 10,561</u>	<u>\$ 9,581</u>	<u>\$ 82,500</u>	<u>\$ 102,642</u>

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 10 ENDOWMENTS (CONTINUED)

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

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

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

	2017	2016
Permanently Restricted Net Assets:		
The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	<u>\$ 82,500</u>	<u>\$ 82,500</u>
Temporarily restricted Net Assets:		
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA: Without Purpose Restrictions	<u>\$ 9,581</u>	<u>\$ 12,256</u>

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There are no fund deficiencies as of August 31, 2017 and 2016.

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

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
Time Restrictions	\$ 367,890	\$ 269,862
Purpose Restrictions	19,155	-
Total Temporarily Restricted Net Assets	\$ 387,045	\$ 269,862

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

	2017	2016
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	\$ 82,500	\$ 82,500

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 3 months of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2017 and 2016 were \$40,127 and \$40,844, 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 \$335,602 and \$261,119 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 6.7% and 6.2% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

MAKE-A-WISH FOUNDATION® ORANGE COUNTY & THE INLAND EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 14 LITIGATION AND CLAIMS

The Foundation is 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 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 24, 2018, the date at which the financial statements were available to be issued.