

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA,
NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
TABLE OF CONTENTS
YEARS ENDED AUGUST 31, 2016 AND 2015**

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Philadelphia, Northern Delaware and Susquehanna Valley
Blue Bell, Pennsylvania

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Philadelphia, Northern Delaware and Susquehanna Valley, 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 Philadelphia, Northern Delaware and Susquehanna Valley

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 Philadelphia, Northern Delaware and Susquehanna Valley 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

Plymouth Meeting, Pennsylvania
December 7, 2016

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 212,353	\$ 218,514
Investments	2,365,294	2,484,909
Due from Related Entities	92,051	97,025
Prepaid Expenses	24,277	24,806
Contributions Receivable, Net	702,779	647,922
Other Assets	5,742	5,742
Property and Equipment, Net	50,289	26,627
Total Assets	\$ 3,452,785	\$ 3,505,545
 LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 251,579	\$ 230,450
Accrued Pending Wish Costs - Cash	1,290,295	1,005,054
Accrued Pending Wish Costs - In-kinds	777,541	525,301
Total Liabilities	2,319,415	1,760,805
 NET ASSETS		
Unrestricted	645,810	1,310,517
Temporarily Restricted	487,560	434,223
Total Net Assets	1,133,370	1,744,740
Total Liabilities and Net Assets	\$ 3,452,785	\$ 3,505,545

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
(WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2015)**

	Unrestricted	Temporarily Restricted	Total	2015 Total
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 4,700,968	\$ 485,255	\$ 5,186,223	\$ 4,568,335
Grants	153,925	-	153,925	175,175
Total Public Support	<u>4,854,893</u>	<u>485,255</u>	<u>5,340,148</u>	<u>4,743,510</u>
Internal Special Events:				
Less Costs of Direct Benefits to Donors	618,619	-	618,619	473,506
Total Special Events	<u>(64,278)</u>	<u>-</u>	<u>(64,278)</u>	<u>(44,406)</u>
Investment Income, Net	67,140	-	67,140	36,442
Other Income	3,450	-	3,450	3,522
Net Assets Released from Restrictions	431,918	(431,918)	-	-
Total Revenues, Gains, and Other Support	<u>5,911,742</u>	<u>53,337</u>	<u>5,965,079</u>	<u>5,212,574</u>
EXPENSES				
Program Services:				
Wish Granting	5,324,088	-	5,324,088	4,296,292
Program-Related Support	185,686	-	185,686	168,092
Public Information	194,830	-	194,830	237,962
Total Program Services	<u>5,704,604</u>	<u>-</u>	<u>5,704,604</u>	<u>4,702,346</u>
Support Services:				
Fundraising	496,841	-	496,841	379,315
Management and General	375,004	-	375,004	404,384
Total Support Services	<u>871,845</u>	<u>-</u>	<u>871,845</u>	<u>783,699</u>
Total Program and Support Services Expense	<u>6,576,449</u>	<u>-</u>	<u>6,576,449</u>	<u>5,486,045</u>
Change in Net Assets	(664,707)	53,337	(611,370)	(273,471)
Net Assets, Beginning of Year	1,310,517	434,223	1,744,740	2,018,211
NET ASSETS, END OF YEAR	<u>\$ 645,810</u>	<u>\$ 487,560</u>	<u>\$ 1,133,370</u>	<u>\$ 1,744,740</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 4,136,782	\$ 431,553	\$ 4,568,335
Grants	175,175	-	175,175
Total Public Support	<u>4,311,957</u>	<u>431,553</u>	<u>4,743,510</u>
Internal Special Events:	473,506	-	473,506
Less Costs of Direct Benefits to Donors	<u>(44,406)</u>	<u>-</u>	<u>(44,406)</u>
Total Special Events	429,100	-	429,100
Investment Income, Net	36,442	-	36,442
Other Income	3,522	-	3,522
Net Assets Released from Restrictions	<u>406,886</u>	<u>(406,886)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>5,187,907</u>	<u>24,667</u>	<u>5,212,574</u>
EXPENSES			
Program Services:			
Wish Granting	4,296,292	-	4,296,292
Program-Related Support	168,092	-	168,092
Public Information	237,962	-	237,962
Total Program Services	<u>4,702,346</u>	<u>-</u>	<u>4,702,346</u>
Support Services:			
Fundraising	379,315	-	379,315
Management and General	404,384	-	404,384
Total Support Services	<u>783,699</u>	<u>-</u>	<u>783,699</u>
Total Program and Support Services Expense	<u>5,486,045</u>	<u>-</u>	<u>5,486,045</u>
Change in Net Assets	(298,138)	24,667	(273,471)
Net Assets, Beginning of Year	<u>1,608,655</u>	<u>409,556</u>	<u>2,018,211</u>
NET ASSETS, END OF YEAR	<u>\$ 1,310,517</u>	<u>\$ 434,223</u>	<u>\$ 1,744,740</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (611,370)	\$ (273,471)
Adjustments to reconcile Change in Net Assets to Net Cash		
Used in Operating Activities:		
Depreciation	11,766	9,219
Net Realized and Unrealized (Gains) Losses on Investments	(15,061)	32,235
Contributed Property and Equipment, Inventory and Investments	(10,168)	(38,510)
Change in Attrition on Accrued Pending Wish Costs	(10,038)	28,451
Changes in Assets and Liabilities:		
Contributions Receivable	(54,857)	4,512
Due from Related Entities	4,974	(32,341)
Prepaid Expenses	529	(9,611)
Accounts Payable and Accrued Expenses	21,129	37,552
Accrued Pending Wish Costs	295,279	(128,543)
Net Cash Used in Operating Activities	(115,577)	(370,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(33,022)	(602,600)
Proceeds from Sales of Investments	177,866	1,053,142
Purchases of Property and Equipment	(35,428)	(1,526)
Net Cash Provided by Investing Activities	109,416	449,016
Net Increase (Decrease) in Cash and Cash Equivalents	(6,161)	78,509
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	218,514	140,005
CASH AND CASH EQUVALENTS, END OF YEAR	\$ 212,353	\$ 218,514
Supplemental Cash Flow Information:		
Donated Property, Stock and Inventory	\$ 10,168	\$ 38,510
In-Kind Contributions	1,384,291	1,243,110

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE AND SUSQUEHANNA VALLEY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services				Support Services			Total
	Wish Granting	Program-Related Support	Public Information	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,680,295	\$ -	\$ -	\$ 4,680,295	\$ -	\$ -	\$ -	\$ 4,680,295
Salaries, Taxes, and Benefits	399,081	116,329	142,662	658,072	347,171	306,869	654,040	1,312,112
Printing, Subscriptions, and Publications	2,317	4,793	13,946	9,608	15,378	1,116	16,494	26,102
Professional Fees	15,816	4,135	4,344	24,295	10,318	8,094	18,412	42,707
Rent and Utilities	34,973	9,307	10,846	55,126	23,515	18,190	41,705	96,831
Postage and Delivery	3,322	1,189	1,091	5,602	11,149	1,650	12,799	18,401
Travel	8,630	10,248	5,976	24,854	13,950	5,010	18,960	43,814
Meetings and Conferences	3,686	18,680	4,947	27,313	22,270	2,006	24,276	51,589
Office Supplies	5,804	5,468	1,681	12,953	5,849	2,861	8,710	21,663
Communications	14,372	3,814	4,568	22,754	11,894	7,442	19,336	42,090
Advertising and Media (In-Kind)	-	-	-	11,448	999	-	999	12,447
Repairs and Maintenance	4,039	1,056	1,156	6,251	2,689	1,997	4,686	10,937
Insurance	9	3	8	20	909	10	919	939
Membership Dues	1,418	374	415	2,207	2,258	711	2,969	5,176
Grants and Scholarships	25,000	-	-	25,000	-	-	-	25,000
National Partnership Dues	115,414	-	-	115,414	17,531	13,148	30,679	146,093
Miscellaneous	5,503	9,138	1,983	16,624	8,087	3,776	11,863	28,487
Depreciation	4,409	1,152	1,207	6,768	2,874	2,124	4,998	11,766
	<u>\$ 5,324,088</u>	<u>\$ 185,686</u>	<u>\$ 194,830</u>	<u>\$ 5,704,604</u>	<u>\$ 496,841</u>	<u>\$ 375,004</u>	<u>\$ 871,845</u>	<u>\$ 6,576,449</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE AND SUSQUEHANNA VALLEY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services			Total Program Services	Support Services			Total
	Wish Granting	Program-Related Support	Public Information		Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,787,339	\$ -	\$ -	\$ 3,787,339	\$ -	\$ -	\$ -	\$ 3,787,339
Salaries, Taxes, and Benefits	298,274	118,061	170,203	586,538	264,492	335,657	600,149	1,186,687
Printing, Subscriptions, and Publications	819	1,851	26,078	28,748	16,603	709	17,312	46,060
Professional Fees	314	94	183	591	265	254	519	1,110
Rent and Utilities	27,966	8,332	16,322	52,620	23,629	22,577	46,206	98,826
Postage and Delivery	2,537	1,297	1,664	5,498	6,107	2,162	8,269	13,767
Travel	5,445	9,413	5,192	20,050	11,085	4,441	15,526	35,576
Meetings and Conferences	1,699	12,330	1,545	15,574	10,108	2,068	12,176	27,750
Office Supplies	5,402	6,184	3,046	14,632	4,889	4,134	9,023	23,655
Communications	11,523	3,046	5,000	19,569	11,215	9,201	20,416	39,985
Advertising and Media (In-Kind)	-	-	540	540	-	-	-	540
Repairs and Maintenance	4,582	1,921	2,736	9,239	3,537	3,994	7,531	16,770
Insurance	143	43	84	270	1,022	116	1,138	1,408
Membership Dues	835	297	501	1,633	1,414	701	2,115	3,748
Grants and Scholarships	50,000	-	-	50,000	-	-	-	50,000
National Partnership Dues	92,305	-	-	92,305	12,853	11,684	24,537	116,842
Miscellaneous	4,500	4,446	3,345	12,291	9,892	4,580	14,472	26,763
Depreciation	2,609	777	1,523	4,909	2,204	2,106	4,310	9,219
	<u>\$ 4,296,292</u>	<u>\$ 168,092</u>	<u>\$ 237,962</u>	<u>\$ 4,702,346</u>	<u>\$ 379,315</u>	<u>\$ 404,384</u>	<u>\$ 783,699</u>	<u>\$ 5,486,045</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Philadelphia, Northern Delaware and Susquehanna Valley (the Foundation) is a Pennsylvania 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. Included in cash and cash equivalents at August 31, 2016 and 2015 is \$19,682 and \$26,826, respectively, of money market mutual funds.

Investments

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

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible. As of August 31, 2016 and 2015, management believes the contributions receivable balance is fully collectible and no allowance is required.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a useful life of more than one year are capitalized at cost when purchased. 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 5 to 10 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 PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

See additional information in Note 3.

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

Net Assets

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

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes. There were no permanently restricted net assets as of August 31, 2016 and 2015.
- **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 PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
Contributions:		
Wish Related	\$ 1,364,957	\$ 1,218,688
Professional Services	459	1,228
Investments	10,168	38,510
Other	6,175	1,912
Total	<u>\$ 1,381,759</u>	<u>\$ 1,260,338</u>
Special Event Revenue		
Internal Special Events	<u>\$ 12,700</u>	<u>\$ 21,282</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.

Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue and fundraising or public information [if allocated as a joint cost] expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value. Advertising costs totaled \$12,447 and \$540 for the years ended August 31, 2016 and 2015, respectively.

Program or supporting services expenses were recorded at fair value totaling \$1,384,291 and \$1,221,828 in 2016 and 2015, respectively.

Wish related in-kind contributions consisted of the following:

	<u>2016</u>	<u>2015</u>
Computer Equipment, Games and Toys	\$ -	\$ 400
Cruises	3,063	2,160
Lodging	288,834	196,994
Theme Parks	855,705	830,524
Transportation	141,682	146,138
Other Wish-Related Donations	75,673	42,472
Total	<u>\$ 1,364,957</u>	<u>\$ 1,218,688</u>

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2016 and 2015.

Functional Expenses

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

Wish Granting

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

Program-Related Support

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

Public Information

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

Fundraising

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

Management and General

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

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

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated 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.

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.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

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

	Fair Value Measurements as of August 31, 2016 Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Bonds	\$ 764,026	\$ -	\$ -	\$ 764,026
Certificates of Deposit	-	1,478,711	-	1,478,711
Money Market Funds	122,557	-	-	122,557
Total	\$ 886,583	\$ 1,478,711	\$ -	\$ 2,365,294

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 as of August 31, 2015:

	Fair Value Measurements as of August 31, 2015 Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Bonds	\$ 742,717	\$ -	\$ -	\$ 742,717
Certificates of Deposit	-	1,630,769	-	1,630,769
Money Market Funds	111,423	-	-	111,423
Total	\$ 854,140	\$ 1,630,769	\$ -	\$ 2,484,909

For the valuation of Certificates of Deposits as of August 31, 2016 and 2015, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

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

	2016	2015
Interest and Dividend Income	\$ 52,079	\$ 68,677
Realized and Unrealized Gains (Losses), Net	15,061	(32,235)
Investment Income, Net	\$ 67,140	\$ 36,442

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 4 CONTRIBUTIONS RECEIVABLE

All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2016 and 2015.

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, respectively, the Foundation received \$1,062,211 and \$1,029,422, 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 contributed \$25,000 and \$50,000, 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 and for services provided by the National Organization. Amounts totaling \$155,181 and \$269,589 were paid from the Foundation to the National Organization during the years ended August 31, 2016 and 2015, respectively.

Amounts due from related entities are as follows:

	2016	2015
Balance at August 31:		
Due from National Organization	\$ 87,864	\$ 88,544
Due from Other Chapters	4,187	8,481
Total Due from Related Entities	\$ 92,051	\$ 97,025

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 \$19,837 and \$18,550, respectively. No board member receives compensation from the Foundation.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 31, 2016 and 2015 consist of the following:

	2016	2015
Computer Equipment and Software	\$ 63,425	\$ 51,104
Office Furniture	35,658	12,552
Other Equipment	17,869	17,869
Total	116,952	81,525
Less Accumulated Depreciation and Amortization	(66,663)	(54,898)
Property and Equipment, Net	<u>\$ 50,289</u>	<u>\$ 26,627</u>

Depreciation expense totaled \$11,766 and \$9,219 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 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, 2016 would be \$1,464,815.

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2016 and 2015, the Foundation had approximately 193 and 167 reportable pending wishes, respectively.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 8 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through October 29, 2020. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$96,831 and \$98,827, respectively.

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

<u>Year Ending August 31:</u>		
2017	\$	92,681
2018		95,123
2019		75,111
2020		5,517
2021 and Following		297
Total Minimum Lease Payments	<u>\$</u>	<u>268,729</u>

NOTE 9 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
Time Restrictions	487,560	\$ 434,223
Total Temporarily Restricted Net Assets	<u>\$ 487,560</u>	<u>\$ 434,223</u>

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$29,184 and \$25,140, respectively.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA, NORTHERN DELAWARE
AND SUSQUEHANNA VALLEY
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 11 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 \$821,829 and \$797,102 were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 15% and 16%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 12 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 13 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through December 7, 2016, the date at which the financial statements were available to be issued.