

MAKE-A-WISH FOUNDATION® OF MINNESOTA
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2017 AND 2016

**MAKE-A-WISH FOUNDATION® OF MINNESOTA
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YEARS ENDED AUGUST 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Minnesota
Minneapolis, Minnesota

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

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 Minnesota as of August 31, 2017 and 2016, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 4, 2018

MAKE-A-WISH FOUNDATION® OF MINNESOTA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

ASSETS	2017	2016
Cash and Cash Equivalents	\$ 649,821	\$ 315,054
Investments	2,726,858	2,655,433
Due from Related Entities	140,213	82,913
Prepaid Expenses	27,547	29,480
Contributions Receivable, Net	630,682	256,971
Other Assets	3,248	4,362
Board Restricted Cash	108,075	-
Property and Equipment, Net	27,117	37,470
Total Assets	\$ 4,313,561	\$ 3,381,683
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 220,811	\$ 124,929
Accrued Pending Wish Costs, Cash	1,009,221	1,086,187
Accrued Pending Wish Costs, In-Kinds	1,169,774	891,269
Due to Related Entities	18,243	28,037
Other Liabilities	2,554	4,407
Total Liabilities	2,420,603	2,134,829
Net Assets		
Unrestricted	1,302,965	971,098
Temporarily Restricted	589,993	275,756
Total Net Assets	1,892,958	1,246,854
Total Liabilities and Net Assets	\$ 4,313,561	\$ 3,381,683

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017
(With Summary Totals for the Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 4,061,860	\$ 565,731	\$ 4,627,591	\$ 3,640,155
Grants	166,756	5,950	172,706	97,625
Total Public Support	4,228,616	571,681	4,800,297	3,737,780
Internal Special Events	924,758	7,750	932,508	849,917
Less Costs of Direct Benefits to Donors	(248,116)	-	(248,116)	(241,991)
Total Special Events	676,642	7,750	684,392	607,926
Investment Income, Net	153,284	-	153,284	138,386
Other Income	41,662	-	41,662	11,125
Net Assets Released from Restrictions	265,194	(265,194)	-	-
Total Revenues, Gains, and Other Support	5,365,398	314,237	5,679,635	4,495,217
EXPENSES				
Program Services:				
Wish Granting	3,794,856	-	3,794,856	3,686,359
Total Program Services	3,794,856	-	3,794,856	3,686,359
Support Services:				
Fundraising	854,132	-	854,132	803,201
Management and General	384,543	-	384,543	384,190
Total Support Services	1,238,675	-	1,238,675	1,187,391
Total Program and Support Services Expense	5,033,531	-	5,033,531	4,873,750
Change in Net Assets	331,867	314,237	646,104	(378,533)
NET ASSETS, BEGINNING OF YEAR	971,098	275,756	1,246,854	1,625,387
NET ASSETS, END OF YEAR	\$ 1,302,965	\$ 589,993	\$ 1,892,958	\$ 1,246,854

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 3,383,130	\$ 257,025	\$ 3,640,155
Grants	78,840	18,785	97,625
Total Public Support	3,461,970	275,810	3,737,780
Internal Special Events	846,284	3,633	849,917
Less Costs of Direct Benefits to Donors	(241,991)	-	(241,991)
Total Special Events	604,293	3,633	607,926
Investment Income, Net	138,386	-	138,386
Other Income	11,125	-	11,125
Net Assets Released from Restrictions	392,017	(392,017)	-
Total Revenues, Gains, and Other Support	4,607,791	(112,574)	4,495,217
EXPENSES			
Program Services:			
Wish Granting	3,686,359	-	3,686,359
Total Program Services	3,686,359	-	3,686,359
Support Services:			
Fundraising	803,201	-	803,201
Management and General	384,190	-	384,190
Total Support Services	1,187,391	-	1,187,391
Total Program and Support Services Expense	4,873,750	-	4,873,750
Change in Net Assets	(265,959)	(112,574)	(378,533)
NET ASSETS, BEGINNING OF YEAR	1,237,057	388,330	1,625,387
NET ASSETS, END OF YEAR	\$ 971,098	\$ 275,756	\$ 1,246,854

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 646,104	\$ (378,533)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	16,982	21,188
Bad Debt Expense and Other	876	-
Contributions Restricted for Long Term Investments	(108,075)	-
Net Realized and Unrealized Gains on Investments	(79,521)	(50,647)
Contributed Property and Equipment, Inventory and Investments	(998)	(18,041)
Change in Attrition on Accrued Pending Wish Costs	6,743	(2,903)
Change in Discount to Present Value of Contributions Receivable	6,750	-
Changes in Assets and Liabilities:		
Contributions Receivable	(381,337)	113,574
Due from Related Entities	(57,300)	134,115
Prepaid Expenses	1,933	15,078
Other Assets	2,112	3,478
Accounts Payable and Accrued Expenses	95,882	(102,334)
Accrued Pending Wish Costs	194,796	(106,104)
Due to Related Entities	(9,794)	21,386
Other Liabilities	(1,853)	(2,116)
Net Cash Provided by (Used in) Operating Activities	333,300	(351,859)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(3,326,284)	(814,796)
Proceeds from Sales of Investments	3,334,380	993,516
Purchases of Property and Equipment	(6,629)	(5,169)
Net Cash Provided by Investing Activities	1,467	173,551
Net Increase (Decrease) in Cash and Cash Equivalents	334,767	(178,308)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	315,054	493,362
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 649,821	\$ 315,054
SUPPLEMENTAL CASH FLOW INFORMATION		
Donated Inventory	\$ 998	\$ 2,041
Donated Property and Equipment	\$ -	\$ 16,000

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,971,135	\$ -	\$ -	\$ -	\$ 2,971,135
Salaries, Taxes, and Benefits	577,107	593,256	311,751	905,007	1,482,114
Printing, Subscriptions, and Publications	1,538	26,778	978	27,756	29,294
Professional Fees	21,375	52,224	11,507	63,731	85,106
Rent and Utilities	34,077	34,899	18,318	53,217	87,294
Postage and Delivery	3,982	7,163	1,384	8,547	12,529
Travel	13,050	21,194	3,520	24,714	37,764
Meetings and Conferences	19,308	29,933	7,219	37,152	56,460
Office Supplies	29,234	2,389	791	3,180	32,414
Communications	4,328	5,669	1,770	7,439	11,767
Advertising and Media (Cash)	-	1,588	-	1,588	1,588
Advertising and Media (In-Kind)	-	6,700	-	6,700	6,700
Repairs and Maintenance	4,951	6,943	2,404	9,347	14,298
Membership Dues	2,882	3,749	189	3,938	6,820
National Partnership Dues	86,748	10,981	12,079	23,060	109,808
Miscellaneous	18,518	42,997	9,067	52,064	70,582
Bad Debt Expense	-	876	-	876	876
Depreciation and Amortization	6,623	6,793	3,566	10,359	16,982
Special Event Expenses	-	248,116	-	248,116	248,116
Investment Fees	-	-	23,713	23,713	23,713
	<u>3,794,856</u>	<u>1,102,248</u>	<u>408,256</u>	<u>1,510,504</u>	<u>5,305,360</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(248,116)	-	(248,116)	(248,116)
Investment Fees	-	-	(23,713)	(23,713)	(23,713)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,794,856</u>	<u>\$ 854,132</u>	<u>\$ 384,543</u>	<u>\$ 1,238,675</u>	<u>\$ 5,033,531</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
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	\$ 2,755,740	\$ -	\$ -	\$ -	\$ 2,755,740
Salaries, Taxes, and Benefits	650,445	500,369	295,046	795,415	1,445,860
Printing, Subscriptions, and Publications	1,041	31,379	164	31,543	32,584
Professional Fees	23,410	43,470	18,224	61,694	85,104
Rent and Utilities	38,634	30,637	16,627	47,264	85,898
Postage and Delivery	6,110	7,736	1,695	9,431	15,541
Travel	8,699	17,478	4,578	22,056	30,755
Meetings and Conferences	25,427	33,400	4,230	37,630	63,057
Office Supplies	79,257	2,791	2,505	5,296	84,553
Communications	5,062	5,353	1,685	7,038	12,100
Advertising and Media (Cash)	-	1,332	-	1,332	1,332
Advertising and Media (In-Kind)	-	7,179	-	7,179	7,179
Repairs and Maintenance	5,679	6,259	2,906	9,165	14,844
Membership Dues	3,461	4,078	220	4,298	7,759
National Partnership Dues	57,111	44,420	25,383	69,803	126,914
Miscellaneous	16,748	59,904	6,690	66,594	83,342
Depreciation and Amortization	9,535	7,416	4,237	11,653	21,188
Special Event Expenses	-	241,991	-	241,991	241,991
Investment Fees	-	-	26,896	26,896	26,896
	<u>3,686,359</u>	<u>1,045,192</u>	<u>411,086</u>	<u>1,456,278</u>	<u>5,142,637</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(241,991)	-	(241,991)	(241,991)
Investment Fees	-	-	(26,896)	(26,896)	(26,896)
	<u>-</u>	<u>-</u>	<u>(26,896)</u>	<u>(26,896)</u>	<u>(26,896)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,686,359</u>	<u>\$ 803,201</u>	<u>\$ 384,190</u>	<u>\$ 1,187,391</u>	<u>\$ 4,873,750</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Minnesota (the Foundation) is a Minnesota 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, 2017 and 2016 is \$65,670 and \$78,929, respectively, of money market mutual funds.

Investments

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

Contributions Receivable

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

MAKE-A-WISH FOUNDATION® OF MINNESOTA
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 \$1,000 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 7 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® OF MINNESOTA
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. The Foundation does not have any permanently restricted net assets at August 31, 2017 and 2016.
- **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 MINNESOTA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Support Services			2017 Total
	Program	Fundraising	Management and General	
Wish Related	\$ 1,630,062	\$ -	\$ -	\$ 1,630,062
Advertising and Media	-	6,700	-	6,700
Other	21,713	18,871	4,791	45,375
	\$ 1,651,775	\$ 25,571	\$ 4,791	1,682,137
Inventory (Asset)				998
Total				\$ 1,683,135
	Support Services			2016 Total
	Program	Fundraising	Management and General	
Wish Related	\$ 1,352,847	\$ -	\$ -	\$ 1,352,847
Professional Services	-	-	7,650	7,650
Advertising and Media	-	7,179	-	7,179
Other	18,930	1,273	3,709	23,912
	\$ 1,371,777	\$ 8,452	\$ 11,359	1,391,588
Special Events				42,966
Inventory (Asset)				2,041
Property and Equipment (Capitalized)				16,000
Total				\$ 1,452,595

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.

Donated advertising and media is 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 their fair value.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and Minnesota income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Minnesota Statute 290.05. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

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

Functional Expenses

The Foundation performs 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, 2017 and 2016, the Foundation incurred no significant joint costs for activities that included fundraising appeals.

Management and General

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

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 \$2,554 and \$4,407 at August 31, 2017 and 2016, respectively, which is presented in the financial statements in other liabilities.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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, contributions receivable, in-kind revenues and expenses, accrued pending wish costs, net of attrition on pending wish costs and whether an allowance for uncollectible contributions receivable is required and the allocation of functional expenses. 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 2016 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 table as of August 31, 2017 and 2016 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

MAKE-A-WISH FOUNDATION® OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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.

Fair Value Hierarchy

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

	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 33,899	\$ -	\$ -	\$ 33,899
International Equity	199,664	-	-	199,664
Bonds	410,864	-	-	410,864
Exchange-Traded Funds:				
Domestic Equity	359,123	-	-	359,123
International Equity	213,369	-	-	213,369
Bonds	779,723	-	-	779,723
Equity Securities:				
U.S. Corporate Equity Securities	308,592	-	-	308,592
Debt Securities:				
U.S. Treasury	-	59,260	-	59,260
U.S. Agency	-	204,605	-	204,605
Corporate	-	157,759	-	157,759
Total	<u>\$ 2,305,234</u>	<u>\$ 421,624</u>	<u>\$ -</u>	<u>\$ 2,726,858</u>

MAKE-A-WISH FOUNDATION® OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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 and liabilities that are measured at fair value on a recurring basis at August 31, 2016:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 91,682	\$ -	\$ -	\$ 91,682
International Equity	495,408	-	-	495,408
Exchange-Traded Funds:				
Domestic Equity	173,612	-	-	173,612
Equity Securities:				
U.S. Corporate Equity Securities	670,084	-	-	670,084
Debt Securities:				
U.S. Treasury	-	670,492	-	670,492
U.S. Agency	-	215,224	-	215,224
Corporate	-	338,931	-	338,931
Total	<u>\$ 1,430,786</u>	<u>\$ 1,224,647</u>	<u>\$ -</u>	<u>\$ 2,655,433</u>

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

	<u>2017</u>	<u>2016</u>
Interest and Dividend Income	\$ 97,476	\$ 114,635
Realized and Unrealized Gains (Losses), Net	79,521	50,647
Less Investment Expenses	(23,713)	(26,896)
Investment Income, Net	<u>\$ 153,284</u>	<u>\$ 138,386</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at a rate of 1.80% at August 31, 2017 and 2016. The following is a summary of the Foundations contributions receivable at August 31:

	<u>2017</u>	<u>2016</u>
Total Amounts Due in:		
One Year	\$ 508,090	\$ 256,971
Two to Five Years	129,342	-
Gross Contributions Receivable	637,432	256,971
Less Discount to Present Value	(6,750)	-
Contributions Receivable, Net	<u>\$ 630,682</u>	<u>\$ 256,971</u>

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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, 2017 and 2016, the Foundation received \$1,100,333 and \$933,344, 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 \$100,000 and \$-0- during the years ended August 31, 2017 and 2016, respectively.

Conversely, the Foundation pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that the National office pays on behalf of the Foundation and for services it provides to the Foundation. Amounts totaling \$193,403 and \$202,470 were paid from the Foundation to the National Organization during the years ended August 31, 2017 and 2016, 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 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 \$5,100 and \$9,250 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	\$ 136,341	\$ 84,642
Due from Other Chapters	3,872	(1,729)
Total Due from Related Entities	<u>\$ 140,213</u>	<u>\$ 82,913</u>
Due to National Organization	\$ 10,770	\$ 16,460
Due to Other Chapters	7,473	11,577
Total Due to Related Entities	<u>\$ 18,243</u>	<u>\$ 28,037</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.

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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

During 2017 and 2016 the Foundation received contributions, both cash and in-kind, from board members totaling \$148,844 and \$183,230, respectively. Amounts due from board members as of August 31, 2017 and 2016 are \$9,000 and \$2,750, respectively, and are included in contributions receivable in the accompanying statements of financial position.

During 2017 the Foundation entered into a contract with a vendor that is wholly owned by an employee and the employee's spouse. Payments made to the vendor during 2017 totaled \$82,297.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2017	2016
Computer Equipment and Software	\$ 88,857	\$ 87,070
Office Furniture	49,193	49,193
Leasehold Improvements	33,484	33,484
	171,534	169,747
Less Accumulated Depreciation and Amortization	(144,417)	(132,277)
Property and Equipment, Net	\$ 27,117	\$ 37,470

Depreciation and amortization expense totaled \$16,982 and \$21,188 for the years ended August 31, 2017 and 2016, respectively.

NOTE 7 ACCRUED PENDING WISH COSTS

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

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

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NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)

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 increase by \$865,605 resulting in adjusted net assets of \$2,758,563.

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 235 and 217 reportable pending wishes, respectively.

NOTE 8 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through June 30, 2018. Subsequent to year-end the Foundation entered into a new lease agreement which expires on July 31, 2025, the required payments on this lease are included in the schedule below. Total rent expense for all operating leases for the years ended August 31, 2017 and 2016 totaled \$46,729 and \$47,170, respectively.

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

<u>Year Ending August 31,</u>	
2018	\$ 46,749
2019	63,191
2020	65,114
2021	67,092
2022	69,125
Thereafter	<u>213,649</u>
Total	<u><u>\$ 524,920</u></u>

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NOTE 9 ENDOWMENTS

During fiscal year 2017 the Foundation established a board restricted endowment with the proceeds of an unrestricted bequest from a single donor. At August 31, 2017 the endowment was not invested.

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 fund designated by the board of directors to function as an endowment. Net assets associated with endowment funds, including fund 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 are reflected as investments held for long-term purposes on the statements of financial position.

Endowment net asset composition by type of fund as of August 31, 2017 is as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-Designated Endowment Funds	\$ 108,075	\$ -	\$ -	\$ 108,075
Total Funds	<u>\$ 108,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,075</u>

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ -	\$ -	\$ -	\$ -
Contributions	108,075	-	-	108,075
Endowment Net Assets, End of Year	<u>\$ 108,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,075</u>

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Time Restrictions	\$ 257,514	\$ 88,460
Purpose Restrictions	332,479	187,296
Total Temporarily Restricted Net Assets	<u>\$ 589,993</u>	<u>\$ 275,756</u>

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NOTE 11 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2017 and 2016 were \$36,633 and \$31,245, respectively.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

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

In-kind contributions totaling \$339,618 and \$577,609 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 7% and 15%, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 13 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 4, 2018, the date at which the financial statements were available to be issued.