

**MAKE-A-WISH FOUNDATION®
OF GREATER LOS ANGELES**

FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2017

**MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
TABLE OF CONTENTS
YEAR ENDED AUGUST 31, 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
STATEMENT OF FUNCTIONAL EXPENSES	6
NOTES TO FINANCIAL STATEMENTS	7

INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Greater Los Angeles
Phoenix, Arizona

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Greater Los Angeles, which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, cash flows, and functional expenses, for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of Greater Los Angeles as of August 31, 2017, and change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 13 to the financial statements, an certain error was discovered by management during the current year related to prior year balances. Accordingly, amounts previously reported for, unrestricted net assets and due to related entities have been restated and an adjustment has been made to net assets as of September 1, 2016 to correct the error. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
June 6, 2018

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017

ASSETS

Cash and Cash Equivalents	\$	114,524
Investments		555,348
Due from Related Entities		290,275
Prepaid Expenses		36,287
Contributions Receivable, Net		180,592
Other Assets		37,167
Property and Equipment, Net		161,891
Total Assets	<u>\$</u>	<u>1,376,084</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Accounts Payable and Accrued Expenses	\$	404,589
Accrued Pending Wish Costs - Cash		1,212,909
Accrued Pending Wish Costs - In-Kind		746,276
Capital Lease Obligations		14,646
Due to Related Entities		345,786
Deferred Rent		124,536
Total Liabilities		<u>2,848,742</u>
 NET ASSETS (DEFICIT)		
Unrestricted		(1,575,331)
Temporarily Restricted		102,673
Total Net Assets (Deficit)		<u>(1,472,658)</u>
Total Liabilities and Net Assets	<u>\$</u>	<u>1,376,084</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 3,595,737	\$ 70,720	\$ 3,666,457
Grants	802,742	26,853	829,595
Total Public Support	4,398,479	97,573	4,496,052
Internal Special Events	1,174,606	-	1,174,606
Less Costs of Direct Benefits to Donors	(295,739)	-	(295,739)
Total Special Events	878,867	-	878,867
Investment Income, Net	95,546	-	95,546
Other Income	93,729	-	93,729
Net Assets Released from Restrictions	28,349	(28,349)	-
Total Revenues, Gains, and Other Support	5,494,970	69,224	5,564,194
EXPENSES			
Program Services:			
Wish Granting	5,265,850	-	5,265,850
Total Program Services	5,265,850	-	5,265,850
Support Services:			
Fundraising	1,377,906	-	1,377,906
Management and General	492,883	-	492,883
Total Support Services	1,870,789	-	1,870,789
Total Program and Support Services Expense	7,136,639	-	7,136,639
OTHER EXPENSE			
Loss on Disposal of Property and Equipment	1,097	-	1,097
Total Expenses and Losses	7,137,736	-	7,137,736
Change in Net Assets	(1,642,766)	69,224	(1,573,542)
Net Assets, Beginning of Year, As Previously Reported	580,835	33,449	614,284
Restatement of Net Assets	(513,400)	-	(513,400)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	67,435	33,449	100,884
NET ASSETS (DEFICIT), END OF YEAR	\$ (1,575,331)	\$ 102,673	\$ (1,472,658)

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (1,573,542)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Used in Operating Activities:	
Depreciation and Amortization	54,694
Donated Property and Equipment and Inventory	(10,760)
Bad Debt Expense	10,800
Net Realized and Unrealized Gains on Investments	(75,059)
Loss on Sale of Property and Equipment	1,097
Changes in Assets and Liabilities:	
Contributions Receivable	(124,901)
Due from Related Entities	(105,043)
Prepaid Expenses	54,789
Other Assets	60
Accounts Payable and Accrued Expenses	95,201
Accrued Pending Wish Costs	1,029,359
Due to Related Entities	(214,096)
Deferred Rent	55,156
Net Cash Used in Operating Activities	<u>(802,245)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(477,116)
Proceeds from Sales of Investments	1,148,588
Purchases of Property and Equipment	(9,655)
Net Cash Provided by Investing Activities	<u>661,817</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Payments on Capital Lease Obligations	(2,587)
Net Cash Used in Financing Activities	<u>(2,587)</u>

Net Decrease in Cash and Cash Equivalents (143,015)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 257,539

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 114,524

SUPPLEMENTAL CASH FLOW INFORMATION

Interest paid	\$ 7,253
Donated Property and Equipment and Inventory	10,760

See accompanying Notes to Financial Statements.

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

	Program	Support Services			Total
	Services				
	Wish	Fundraising	Management	Total	Total
	Granting		and General	Support	
				Services	
Direct Costs of Wishes	\$ 3,697,496	\$ -	\$ -	\$ -	\$ 3,697,496
Salaries, Taxes, and Benefits	906,268	942,538	292,455	1,234,993	2,141,261
Printing, Subscriptions, and Publications	20,931	41,729	977	42,706	63,637
Professional Fees	132,186	79,899	87,759	167,658	299,844
Rent and Utilities	221,514	121,218	55,021	176,239	397,753
Postage and Delivery	3,194	11,100	773	11,873	15,067
Travel	4,249	11,237	6,374	17,611	21,860
Meetings and Conferences	8,666	49,157	5,173	54,330	62,996
Office Supplies	58,606	6,005	2,842	8,847	67,453
Communications	9,603	5,658	1,951	7,609	17,212
Advertising and Media (Cash)	42	152	45	197	239
Repairs and Maintenance	9,786	5,856	2,361	8,217	18,003
Insurance	3,367	1,811	1,532	3,343	6,710
Bad Debt Expense	-	10,800	-	10,800	10,800
Membership Dues	-	1,154	20	1,174	1,174
National Partnership Dues	121,700	15,405	16,946	32,351	154,051
Miscellaneous	37,613	57,779	10,997	68,776	106,389
Depreciation and Amortization	30,629	16,408	7,657	24,065	54,694
Special Event Expenses	-	295,739	-	295,739	295,739
Investment Fees	-	-	13,369	13,369	13,369
	<u>\$ 5,265,850</u>	<u>\$ 1,673,645</u>	<u>\$ 506,252</u>	<u>\$ 2,179,897</u>	<u>\$ 7,445,747</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(295,739)	-	(295,739)	(295,739)
Investment Fees	-	-	(13,369)	(13,369)	(13,369)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 5,265,850</u>	<u>\$ 1,377,906</u>	<u>\$ 492,883</u>	<u>\$ 1,870,789</u>	<u>\$ 7,136,639</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Greater Los Angeles (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 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 was \$25,431 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 GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

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

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

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

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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. As of August 31, 2017, the Foundation had no permanently restricted net assets.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

Revenue Recognition

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

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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 statement of activities as follows at:

	August 31, 2017			
	Programs	Fundraising	Management and General	Total
Wish Related	\$ 1,043,113	\$ -	\$ -	\$ 1,043,113
Professional Services	3,000	-	2,800	5,800
Other	1,281	1,664	1,297	4,242
	<u>\$ 1,047,394</u>	<u>\$ 1,664</u>	<u>\$ 4,097</u>	<u>\$ 1,053,155</u>
Special Events				8,650
In-Kind Receivable (Asset)				14,653
Inventory (Asset)				599
Property and Equipment (Capitalized)				10,161
Total				<u>\$ 1,087,218</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.

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

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and California taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Sections 12586 and 12587 of the California Government 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.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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

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 that grant 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 year ended August 31, 2017 the Foundation did not incur joint costs for activities that include fundraising appeals.

Management and General

All costs not identifiable with specific programs or fundraising activities, 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 \$124,536 at August 31, 2017.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and in-kind contributions, accrued pending wish costs, net of attrition, allocation of functional expenses and whether an allowance for uncollectible contributions receivable is required.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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 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.

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 that are measured at fair value on a recurring basis at August 31, 2017:

	Fair Value Measurements at August 31, 2017 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,180	\$ -	\$ -	\$ 1,180
Bonds	117,238	-	-	117,238
Exchange-Traded Funds:				
Domestic Equity	2,307	-	-	2,307
Equity Securities:				
U.S. Corporate Equity Securities	197,477	-	-	197,477
Foreign Equity Securities	116,236	-	-	116,236
Debt Securities:				
U.S. Treasury	-	59,462	-	59,462
Asset Backed	-	61,448	-	61,448
Total Recurring	<u>\$ 434,438</u>	<u>\$ 120,910</u>	<u>\$ -</u>	<u>\$ 555,348</u>

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

For the valuation of debt securities at August 31, 2017, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

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

Interest and Dividend Income	\$ 33,856
Realized and Unrealized Gains, Net	75,059
Less: Investment Expenses	<u>(13,369)</u>
Investment Income, Net	<u><u>\$ 95,546</u></u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable balance as of August 31, 2017 was due as follows:

Total Amounts Due in:	
One Year	\$ 160,592
Two to Five Years	<u>20,000</u>
Gross Contributions Receivable	<u><u>\$ 180,592</u></u>

Of the \$180,592 balance due as of August 31, 2017, 70% is due from three donors. Management has determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2017. The long-term portion of contributions receivable have not been discounted due to its immateriality to the financial statements as a whole.

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 year ended August 31, 2017 the Foundation received \$1,281,389 from these national revenue streams.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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 \$540,043 during the year ended August 31, 2017.

Conversely, the Foundation pays amounts to the National Organization for chapter 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 \$521,091 were paid from the Foundation to the National Organization during the year ended August 31, 2017.

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 \$92,550 for the year ended August 31, 2017 which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows at August 31, 2017:

Due from National Organization	\$ 105,743
Due from Other Chapters	184,532
Total Due from Related Entities	<u>\$ 290,275</u>
Due to National Organization	\$ 304,953
Due to Other Chapters	40,833
Total Due to Related Entities	<u>\$ 345,786</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. As of August 31, 2017, \$300,000 of the balance relates to a loan that is to be repaid in three equal installments ending July 31, 2018. Interest has not been imputed on the loan due to the short duration of the loan and immateriality to the financial statements as a whole.

During 2017, the Foundation received contributions, both cash and in-kind, from board members totaling \$194,582. In 2017, amounts due from board members totaled \$5,000, and are included in contributions receivable in the accompanying statements of financial position.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

NOTE 6 PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 31, 2017 consist of the following:

Computer Equipment and Software	\$ 117,639
Equipment, Furniture, and Fixtures	172,332
Leasehold Improvements	40,363
	330,334
Less Accumulated Depreciation and Amortization	(168,443)
Property and Equipment, Net	\$ 161,891

Depreciation and amortization expense totaled \$54,694 for the year ended August 31, 2017.

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 are accrued as pending wish liability at year-end for all reportable pending wishes. The in-kind portion of the pending wish liability includes the estimated in-kind expenses that are 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 deficit at August 31, 2017 would decrease by \$675,556 resulting in an adjusted net deficit of \$797,102.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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 the Foundation had 229 reportable pending wishes.

NOTE 8 LEASES

The Foundation is obligated under capital and operating leases for office space and equipment, which expire at various dates through March 31, 2026. As of August 31, 2017 the cost of leased property and equipment under capital lease was \$19,500 and the accumulated depreciation was \$9,750. Total rent expense for all operating leases totaled \$367,287 for the year ended August 31, 2017.

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

	Operating Leases	Capital Leases
<u>Year Ending August 31:</u>		
2018	\$ 307,309	\$ 9,840
2019	342,948	9,840
2020	353,232	4,920
2021	363,834	-
2022	343,063	-
Thereafter	1,400,838	-
Total Minimum Lease Payments	3,111,224	24,600
Less Amounts Representing Interest	-	(9,954)
Present Value of Net Minimum Lease Payments	\$ 3,111,224	\$ 14,646

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2017:

Time Restrictions	\$ 5,100
Purpose Restrictions	97,573
Total Temporarily Restricted Net Assets	\$ 102,673

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017

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 6% of the employee's salary. Foundation contributions to the Plan were \$16,832 for the year ended August 31, 2017.

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 \$270,020 were received from a single donor for the year ended August 31, 2017 which represents 6% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 12 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through June 6, 2018, the date at which the financial statements were available to be issued.

Subsequent to year end, the Chapter entered into an employee search contract to locate and hire a chief executive officer. The estimated contract fee is \$75,000, of which \$52,500 will be covered by a grant from the National Organization.

NOTE 13 CORRECTIONS OF AN ERROR

During the year ended August 31, 2017, the Chapter discovered that they deposited several bequest checks before determining if the check belonged to the Foundation, another chapter, or the National Organization. The errors caused the August 31, 2016 unrestricted net assets to be overstated by \$513,400 and the due to related parties to be understated by the same amount.