

**MAKE-A-WISH FOUNDATION® OF  
CENTRAL AND NORTHERN FLORIDA**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2016 AND 2015**

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Central and Northern Florida  
Maitland, Florida

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Central and Northern Florida, 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 Central and Northern Florida

**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 Central and Northern Florida 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**

Lakeland, Florida  
January 24, 2017

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,438,615	\$ 2,610,823
Investments	1,556,987	547,267
Due from Related Entities	127,038	223,115
Prepaid Expenses	75,317	57,017
Contributions Receivable, Net	156,953	55,499
Other Assets	35,026	38,963
Property and Equipment, Net	60,436	55,561
Beneficial Interest in Assets Held by Others	664,482	632,485
Total Assets	\$ 5,114,854	\$ 4,220,730
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 281,490	\$ 229,256
Accrued Pending Wish Costs - Cash	1,332,564	891,677
Accrued Pending Wish Costs - In-Kinds	680,464	524,217
Due to Related Entities	45,355	38,990
Capital Lease Obligations	20,422	19,176
Other Liabilities	14,538	9,977
Total Liabilities	2,374,833	1,713,293
<b>NET ASSETS</b>		
Unrestricted	1,797,728	1,701,586
Temporarily Restricted	277,811	173,366
Permanently Restricted	664,482	632,485
Total Net Assets	2,740,021	2,507,437
Total Liabilities and Net Assets	\$ 5,114,854	\$ 4,220,730

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2016**  
**(WITH SUMMARY TOTALS FOR THE YEAR ENDED AUGUST 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Public Support:					
Contributions, Net of Write-Offs	\$ 3,607,151	\$ 119,988	\$ -	\$ 3,727,139	\$ 3,399,380
Grants	210,330	-	-	210,330	180,455
Total Public Support	<u>3,817,481</u>	<u>119,988</u>	<u>-</u>	<u>3,937,469</u>	<u>3,579,835</u>
Internal Special Events	2,879,019	154,153	-	3,033,172	2,302,250
Less: Costs of Direct Benefit to Donor	846,106	-	-	846,106	578,226
Total Special Events	<u>2,032,913</u>	<u>154,153</u>	<u>-</u>	<u>2,187,066</u>	<u>1,724,024</u>
Investment Income, Net	69,588	-	-	69,588	10,836
Other Income	149,843	322	-	150,165	153,791
Change in Value of Beneficial Interest in Restricted Trusts	-	-	31,997	31,997	(61,751)
Net Assets Released from Restrictions	170,018	(170,018)	-	-	-
Total Revenues, Gains, and Other Support	<u>6,239,843</u>	<u>104,445</u>	<u>31,997</u>	<u>6,376,285</u>	<u>5,406,735</u>
<b>EXPENSES</b>					
Program Services:					
Wish Granting	4,692,909	-	-	4,692,909	4,082,259
Support Services:					
Fundraising	925,906	-	-	925,906	764,848
Management and General	524,886	-	-	524,886	541,776
Total Support Services	<u>1,450,792</u>	<u>-</u>	<u>-</u>	<u>1,450,792</u>	<u>1,306,624</u>
Total Expenses	<u>6,143,701</u>	<u>-</u>	<u>-</u>	<u>6,143,701</u>	<u>5,388,883</u>
<b>CHANGE IN NET ASSETS</b>	96,142	104,445	31,997	232,584	17,852
Net Assets - Beginning of Year	<u>1,701,586</u>	<u>173,366</u>	<u>632,485</u>	<u>2,507,437</u>	<u>2,489,585</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,797,728</u>	<u>\$ 277,811</u>	<u>\$ 664,482</u>	<u>\$ 2,740,021</u>	<u>\$ 2,507,437</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,350,956	\$ 48,424	\$ -	\$ 3,399,380
Grants	176,655	3,800	-	180,455
Total Public Support	<u>3,527,611</u>	<u>52,224</u>	<u>-</u>	<u>3,579,835</u>
Internal Special Events	2,181,108	121,142	-	2,302,250
Less: Costs of Direct Benefit to Donor	578,226	-	-	578,226
Total Special Events	<u>1,602,882</u>	<u>121,142</u>	<u>-</u>	<u>1,724,024</u>
Investment Income, Net	10,836	-	-	10,836
Other Income	153,791	-	-	153,791
Change in Value of Beneficial Interest in Restricted Trusts	-	-	(61,751)	(61,751)
Net Assets Released from Restrictions	243,920	(243,920)	-	-
Total Revenues, Gains, and Other Support	<u>5,539,040</u>	<u>(70,554)</u>	<u>(61,751)</u>	<u>5,406,735</u>
<b>EXPENSES</b>				
Program Services:				
Wish Granting	4,082,259	-	-	4,082,259
Support Services:				
Fundraising	764,848	-	-	764,848
Management and General	541,776	-	-	541,776
Total Support Services	<u>1,306,624</u>	<u>-</u>	<u>-</u>	<u>1,306,624</u>
Total Expenses	<u>5,388,883</u>	<u>-</u>	<u>-</u>	<u>5,388,883</u>
<b>CHANGE IN NET ASSETS</b>	150,157	(70,554)	(61,751)	17,852
Net Assets - Beginning of Year	<u>1,551,429</u>	<u>243,920</u>	<u>694,236</u>	<u>2,489,585</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,701,586</u>	<u>\$ 173,366</u>	<u>\$ 632,485</u>	<u>\$ 2,507,437</u>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 232,584	\$ 17,852
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation and Amortization	31,013	33,293
Bad Debt Expense	830	6,038
Net Realized and Unrealized Gains on Investments	(39,096)	(14,523)
Loss on Sale of Property and Equipment	-	711
Contributed Property and Equipment and Investments	(131,776)	(4,946)
Change in Value of Beneficial Interest in Perpetual Trust	(31,997)	61,751
Change in Attrition Pending Wish Liability	(87,333)	(73,121)
Changes in Assets and Liabilities:		
Contributions Receivable	(102,284)	110,586
Due from Related Entities	96,077	(44,495)
Prepaid Expenses	(18,300)	2,345
Other Assets	3,937	5,590
Accounts Payable and Accrued Expenses	52,234	100,041
Accrued Pending Wish Costs	684,467	348,968
Due to Related Entities	6,365	33,848
Other Liabilities	4,561	3,056
Net Cash and Cash Equivalents Provided by Operating Activities	701,282	586,994
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,260,641)	(641,693)
Proceeds from Sales of Investments	401,213	644,980
Purchases of Property and Equipment	(7,295)	(17,588)
Net Cash Used by Investing Activities	(866,723)	(14,301)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Capital Lease Obligations	(6,767)	(5,998)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(172,208)	566,695
Cash and Cash Equivalents - Beginning of Year	2,610,823	2,044,128
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,438,615	\$ 2,610,823
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
In-Kind Contributions	\$ 1,235,185	\$ 1,068,770
Cash Paid for Interest	\$ 814	\$ 774
Contributed Property and Equipment and Investments	\$ (131,776)	\$ (4,946)
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Property and Equipment Donations	\$ 20,580	\$ -
Purchase of Property and Equipment with Capital Lease	\$ 8,013	\$ 15,450

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2016**

	Program Services Wish Granting	Support Services			Total
		Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,814,709	\$ -	\$ -	\$ -	\$ 3,814,709
Salaries, Taxes, and Benefits	538,508	580,357	320,324	900,681	1,439,189
Printing, Subscriptions, and Publications	14,301	32,750	5,778	38,528	52,829
Professional Fees	73,270	14,341	10,705	25,046	98,316
Rent and Utilities	80,849	89,059	38,657	127,716	208,565
Postage and Delivery	4,315	11,965	2,700	14,665	18,980
Travel	5,743	20,930	18,857	39,787	45,530
Meetings and Conferences	4,989	12,849	11,168	24,017	29,006
Office Supplies	8,307	8,451	9,523	17,974	26,281
Communications	11,526	13,424	6,654	20,078	31,604
Advertising and Media (Cash)	10,000	10,740	999	11,739	21,739
Advertising and Media (In-Kind)	10,000	36,147	-	36,147	46,147
Repairs and Maintenance	5,364	14,115	2,664	16,779	22,143
Insurance	401	442	188	630	1,031
Bad Debt Expense	-	-	830	830	830
Membership Dues	-	299	245	544	544
National Partnership Dues	89,709	41,754	20,708	62,462	152,171
Miscellaneous	8,864	24,977	69,233	94,210	103,074
Depreciation and Amortization	12,054	13,306	5,653	18,959	31,013
<b>Total</b>	<b>\$ 4,692,909</b>	<b>\$ 925,906</b>	<b>\$ 524,886</b>	<b>\$ 1,450,792</b>	<b>\$ 6,143,701</b>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2015**

	Program Services Wish Granting	Support Services			Total
		Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,293,461	\$ -	\$ -	\$ -	\$ 3,293,461
Salaries, Taxes, and Benefits	433,707	511,107	348,928	860,035	1,293,742
Printing, Subscriptions, and Publications	7,878	31,974	2,516	34,490	42,368
Professional Fees	78,953	14,235	13,084	27,319	106,272
Rent and Utilities	72,437	70,454	40,340	110,794	183,231
Postage and Delivery	4,777	11,140	3,118	14,258	19,035
Travel	11,649	18,989	17,121	36,110	47,759
Meetings and Conferences	4,999	10,723	9,259	19,982	24,981
Office Supplies	10,597	9,597	9,159	18,756	29,353
Communications	9,718	9,725	6,547	16,272	25,990
Advertising and Media (Cash)	122	10,621	1,123	11,744	11,866
Advertising and Media (In-Kind)	20,000	-	-	-	20,000
Repairs and Maintenance	10,304	14,199	5,823	20,022	30,326
Insurance	3,044	2,937	1,699	4,636	7,680
Bad Debt Expense	-	-	6,038	6,038	6,038
Membership Dues	74	267	2,384	2,651	2,725
National Partnership Dues	99,279	13,823	12,567	26,390	125,669
Miscellaneous	8,144	22,404	54,546	76,950	85,094
Depreciation and Amortization	13,116	12,653	7,524	20,177	33,293
<b>Total</b>	<b>\$ 4,082,259</b>	<b>\$ 764,848</b>	<b>\$ 541,776</b>	<b>\$ 1,306,624</b>	<b>\$ 5,388,883</b>

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Central and Northern Florida (the Foundation) is a Florida 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).

**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 \$246,620 and \$268,406 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 CENTRAL AND NORTHERN FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment, Net**

Property and equipment having a unit cost greater than \$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 three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). 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* – 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* – 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* – 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.

See additional information in Note 3.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

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

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

**Revenue Recognition**

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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 CENTRAL AND NORTHERN FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

The Foundation received in-kind contributions of assets and services that are included in the accompanying statement of activities as follows:

	Programs	Support Services		2016 Total
		Fundraising	Management and General	
Program and Support Service				
Wish Related	\$ 1,072,974	\$ -	\$ -	\$ 1,072,974
Professional Services	60,000	-	-	60,000
Rent	-	-	683	683
Advertising and Media	10,000	36,147	-	46,147
Other	8,067	21,414	5,320	34,801
Total Program and Supported Service	1,151,041	57,561	6,003	1,214,605
Direct Benefit Expenses, Netted with Special Event Revenue	380,540	-	-	380,540
Total	<u>\$ 1,531,581</u>	<u>\$ 57,561</u>	<u>\$ 6,003</u>	<u>1,595,145</u>
Property and Equipment (Capitalized)				20,580
Total				<u>\$ 1,615,725</u>

	Programs	Support Services		2015 Total
		Fundraising	Management and General	
Program and Support Service				
Wish Related	\$ 951,473	\$ -	\$ -	\$ 951,473
Professional Services	60,000	-	-	60,000
Rent	-	-	683	683
Advertising and Media	-	28,574	-	28,574
Other	6,343	20,557	1,140	28,040
Total Program and Supported Service	1,017,816	49,131	1,823	1,068,770
Direct Benefit Expenses, Netted with Special Event Revenue	197,598	-	-	197,598
Total	<u>\$ 1,215,414</u>	<u>\$ 49,131</u>	<u>\$ 1,823</u>	<u>1,266,368</u>
Investments (Asset)				-
Inventory (Asset)				-
Property and Equipment (Capitalized)				-
Total				<u>\$ 1,266,368</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.

Program or supporting services expenses were recorded at fair value totaling \$1,295,942 and \$1,141,971 in 2016 and 2015, respectively, with the difference recorded as other assets representing primarily auction items received and not yet used.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND NORTHERN FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue when received 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. Advertising costs totaled \$67,886 and \$31,866 for the years ended August 31, 2016 and 2015, respectively.

**Income Taxes**

The Foundation is a not-for-profit organization exempt from federal income and Florida taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 12A-1.038 of the Florida Statutes, Chapter 212. 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 three functions: wish granting and program-related support, 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 fiscal years ended August 31, 2016 and 2015, the Foundation incurred no significant joint costs for activities included in fundraising appeals.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses (Continued)**

**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 \$14,538 and \$9,977 at August 31, 2016 and 2015, respectively.

**Management Estimates**

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

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.



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**NOTE 3 FAIR VALUE MEASUREMENTS**

**Fair Value of Financial Instruments**

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

The fair values of the financial instruments shown in the following tables as of August 31, 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.

**Fair Value Hierarchy**

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

	August 31, 2016	Fair Value Measurements at August 31, 2016 Using		
		(Level 1)	(Level 2)	(Level 3)
Assets:				
Recurring:				
Investments:				
Beneficial Interest Agreements	\$ 664,482	\$ -	\$ -	\$ 664,482
Mutual Funds:				
Domestic Equity	308,659	308,659	-	-
International Equity	79,469	79,469	-	-
Global	50,672	50,672	-	-
Real Estate	34,728	34,728	-	-
Bonds	469,277	469,277	-	-
Exchange Traded Funds:				
International Equity	315,581	315,581	-	-
Debt Securities:				
U.S. Treasury	12,999	-	12,999	-
U.S. Agency	285,602	-	285,602	-
Total	<u>\$ 2,221,469</u>	<u>\$ 1,258,386</u>	<u>\$ 298,601</u>	<u>\$ 664,482</u>

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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2015:

	August 31, 2015	Fair Value Measurements at August 31, 2015 Using		
		(Level 1)	(Level 2)	(Level 3)
Assets:				
Recurring:				
Investments:				
Beneficial Interest Agreements	\$ 632,485	\$ -	\$ -	\$ 632,485
Debt Securities:				
U.S. Treasury	192,037	-	192,037	-
U.S. Agency	355,230	-	355,230	-
Total	<u>\$ 1,179,752</u>	<u>\$ -</u>	<u>\$ 547,267</u>	<u>\$ 632,485</u>

For the valuation of debt securities at 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). The Foundation has no fair value measurements that use Level 3 inputs, other than beneficial interest in perpetual trust as described in Note 5. There were no transfers between investment levels during the years ended August 31, 2016 and 2015.

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	\$ 33,990	\$ 477
Realized and Unrealized Gains, Net	39,096	14,523
Less: Investment Expenses	3,498	4,164
Investment Income, Net	<u>\$ 69,588</u>	<u>\$ 10,836</u>

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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2016 and 2015:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2016	2015
Beginning Balance	\$ 632,485	\$ 694,236
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets	31,997	(61,751)
Ending Balance	\$ 664,482	\$ 632,485
Change in Unrealized Gains or Losses for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	\$ 31,997	\$ (61,751)

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include cash and in-kind pledges. The Foundation records an allowance for doubtful accounts on cash pledges. The following is a summary of the Foundation's contributions receivable at August 31:

	2016	2015
Total Amounts Due in:		
One Year	\$ 162,271	\$ 56,669
Gross Contributions Receivable	162,271	56,669
Less: Allowance for Doubtful Accounts	5,318	1,170
Contributions Receivable, Net	\$ 156,953	\$ 55,499

**NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

**Beneficial Interest in Trusts**

The Foundation is a named income beneficiary on various perpetual trusts, the corpus of which is not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits.

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**NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (CONTINUED)**

**Beneficial Interest in Trusts (Continued)**

Subsequent changes in the value of the underlying assets have been recorded in the accompanying statement of activities as a component of permanently restricted realized and unrealized gains and losses on investments.

The Foundation's beneficial interest in the trusts is \$664,482 and \$632,485 as of August 31, 2016 and 2015, respectively. The Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3).

**NOTE 6 TRANSACTIONS WITH RELATED ENTITIES**

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2016 and 2015, the Foundation received \$1,357,938 and \$1,304,785, 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 to other chapters to underwrite the cost of wishes. Under this program the Foundation contributed \$3,885 and \$-0-, during the years August 31, 2016 and 2015, respectively.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation. Amounts totaling \$152,171 and \$125,669 were paid from the Foundation to the National Organization during the years ended August 31, 2016 and 2015, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$149,875 and \$138,000 for the years ended August 31, 2016 and 2015, respectively, which is recorded in the accompanying statement of activities as Other Income.

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**NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

Amounts due from and to related entities are as follows:

	<u>2016</u>	<u>2015</u>
Balance at August 31:		
Due from National Organization	\$ 112,239	\$ 199,526
Due from Other Chapters	14,799	23,589
Total Due from Related Entities	<u>\$ 127,038</u>	<u>\$ 223,115</u>
Due to National Organization	\$ 294	\$ 4,676
Due to Other Chapters	45,061	34,314
Total Due to Related Entities	<u>\$ 45,355</u>	<u>\$ 38,990</u>

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

During 2016 and 2015 the Foundation received contributions, both cash and in-kind, from board members totaling \$302,486 and \$369,979, respectively. Amounts paid to related parties for goods and services used in the Foundation's operations totaled \$149,472 and \$256,420 in 2016 and 2015, respectively.

**NOTE 7 PROPERTY AND EQUIPMENT, NET**

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

	<u>2016</u>	<u>2015</u>
Computer Equipment and Software	\$ 161,947	\$ 134,372
Office Furniture	17,047	18,286
Other Equipment	59,075	59,075
Leasehold Improvements	4,805	4,805
Subtotal	<u>242,874</u>	<u>216,538</u>
Less: Accumulated Depreciation and Amortization	182,438	160,977
Property and Equipment, Net	<u>\$ 60,436</u>	<u>\$ 55,561</u>

Depreciation and amortization expense totaled \$31,013 and \$33,293 for the years ended August 31, 2016 and 2015 respectively.

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**NOTE 8 ACCRUED PENDING WISH COSTS**

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

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

Estimated cash and in-kind costs owed as of year-end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability includes the estimated in-kind outlay that is expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if all the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2016 would be \$3,300,516.

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 12 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 198 and 143 reportable pending wishes, respectively.

**NOTE 9 LEASES**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through January 31, 2021. As of August 31, 2016 and 2015, the cost of leased property and equipment under capital leases was \$30,894 and \$30,894, respectively, and accumulated depreciation was \$8,405 and \$12,016, respectively. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$196,098 and \$174,198, respectively.

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**NOTE 9 LEASES (CONTINUED)**

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2017	\$ 192,471	\$ 7,045
2018	176,125	10,937
2019	182,650	4,392
2020	76,146	-
2021 and Following	31,788	-
Total Minimum Lease Payments	<u>659,180</u>	<u>22,374</u>
Less: Amounts Representing Interest	-	1,952
Present Value of Net Minimum Lease Payments	<u>\$ 659,180</u>	<u>\$ 20,422</u>

The Foundation has the option to renew the lease for their Maitland, FL office for a five-year term beginning in 2019.

**NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Time Restrictions	\$ 277,811	\$ 169,566
Purpose Restrictions	-	3,800
Total Temporarily Restricted Net Assets	<u>\$ 277,811</u>	<u>\$ 173,366</u>

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

	<u>2016</u>	<u>2015</u>
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	<u>\$ 664,482</u>	<u>\$ 632,485</u>

**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 90 days 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 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$21,392 and \$22,802, respectively.

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**NOTE 12 CONCENTRATIONS OF CREDIT RISK**

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

**NOTE 13 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 14 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through January 24, 2017, the date at which the financial statements were available to be issued.