

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND
RHODE ISLAND, INC.**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc., 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 Massachusetts and Rhode Island, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc., 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

Boston, Massachusetts
January 31, 2017

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 2,457,441	\$ 2,009,364
Investments	8,894,188	8,399,793
Due from Related Entities	107,308	70,380
Prepaid Expenses and Other Assets	46,723	61,769
Contributions Receivable, Net	575,161	684,549
Property and Equipment, Net	131,973	25,272
Total Assets	\$ 12,212,794	\$ 11,251,127
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 327,146	\$ 309,251
Accrued Pending Wish Costs	2,470,639	2,195,019
Due to Related Entities	36,454	22,453
Other Liabilities	7,089	37,208
Total Liabilities	2,841,328	2,563,931
NET ASSETS		
Unrestricted:		
Operating	1,757,806	1,045,779
Board Designated	6,693,025	6,579,082
Total Unrestricted	8,450,831	7,624,861
Temporarily Restricted	866,191	1,007,891
Permanently Restricted	54,444	54,444
Total Net Assets	9,371,466	8,687,196
Total Liabilities and Net Assets	\$ 12,212,794	\$ 11,251,127

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
(WITH SUMMARY TOTALS FOR THE YEAR ENDED AUGUST 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	\$ 7,156,472	\$ 450,125	\$ -	\$ 7,606,597	\$ 6,032,798
Grants	85,536	-	-	85,536	86,951
Total Public Support	<u>7,242,008</u>	<u>450,125</u>	<u>-</u>	<u>7,692,133</u>	<u>6,119,749</u>
Internal Special Events	465,535	-	-	465,535	321,161
Less: Costs of Direct Benefits to Donors	(465,535)	-	-	(465,535)	(321,161)
Total Internal Special Events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of Nonoperating Assets for Operations	400,000	255,000	-	655,000	573,000
Other Income	25,982	-	-	25,982	21,782
Net Assets Released from Restrictions	<u>656,347</u>	<u>(656,347)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>8,324,337</u>	<u>48,778</u>	<u>-</u>	<u>8,373,115</u>	<u>6,714,531</u>
EXPENSES					
Program Services:					
Wish Granting	4,702,562	-	-	4,702,562	4,475,452
Program-Related Support	1,417,425	-	-	1,417,425	1,213,286
Total Program Services	<u>6,119,987</u>	<u>-</u>	<u>-</u>	<u>6,119,987</u>	<u>5,688,738</u>
Support Services:					
Fundraising	583,344	-	-	583,344	736,231
Management and General	909,039	-	-	909,039	667,469
Total Support Services	<u>1,492,383</u>	<u>-</u>	<u>-</u>	<u>1,492,383</u>	<u>1,403,700</u>
Total Program and Support Services Expense	<u>7,612,370</u>	<u>-</u>	<u>-</u>	<u>7,612,370</u>	<u>7,092,438</u>
CHANGE IN NET ASSETS FROM OPERATIONS	711,967	48,778	-	760,745	(377,907)
NONOPERATING ACTIVITIES					
Interest Income and Investment Gains (Losses), Net	510,319	4,738	-	515,057	(173,060)
Appropriation of Endowment Assets for Operations	(396,316)	(3,684)	-	(400,000)	(318,000)
Leadership Gifts, Net of Appropriation for Operations	-	(191,377)	-	(191,377)	(247,974)
Change in Value of Split-interest Agreements	-	(155)	-	(155)	(407)
Change in Net Assets from Nonoperating Activities	<u>114,003</u>	<u>(190,478)</u>	<u>-</u>	<u>(76,475)</u>	<u>(739,441)</u>
CHANGE IN NET ASSETS	825,970	(141,700)	-	684,270	(1,117,348)
Net Assets - Beginning of Year	<u>7,624,861</u>	<u>1,007,891</u>	<u>54,444</u>	<u>8,687,196</u>	<u>9,804,544</u>
NET ASSETS - END OF YEAR	<u>\$ 8,450,831</u>	<u>\$ 866,191</u>	<u>\$ 54,444</u>	<u>\$ 9,371,466</u>	<u>\$ 8,687,196</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 5,665,992	\$ 366,806	\$ -	\$ 6,032,798
Grants	86,951	-	-	86,951
Total Public Support	<u>5,752,943</u>	<u>366,806</u>	<u>-</u>	<u>6,119,749</u>
Internal Special Events	321,161	-	-	321,161
Less Costs of Direct Benefits to Donors	(321,161)	-	-	(321,161)
Total Internal Special Events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of Nonoperating Assets for Operations	318,000	255,000	-	573,000
Other Income	21,782	-	-	21,782
Net Assets Released from Restrictions	<u>509,654</u>	<u>(509,654)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>6,602,379</u>	<u>112,152</u>	<u>-</u>	<u>6,714,531</u>
EXPENSES				
Program Services:				
Wish Granting	4,475,452	-	-	4,475,452
Program-Related Support	1,213,286	-	-	1,213,286
Total Program Services	<u>5,688,738</u>	<u>-</u>	<u>-</u>	<u>5,688,738</u>
Support Services:				
Fundraising	736,231	-	-	736,231
Management and General	667,469	-	-	667,469
Total Support Services	<u>1,403,700</u>	<u>-</u>	<u>-</u>	<u>1,403,700</u>
Total Program and Support Services Expense	<u>7,092,438</u>	<u>-</u>	<u>-</u>	<u>7,092,438</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(490,059)	112,152	-	(377,907)
NONOPERATING ACTIVITIES				
Interest Income and Investment Losses, Net	(171,502)	(1,558)	-	(173,060)
Appropriation of Endowment Assets for Operations	(315,004)	(2,996)	-	(318,000)
Leadership Gifts, Net of Appropriation for Operations	-	(247,974)	-	(247,974)
Change in Value of Split-interest Agreements	-	(407)	-	(407)
Change in Net Assets from Nonoperating Activities	<u>(486,506)</u>	<u>(252,935)</u>	<u>-</u>	<u>(739,441)</u>
CHANGE IN NET ASSETS	(976,565)	(140,783)	-	(1,117,348)
Net Assets - Beginning of Year	<u>8,601,426</u>	<u>1,148,674</u>	<u>54,444</u>	<u>9,804,544</u>
NET ASSETS - END OF YEAR	<u>\$ 7,624,861</u>	<u>\$ 1,007,891</u>	<u>\$ 54,444</u>	<u>\$ 8,687,196</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 684,270	\$ (1,117,348)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	21,278	8,954
Net Realized and Unrealized (Gains) Losses on Investments	(330,868)	438,698
Contributed Property and Equipment	(123,379)	-
Change in Value of Split-Interest Agreements	155	407
Change in Discount to Present Value of Contributions Receivable	(3,622)	(7,026)
(Increase) Decrease in Assets:		
Contributions Receivable	113,010	142,595
Due from Related Entities	(37,083)	(17,988)
Prepaid Expenses and Other Assets	15,046	(7,099)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	17,895	12,833
Accrued Pending Wish Costs	275,620	741,207
Due to Related Entities	14,001	(50,799)
Other Liabilities	(30,119)	32,520
Net Cash Provided by Operating Activities	616,204	176,954
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(681,413)	(1,009,063)
Proceeds from Sales of Investments	517,886	484,158
Purchases of Property and Equipment	(4,600)	(2,495)
Net Cash Used by Investing Activities	(168,127)	(527,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	448,077	(350,446)
Cash and Cash Equivalents - Beginning of Year	2,009,363	2,359,809
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,457,440	\$ 2,009,363

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services			Support Services			Total
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,702,562	\$ -	\$ 4,702,562	\$ -	\$ -	\$ -	\$ 4,702,562
Salaries, Taxes, and Benefits	-	929,585	929,585	358,821	653,474	1,012,295	1,941,880
Printing, Subscriptions, and Publications	-	12,874	12,874	23,142	2,050	25,192	38,066
Professional Fees	-	50,290	50,290	52,350	95,643	147,993	198,283
Rent and Utilities	-	129,149	129,149	48,098	63,589	111,687	240,836
Postage and Delivery	-	6,184	6,184	8,114	2,842	10,956	17,140
Travel	-	4,738	4,738	10,201	15,637	25,838	30,576
Meetings and Conferences	-	2,810	2,810	25,178	12,324	37,502	40,312
Office Supplies	-	6,309	6,309	5,034	2,873	7,907	14,216
Communications	-	8,219	8,219	3,416	5,674	9,090	17,309
Repairs and Maintenance	-	43,617	43,617	16,011	21,269	37,280	80,897
Membership Dues	-	-	-	-	480	480	480
Volunteer Training	-	1,639	1,639	-	-	-	1,639
National Partnership Dues	-	146,555	146,555	21,439	17,519	38,958	185,513
Miscellaneous	-	63,966	63,966	7,284	10,133	17,417	81,383
Depreciation and Amortization	-	11,490	11,490	4,256	5,532	9,788	21,278
	<u>\$ 4,702,562</u>	<u>\$ 1,417,425</u>	<u>\$ 6,119,987</u>	<u>\$ 583,344</u>	<u>\$ 909,039</u>	<u>\$ 1,492,383</u>	<u>\$ 7,612,370</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services			Support Services			Total
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,475,452	\$ -	\$ 4,475,452	\$ -	\$ -	\$ -	\$ 4,475,452
Salaries, Taxes, and Benefits	-	800,398	800,398	505,106	502,590	1,007,696	1,808,094
Printing, Subscriptions, and Publications	-	10,230	10,230	10,831	1,293	12,124	22,354
Professional Fees	-	47,012	47,012	61,252	28,619	89,871	136,883
Rent and Utilities	-	106,138	106,138	58,923	62,125	121,048	227,186
Postage and Delivery	-	6,417	6,417	8,919	2,782	11,701	18,118
Travel	-	9,305	9,305	4,234	14,610	18,844	28,149
Meetings and Conferences	-	4,942	4,942	35,305	7,101	42,406	47,348
Office Supplies	-	6,619	6,619	6,132	3,281	9,413	16,032
Communications	-	7,563	7,563	4,290	4,562	8,852	16,415
Repairs and Maintenance	-	12,919	12,919	6,912	7,250	14,162	27,081
Membership Dues	-	-	-	-	380	380	380
Volunteer Training	-	1,858	1,858	-	-	-	1,858
National Partnership Dues	-	170,170	170,170	23,695	21,540	45,235	215,405
Miscellaneous	-	25,507	25,507	8,304	8,918	17,222	42,729
Depreciation and Amortization	-	4,208	4,208	2,328	2,418	4,746	8,954
	<u>\$ 4,475,452</u>	<u>\$ 1,213,286</u>	<u>\$ 5,688,738</u>	<u>\$ 736,231</u>	<u>\$ 667,469</u>	<u>\$ 1,403,700</u>	<u>\$ 7,092,438</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc. (the Foundation) is a Massachusetts 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). The Foundation raises funds locally to support the mission and operations in Massachusetts and Rhode Island. The National Organization operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2016 and 2015, is \$107,066 and \$86,409, 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 MASSACHUSETTS AND RHODE ISLAND, INC.
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. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 5 to 10 years. 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.

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.

See additional information in Note 3.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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.

Operations

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating activities consist of those items attributed to public support, special events less direct benefit costs, and related expenses for program services and support services for the purpose of granting wishes to children with life-threatening medical conditions.

Income and realized and unrealized gains and losses from investments, gifts intended to support future years and other items not related to the Foundation's operations are reported as nonoperating activities. In addition, the Foundation allocates to operations the portion of prior leadership gifts collected in the current year as an increase in appropriation of nonoperating assets for operations to reflect the usage of those funds to cover operating costs. A corresponding offset is shown as a reduction in nonoperating leadership gifts. Total appropriation of nonoperating assets related to leadership gift collections reflected in temporarily restricted operating revenue amounted to \$255,000 for both the years ended August 31, 2016 and 2015.

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 contribution 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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

The Foundation received in-kind contributions of assets and services that are reported as follows at August 31, 2016:

	Support Services			2016 Total
	Programs	Fundraising	Management and General	
Program and Support Service Purpose:				
Wish Related	\$ 2,075,132	\$ -	\$ -	\$ 2,075,132
Professional Services	20,082	7,438	15,519	43,039
Other	38,592	19,960	14,247	72,799
Total Program and Supported Service Purpose	\$ 2,133,806	\$ 27,398	\$ 29,766	\$ 2,190,970
Property and Equipment (Capitalized)				123,379
Total				\$ 2,314,349

The Foundation received in-kind contributions of assets and services that are reported as follows at August 31, 2015:

	Support Services			2015 Total
	Programs	Fundraising	Management and General	
Program and Support Service Purpose:				
Wish Related	\$ 1,279,345	\$ -	\$ -	\$ 1,279,345
Professional Services	16,747	9,264	15,471	41,482
Total Program and Supported Service Purpose	\$ 1,296,092	\$ 9,264	\$ 15,471	\$ 1,320,827

The Foundation considers as contributions that portion of the revenue received from special events and other fundraising events in excess of the fair value received by the participant. Accordingly, \$465,535 and \$321,161, respectively, of special events revenues and direct benefit costs to donors reflect the fair value of goods and services for which the participants paid and received and contributions include \$1,298,480 and \$1,080,023, respectively, representing the excess of the payment over that fair value in 2016 and 2015.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and state income taxes of the Massachusetts Department of Revenue Taxation Code and State of Rhode Island Division of Taxation. 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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 four functions: wish granting, 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.

Program-Related Support

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

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, 2016 and 2015, the Foundation incurred joint costs for activities that include fundraising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	2016	2015
Fundraising	\$ 7,965	\$ 9,176
Wish Granting	7,965	9,176
Total	\$ 15,930	\$ 18,352

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, and financial reporting.

Expenses that benefit more than one function of the Foundation, such as rent, supplies, and equipment, are allocated among the functions based generally on the amount of time spent by employees on each function.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates

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

Reclassifications

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

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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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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 Investment Committee, which oversees the Foundation's investment program in accordance with guidelines established by the Board of Directors.

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:

	Fair Value Measurements at August 31, 2016 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Investments:				
Mutual Funds:				
Domestic Equity	\$ 4,391,144	\$ -	\$ -	\$ 4,391,144
International Equity	1,179,187	-	-	1,179,187
Real Estate	69,274	-	-	69,274
Commodities	296,340	-	-	296,340
Bonds	2,775,990	-	-	2,775,990
Equity Securities:				
U.S. Corporate Equity Securities	182,253	-	-	182,253
Total	<u>\$ 8,894,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,894,188</u>

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:

	Fair Value Measurements at August 31, 2015 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Investments:				
Mutual Funds:				
Domestic Equity	\$ 4,266,608	\$ -	\$ -	\$ 4,266,608
International Equity	1,201,466	-	-	1,201,466
Real Estate	60,076	-	-	60,076
Commodities	232,943	-	-	232,943
Bonds	2,494,470	-	-	2,494,470
Equity Securities:				
U.S. Corporate Equity Securities	144,230	-	-	144,230
Total	<u>\$ 8,399,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,399,793</u>

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2016	2015
Interest and Dividend Income	\$ 209,758	\$ 289,532
Realized and Unrealized (Losses) Gains, Net	330,868	(438,698)
Less: Investment Expenses	(25,629)	(23,931)
Investment (Losses) Income, Net	\$ 514,997	\$ (173,097)

The interest income and investment return, net of \$515,057 and (\$173,060), respectively, on the statement of activities, includes \$60 and \$37, respectively, of operating cash interest in 2016 and 2015.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 3.38% to 4.06% at August 31, 2016 and 2015. The following is a summary of the Foundation's contributions receivable at August 31:

	2016	2015
Total Amounts Due in:		
One Year	\$ 532,560	\$ 640,570
Two to Five Years	45,000	50,000
Gross Contributions Receivable	577,560	690,570
Less: Discount to Present Value	(2,399)	(6,021)
Contributions Receivable, Net	\$ 575,161	\$ 684,549

NOTE 5 SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities

Donors have contributed assets to the national Organization in exchange for a promise by the National Organization to pay a fixed amount for a specified period of time to the donor or individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the National Organization. The National Organization records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The Foundation is named as a beneficiary in one of these agreements. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation received notice that the agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statement of activities as the change in value of split interest agreement.

The Foundation's beneficial interest in the trust is \$1,406 and \$1,561 as of August 31, 2016 and 2015, respectively, and is included in due from related entities in the statement of financial position.

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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 online and through the mail, amounts for internal grants, travel and training scholarships, and other miscellaneous revenues. During the years ended August 31, 2016 and 2015, respectively, the Foundation received \$1,537,839 and \$1,386,400, respectively, from these national revenue streams.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation. Amounts totaling \$202,915 and \$222,784 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 \$18,600 and \$9,600 for the years ended August 31, 2016 and 2015, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	<u>2016</u>	<u>2015</u>
Balance at August 31:		
Due from National Organization	\$ 100,303	\$ 68,343
Due from Other Chapters	7,005	2,037
Total Due from Related Entities	<u>\$ 107,308</u>	<u>\$ 70,380</u>
Due to National Organization	\$ 16,525	\$ -
Due to Other Chapters	19,929	22,453
Total Due to Related Entities	<u>\$ 36,454</u>	<u>\$ 22,453</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 recognized contributions, both cash and in-kind, from board members totaling \$442,171 and \$330,489, respectively. In 2016 and 2015, amounts due from board members totaled \$60,000 and \$180,127 respectively, and are included in contributions receivable in the accompanying statements of financial position. There were no amounts owed, or payments made, to related parties for goods and services used in the Foundation’s operations as of, and for the years ended, August 31, 2016 and 2015.

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NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

As part of the Make-A-Wish Foundation® of America’s Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation supported other chapters with contributions during the years ended August 31, 2016 and 2015 totaling \$50,000 and \$400,000, respectively, which is recorded under wish granting expense.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	2016	2015
Computer Equipment and Software	\$ 65,593	\$ 62,354
Other Equipment	158,975	41,209
	<u>224,568</u>	<u>103,563</u>
Less: Accumulated Depreciation and Amortization	(92,595)	(78,291)
Property and Equipment, Net	<u>\$ 131,973</u>	<u>\$ 25,272</u>

Depreciation and amortization expense totaled \$21,278 and \$8,955 for the years ended August 31, 2016 and 2015, respectively.

NOTE 8 ACCRUED PENDING WISH COSTS

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

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

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NOTE 8 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.

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2016 and 2015, the Foundation had 248 and 191 reportable pending wishes, respectively.

Accrued Pending Wish Costs consist of the following cash and in-kind portions for the years ended August 31:

	<u>2016</u>	<u>2015</u>
Accrued Pending Wish Costs - Cash	\$ 1,448,839	\$ 1,211,690
Accrued Pending Wish Costs - In-Kinds	1,021,800	983,329
Total	<u>\$ 2,470,639</u>	<u>\$ 2,195,019</u>

NOTE 9 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through September 30, 2018. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$219,412 and \$219,588, respectively.

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

<u>Year Ending August 31:</u>	<u>Operating Leases</u>
2017	\$ 204,567
2018	14,980
2019	72
2020	-
Total Minimum Lease Payments	<u>\$ 219,619</u>

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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NOTE 10 ENDOWMENTS

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

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

Interpretation of Relevant Law

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

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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NOTE 10 ENDOWMENTS (CONTINUED)

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 7,685	\$ 54,444	\$ 62,129
Board-Designated Endowment Funds	6,693,025	-	-	6,693,025
Total Funds	<u>\$ 6,693,025</u>	<u>\$ 7,685</u>	<u>\$ 54,444</u>	<u>\$ 6,755,154</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 6,631	\$ 54,444	\$ 61,075
Board-Designated Endowment Funds	6,579,082	-	-	6,579,082
Total Funds	<u>\$ 6,579,082</u>	<u>\$ 6,631</u>	<u>\$ 54,444</u>	<u>\$ 6,640,157</u>

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - Beginning of Year	\$ 6,579,082	\$ 6,631	\$ 54,444	\$ 6,640,157
Investment Return:				
Investment Income	182,433	1,696	-	184,129
Net Appreciation (Realized and Unrealized)	327,826	3,042	-	330,868
Total Investment Return	510,259	4,738	-	514,997
Board Approved Addition	-	-	-	-
Appropriation of Endowment Assets for Expenditure	(396,316)	(3,684)	-	(400,000)
Endowment Net Assets - End of Year	<u>\$ 6,693,025</u>	<u>\$ 7,685</u>	<u>\$ 54,444</u>	<u>\$ 6,755,154</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - Beginning of Year	\$ 6,865,692	\$ 11,185	\$ 54,444	\$ 6,931,321
Investment Return:				
Investment Income	263,199	2,503	-	265,702
Net Appreciation (Realized and Unrealized)	(434,805)	(4,061)	-	(438,866)
Total Investment Return	(171,606)	(1,558)	-	(173,164)
Board Approved Addition	200,000	-	-	200,000
Appropriation of Endowment Assets for Expenditure	(315,004)	(2,996)	-	(318,000)
Endowment Net Assets - End of Year	<u>\$ 6,579,082</u>	<u>\$ 6,631</u>	<u>\$ 54,444</u>	<u>\$ 6,640,157</u>

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	2016	2015
Permanently Restricted Net Assets:		
The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	\$ 54,444	\$ 54,444
Temporarily Restricted Net Assets:		
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:		
Without Purpose Restrictions	\$ 7,685	\$ 6,631
Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ 7,685	\$ 6,631

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. Such deficiencies can result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors. There were no such deficiencies as of August 31, 2016 and 2015.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to exceed an average rate of return of approximately 4% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

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NOTE 10 ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year within a range of 4% to 6% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average rate greater than 4% annually, prior to the 4% to 6% appropriation for distribution previously noted. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
Time Restrictions	\$ 340,992	\$ 554,354
Purpose Restrictions	525,199	453,537
Total Temporarily Restricted Net Assets	\$ 866,191	\$ 1,007,891

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

	2016	2015
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	\$ 54,444	\$ 54,444

NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan as of their date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. Eligible employees who have been employed with the Foundation for one year or more are eligible to receive an employer contribution to their 403(b) account. The Foundation matches employee contributions up to 3% of the employee's salary, per board discretion. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$39,637 and \$35,593, respectively.

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NOTE 13 CONCENTRATIONS OF CREDIT RISK

The Foundation places its cash and investments with high credit quality financial institutions. The cash balances maintained exceed the FDIC insurance coverage limit of \$250,000, but the Foundation has never experienced any losses in such accounts.

In-kind contributions totaling \$992,743 and \$624,376 were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 13% and 10%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 LITIGATION AND CLAIMS

The Foundation, is periodically involved in litigation and claims arising in the ordinary course of business. In the opinion of management, there is no pending litigation that would have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 31, 2017, the date at which the financial statements were available to be issued.