

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

**MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Make-A-Wish Foundation® of Alaska and Washington
Seattle, Washington

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Alaska and Washington 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 controls 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 controls. 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.

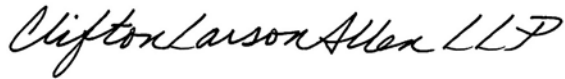
Board of Trustees
Make-A-Wish Foundation® of Alaska and Washington

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 Alaska and Washington 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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 13 to the financial statements, certain errors resulting in the calculation of the pending wish liability resulted in an understatement of amounts previously reported for the pending wish liability and expenses as of August 31, 2015, were discovered by management of the entity during the current year. Accordingly, amounts reported for the pending wish liability and expenses have been restated in the prior period financial statements now presented, and an adjustment has been made to net assets as of September 1, 2014, to correct the error. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Phoenix, Arizona
January 3, 2017

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015 (RESTATED)

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 367,837	\$ 317,143
Investments	2,664,231	2,891,399
Contributions Receivable, Net	1,191,707	1,475,897
Due from Related Entities	74,281	86,317
Prepaid Expenses	22,949	44,683
Investments Held for Long-Term Purposes	38,148	38,148
Property and Equipment, Net	241,337	171,101
Other Assets	15,981	25,924
Total Assets	\$ 4,616,471	\$ 5,050,612
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 361,157	\$ 275,329
Accrued Pending Wish Costs - Cash	1,416,182	1,183,664
Accrued Pending Wish Costs - In-Kind	1,644,903	2,163,418
Due to Related Entities	17,780	41,041
Deferred Rent	24,541	21,937
Capital Lease Obligations	102,635	35,215
Other Liabilities	29,300	117,201
Total Liabilities	3,596,498	3,837,805
Net Assets (Deficit)		
Unrestricted	(238,032)	(456,893)
Temporarily Restricted	1,219,857	1,631,552
Permanently Restricted	38,148	38,148
Total Net Assets	1,019,973	1,212,807
Total Liabilities and Net Assets	\$ 4,616,471	\$ 5,050,612

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 5,179,509	\$ 990,729	\$ -	\$ 6,170,238
Grants	220,576	28,150	-	248,726
Total Public Support	5,400,085	1,018,879	-	6,418,964
Internal Special Events	2,340,038	60,262	-	2,400,300
Less Costs of Direct Benefits to Donors	(357,629)	-	-	(357,629)
Total Special Events	1,982,409	60,262	-	2,042,671
Investment Income, Net	163,872	-	-	163,872
Other Income	22,324	-	-	22,324
Net Assets Released from Restrictions	1,490,836	(1,490,836)	-	-
Total Revenues, Gains, and Other Support	9,059,526	(411,695)	-	8,647,831
EXPENSES				
Program Services:				
Wish Granting	6,446,697	-	-	6,446,697
Total Program Services	6,446,697	-	-	6,446,697
Support Services:				
Fundraising	1,348,593	-	-	1,348,593
Management and General	1,045,375	-	-	1,045,375
Total Support Services	2,393,968	-	-	2,393,968
Total Program and Support Services Expense	8,840,665	-	-	8,840,665
Change in Net Assets (Deficit)	218,861	(411,695)	-	(192,834)
Net Assets (Deficit), Beginning of Year	(456,893)	1,631,552	38,148	1,212,807
NET ASSETS (DEFICIT), END OF YEAR	\$ (238,032)	\$ 1,219,857	\$ 38,148	\$ 1,019,973

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015 (RESTATED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 4,728,414	\$ 1,229,756	\$ -	\$ 5,958,170
Grants	233,149	62,496	-	295,645
Total Public Support	4,961,563	1,292,252	-	6,253,815
Internal Special Events	1,761,182	147,121	-	1,908,303
Less Costs of Direct Benefits to Donors	(328,281)	-	-	(328,281)
Total Special Events	1,432,901	147,121	-	1,580,022
Investment Loss, Net	(126,450)	-	-	(126,450)
Other Income	21,444	460	-	21,904
Net Assets Released from Restrictions	1,329,231	(1,329,231)	-	-
Total Revenues, Gains, and Other Support	7,618,689	110,602	-	7,729,291
EXPENSES				
Program Services:				
Wish Granting	6,861,939	-	-	6,861,939
Total Program Services	6,861,939	-	-	6,861,939
Support Services:				
Fundraising	1,329,186	-	-	1,329,186
Management and General	917,398	-	-	917,398
Total Support Services	2,246,584	-	-	2,246,584
Total Program and Support Services Expense	9,108,523	-	-	9,108,523
Change in Net Assets	(1,489,834)	110,602	-	(1,379,232)
Net Assets, Beginning of Year, as Originally Reported	1,731,682	1,520,950	38,148	3,290,780
Restatement (Note 13)	(698,741)	-	-	(698,741)
Net Assets, Beginning of Year, as Restated	1,032,941	1,520,950	38,148	2,592,039
NET ASSETS (DEFICIT), END OF YEAR	\$ (456,893)	\$ 1,631,552	\$ 38,148	\$ 1,212,807

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015 (RESTATED)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (192,834)	\$ (1,379,232)
Adjustments to reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization	83,926	70,600
Bad Debt Expense and Other	10,759	(4,555)
Net Realized and Unrealized (Gains) Losses on Investments	(34,841)	286,480
Contributed Property and Equipment, Inventory and Investments	(45,992)	(15,722)
Change in Attrition on Accrued Pending Wish Costs	(3,852)	(22,083)
Change in Discount to Present Value of Contributions Receivable	(1,735)	(3,032)
Changes in Assets and Liabilities:		
Contributions Receivable	275,166	47,864
Due from Related Entities	12,036	159,899
Prepaid Expenses	21,734	(17,279)
Other Assets	9,943	(8,350)
Accounts Payable and Accrued Expenses	85,828	5,216
Accrued Pending Wish Costs	(282,145)	620,723
Due to Related Entities	(23,261)	16,686
Deferred Revenue	(87,901)	117,201
Deferred Rent	2,604	4,738
Net Cash Used by Operating Activities	(170,565)	(120,846)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(209,421)	(380,748)
Proceeds from Sales of Investments	472,549	679,000
Purchases of Property and Equipment	(24,246)	(36,265)
Net Cash Provided by Investing Activities	238,882	261,987
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(17,623)	(20,584)
Net Cash Used by Financing Activities	(17,623)	(20,584)
Net Increase in Cash and Cash Equivalents	50,694	120,557
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	317,143	196,586
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 367,837	\$ 317,143
SUPPLEMENTAL DISCLOSURES		
Contributed Property and Equipment, Inventory and Investments	\$ 45,992	\$ 15,722
Property and Equipment Acquired through Capital Lease	\$ 105,382	\$ 6,914

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Support Services	
Direct Costs of Wishes	\$ 4,568,998	\$ -	\$ -	\$ -	\$ 4,568,998
Salaries, Taxes, and Benefits	1,068,193	845,494	717,482	1,562,976	2,631,169
Printing, Subscriptions, and Publications	81,783	90,827	78	90,905	172,688
Professional Fees	39,173	46,606	160,063	206,669	245,842
Rent and Utilities	156,427	73,734	74,517	148,251	304,678
Postage and Delivery	8,622	15,624	2,989	18,613	27,235
Travel	19,620	7,648	5,549	13,197	32,817
Meetings and Conferences	35,011	79,500	5,876	85,376	120,387
Office Supplies	21,978	19,422	6,878	26,300	48,278
Communications	17,895	7,951	7,731	15,682	33,577
Advertising and Media (Cash)	20,702	6,676	-	6,676	27,378
Advertising and Media (In-Kind)	170,460	9,470	9,470	18,940	189,400
Repairs and Maintenance	7,792	3,660	3,607	7,267	15,059
Membership Dues	5,012	4,007	1,880	5,887	10,899
Bad Debt Expense	-	10,759	-	10,759	10,759
National Partnership Dues	150,378	22,842	17,132	39,974	190,352
Miscellaneous	30,912	84,102	12,209	96,311	127,223
Depreciation and Amortization	43,741	20,271	19,914	40,185	83,926
	<u>\$ 6,446,697</u>	<u>\$ 1,348,593</u>	<u>\$ 1,045,375</u>	<u>\$ 2,393,968</u>	<u>\$ 8,840,665</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015 (RESTATED)

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Support Services	
Direct Costs of Wishes	\$ 5,125,124	\$ -	\$ -	\$ -	\$ 5,125,124
Salaries, Taxes, and Benefits	997,532	749,469	702,956	1,452,425	2,449,957
Printing, Subscriptions, and Publications	52,104	82,896	8,801	91,697	143,801
Professional Fees	131,727	56,865	50,774	107,639	239,366
Rent and Utilities	134,612	80,195	71,603	151,798	286,410
Postage and Delivery	9,513	12,605	5,331	17,936	27,449
Travel	33,597	3,989	2,568	6,557	40,154
Meetings and Conferences	30,965	51,929	8,712	60,641	91,606
Office Supplies	26,984	18,413	8,289	26,702	53,686
Communications	15,109	9,001	8,036	17,037	32,146
Advertising and Media (Cash)	38,967	-	-	-	38,967
Advertising and Media (In-Kind)	35,000	189,400	-	189,400	224,400
Repairs and Maintenance	15,786	9,405	8,398	17,803	33,589
Bad Debt Recovery	-	-	(4,555)	(4,555)	(4,555)
Membership Dues	8,272	8,370	4,662	13,032	21,304
Volunteer Training	7,111	-	-	-	7,111
National Partnership Dues	149,301	20,789	18,899	39,688	188,989
Miscellaneous	17,053	16,092	5,274	21,366	38,419
Depreciation and Amortization	33,182	19,768	17,650	37,418	70,600
	<u>\$ 6,861,939</u>	<u>\$ 1,329,186</u>	<u>\$ 917,398</u>	<u>\$ 2,246,584</u>	<u>\$ 9,108,523</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (RESTATED)

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Alaska and Washington (the Foundation) is a Washington 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 fund raising for the benefit of all local chapters. To be a Make-A-Wish chapter, 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.

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. For the years ending August 31, 2016 and 2015, contributions receivable include pledges that have been discounted at rates of 1.19% and 1.5%, respectively.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (RESTATED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt 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 seven years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary. There were no triggering events during the years ended August 31, 2016 or 2015.

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 \$24,541 and \$21,937 at August 31, 2016 and 2015, respectively.

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.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (RESTATED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

Net Assets

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

- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.
- **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.
- **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.

Revenue Recognition

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

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (RESTATED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

	2016			
	Support Services			Total
	Programs	Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 2,972,309	\$ -	\$ -	\$ 2,972,309
Professional Services	489	2,899	-	3,388
Advertising and Media	170,460	18,940	-	189,400
Other	30,343	19,112	1,262	50,717
Total Program and Supported Service Expenses	3,173,601	40,951	1,262	3,215,814
Direct Benefit Expenses, Netted with Special Event Revenue	38,803	-	-	38,803
Total	<u>\$ 3,212,404</u>	<u>\$ 40,951</u>	<u>\$ 1,262</u>	<u>3,254,617</u>
Investments (Asset)				1,119
Property and Equipment (Capitalized)				44,873
Total				<u>\$ 3,300,609</u>
	2015			
	Support Services			
	Programs	Fundraising	Management and General	Total
Program and Support Service Expenses				
Wish Related	\$ 2,665,789	\$ -	\$ -	\$ 2,665,789
Professional Services	12,512	4,173	-	16,685
Advertising and Media	224,400	-	-	224,400
Other	21,249	6,912	20	28,181
Total Program and Supported Service Expenses	2,923,950	11,085	20	2,935,055
Direct Benefit Expenses, Netted with Special Event Revenue	336,186	-	-	336,186
Total	<u>\$ 3,260,136</u>	<u>\$ 11,085</u>	<u>\$ 20</u>	<u>3,271,241</u>
Property and Equipment (Capitalized)				15,722
Total				<u>\$ 3,286,963</u>

An internal special event is a fund raising 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.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (RESTATED)

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 fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue and fundraising or public information 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 \$216,778 and \$263,367 for the years ended August 31, 2016 and 2015, respectively.

Income Taxes

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

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

Functional Expenses

The Foundation performs three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

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

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 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
Wish Granting	\$ 27,449	\$ 35,149
Fundraising	10,884	9,840
Total	\$ 38,333	\$ 44,989

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (RESTATED)

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.

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 prior year amounts have been reclassified to conform with the current period presentation. These reclassifications had no effect on the change in net assets as previously reported.

MAKE-A-WISH FOUNDATION® OF ALASKA AND WASHINGTON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (RESTATED)

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 and 2015:

	2016			
	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,328,393	\$ -	\$ -	\$ 1,328,393
International Equity	489,813	-	-	489,813
Real Estate	67,500	-	-	67,500
Bonds	770,189	-	-	770,189
Equity Securities:				
U.S. Corporate Equity Securities	5,456	-	-	5,456
Certificates of Deposit	-	39,264	-	39,264
Total Recurring	<u>\$ 2,661,351</u>	<u>\$ 39,264</u>	<u>\$ -</u>	<u>\$ 2,700,615</u>

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

	2015			
	Fair Value Measurements Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,223,943	\$ -	\$ -	\$ 1,223,943
International Equity	462,649	-	-	462,649
Real Estate	54,436	-	-	54,436
Bonds	938,934	-	-	938,934
Certificates of Deposit	-	234,784	-	234,784
Total Recurring	<u>\$ 2,679,962</u>	<u>\$ 234,784</u>	<u>\$ -</u>	<u>\$ 2,914,746</u>

For the valuation of certificates of deposit 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).

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	\$ 141,873	\$ 160,030
Realized and Unrealized Gains (Losses), Net	34,841	(286,480)
Less: Investment Expenses	(12,842)	-
Investment Income (Loss), Net	<u>\$ 163,872</u>	<u>\$ (126,450)</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

The following is a summary of the Foundation's contributions receivable at August 31:

	2016	2015
Total Amounts Due in:		
One Year	\$ 1,082,106	\$ 1,357,333
Two to Five Years	125,886	134,350
More than Five Years	-	5,000
Gross Contributions Receivable	<u>1,207,992</u>	<u>1,496,683</u>
Less Allowance for Doubtful Accounts	(12,363)	(15,129)
Less Discount to Present Value	(3,922)	(5,657)
Contributions Receivable, Net	<u>\$ 1,191,707</u>	<u>\$ 1,475,897</u>

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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2016 and 2015, the Foundation received \$982,496 and \$1,228,953, 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 Make-A-Wish Foundation of America® pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$228,854 and \$188,989 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 \$21,600 and \$18,225 for the years ended August 31, 2016 and 2015, respectively, 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	\$ 48,124	\$ 60,083
Due from Other Chapters	26,157	26,234
Total Due from Related Entities	<u>\$ 74,281</u>	<u>\$ 86,317</u>
Due to National Organization	\$ 757	\$ 771
Due to Other Chapters	17,023	40,270
Total Due to Related Entities	<u>\$ 17,780</u>	<u>\$ 41,041</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 \$410,278 and \$245,194, respectively. As of August 31, 2016 and 2015, amounts due from board members totaled \$112,757 and \$185,153, respectively, and are included in contributions receivable in the accompanying statements of financial position.

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NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2016	2015
Computer Equipment and Software	\$ 326,249	\$ 300,874
Office Furniture	111,708	90,298
Other Equipment	127,265	74,904
Leasehold Improvements	97,116	77,826
	<u>662,338</u>	<u>543,902</u>
Less Accumulated Depreciation and Amortization	(421,001)	(372,801)
Property and Equipment, Net	<u>\$ 241,337</u>	<u>\$ 171,101</u>

Depreciation and amortization expense totaled \$83,926 and \$70,600 for the years ended August 31, 2016 and 2015, respectively.

NOTE 7 ACCRUED PENDING WISH COSTS

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

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

Estimated cash and in-kind costs owed as of year end for all reportable pending wishes are accrued as a 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 was recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2016 would be \$1,760,971.

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NOTE 7 ACCRUED PENDING WISH COSTS (CONTINUED)

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2016 and 2015, the Foundation had 354 and 288 reportable pending wishes, respectively.

NOTE 8 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through April 2021. As of August 31, 2016 and 2015, the cost of leased property and equipment under capital leases was \$116,863 and \$67,547, and accumulated depreciation was \$14,996 and \$32,332, respectively. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$242,910 and \$251,601, respectively.

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	\$ 246,133	\$ 25,397
2018	253,065	25,397
2019	190,136	24,341
2020	20,678	22,745
2021 and Following	-	13,188
Total Minimum Lease Payments	<u>710,012</u>	<u>111,068</u>
Less Amounts Representing Interest	-	(8,433)
Present Value of Net Minimum Lease Payments	<u>\$ 710,012</u>	<u>\$ 102,635</u>

NOTE 9 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.

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NOTE 9 ENDOWMENTS (CONTINUED)

The Foundation's endowment consists of approximately two 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 held for long term purposes on the statements of financial position.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Washington 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

Endowment net asset composition by type of fund as of August 31, 2016 and 2015 is as follows:

		2016			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 38,148	\$ 38,148
	Total Funds	\$ -	\$ -	\$ 38,148	\$ 38,148
		2015			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 38,148	\$ 38,148
	Total Funds	\$ -	\$ -	\$ 38,148	\$ 38,148

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NOTE 9 ENDOWMENTS (CONTINUED)

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	\$ -	\$ -	\$ 38,148	\$ 38,148
Endowment Net Assets, End of Year	\$ -	\$ -	\$ 38,148	\$ 38,148

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ -	\$ -	\$ 38,148	\$ 38,148
Endowment Net Assets, End of Year	\$ -	\$ -	\$ 38,148	\$ 38,148

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	\$ 38,148	\$ 38,148

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, however, there were no funds with deficiencies as of August 31, 2016 or 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 provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

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NOTE 9 ENDOWMENTS (CONTINUED)

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 0-5% of its endowment fund's average fair value over the prior 12 quarters 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. When the spending policy is silent, the percentage defaults to 0%. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 7% annually. 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 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
Time Restrictions	\$ 1,191,707	\$ 1,569,056
Purpose Restrictions	28,150	62,496
Total Temporarily Restricted Net Assets	<u>\$ 1,219,857</u>	<u>\$ 1,631,552</u>

For the year 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	<u>\$ 38,148</u>	<u>\$ 38,148</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 one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$69,553 and \$68,358, 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 exceed the FDIC insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling \$620,549 were received from a single donor for the year ended August 31, 2015, which represents 10% of total public support for that year. There were no such concentrations during the year ended August 31, 2016.

NOTE 13 CORRECTION OF AN ERROR

During the year ended August 31, 2016, certain errors related to the pending wish liability as of August 31, 2015 were discovered. As a result of these errors, beginning net assets for the year ended August 31, 2015 were reduced by \$698,741, direct wish costs were increased by \$8,338 and the change in net assets for the year ended August 31, 2015 was reduced by \$8,338. Total pending wish liability as of August 31, 2015 was increased by \$707,079.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 3, 2017, the date at which the financial statements were available to be issued.