

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

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2017 AND 2016

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
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YEARS ENDED AUGUST 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of 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, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Make-A-Wish Foundation® of 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, 2017 and 2016, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
December 21, 2017

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 2,696,035	\$ 2,457,441
Investments	9,907,259	8,894,188
Due from Related Entities	99,280	107,308
Prepaid Expenses and Other Assets	78,379	46,723
Contributions Receivable, Net	630,352	575,161
Property and Equipment, Net	139,397	131,973
Total Assets	\$ 13,550,702	\$ 12,212,794
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 350,496	\$ 327,146
Accrued Pending Wish Costs - Cash	1,526,757	1,448,839
Accrued Pending Wish Costs - In-Kind	1,141,611	1,021,800
Due to Related Entities	40,812	36,454
Other Liabilities	11,800	7,089
Total Liabilities	3,071,476	2,841,328
NET ASSETS		
Unrestricted:		
Operating	2,694,961	1,757,806
Board-Designated	6,816,615	6,693,025
Total Unrestricted	9,511,576	8,450,831
Temporarily Restricted	913,206	866,191
Permanently Restricted	54,444	54,444
Total Net Assets	10,479,226	9,371,466
Total Liabilities and Net Assets	\$ 13,550,702	\$ 12,212,794

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017
(With Summary Totals for Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	\$ 5,411,393	\$ 455,896	\$ -	\$ 5,867,289	\$ 6,308,117
Grants	100,171	26,000	-	126,171	85,536
Total Public Support	5,511,564	481,896	-	5,993,460	6,393,653
Internal Special Events	1,914,980	-	-	1,914,980	1,764,015
Less: Costs of Direct Benefits to Donors	(447,028)	-	-	(447,028)	(465,535)
Total Internal Special Events	1,467,952	-	-	1,467,952	1,298,480
Appropriation of Nonoperating Assets for Operations	424,000	65,000	-	489,000	655,000
Other Income	31,620	-	-	31,620	25,982
Net Assets Released from Restrictions	536,631	(536,631)	-	-	-
Total Operating Revenues, Gains, and Other Support	7,971,767	10,265	-	7,982,032	8,373,115
EXPENSES					
Program Services:					
Wish Granting	4,420,154	-	-	4,420,154	4,702,562
Program-Related Support	1,343,119	-	-	1,343,119	1,417,425
Total Program Services	5,763,273	-	-	5,763,273	6,119,987
Support Services:					
Fundraising	680,812	-	-	680,812	583,344
Management and General	1,048,555	-	-	1,048,555	909,039
Total Support Services	1,729,367	-	-	1,729,367	1,492,383
Total Program and Support Services Expense	7,492,640	-	-	7,492,640	7,612,370
Change in Net Assets from Operations	479,127	10,265	-	489,392	760,745
NONOPERATING ACTIVITIES					
Interest Income and Investment Gains, Net	1,001,711	7,608	-	1,009,319	515,057
Appropriation of Endowment Assets for Operations	(420,093)	(3,907)	-	(424,000)	(400,000)
Leadership Gifts, Net of Appropriation for Operations	-	33,124	-	33,124	(191,377)
Change in Value of Split-interest Agreements	-	(75)	-	(75)	(155)
Change in Net Assets from Nonoperating Activities	581,618	36,750	-	618,368	(76,475)
Change in Net Assets	1,060,745	47,015	-	1,107,760	684,270
NET ASSETS, BEGINNING OF YEAR	8,450,831	866,191	54,444	9,371,466	8,687,196
NET ASSETS, END OF YEAR	\$ 9,511,576	\$ 913,206	\$ 54,444	\$ 10,479,226	\$ 9,371,466

See accompanying Notes to Financial Statements.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 5,857,992	\$ 450,125	\$ -	\$ 6,308,117
Grants	85,536	-	-	85,536
Total Public Support	<u>5,943,528</u>	<u>450,125</u>	<u>-</u>	<u>6,393,653</u>
Internal Special Events	1,764,015	-	-	1,764,015
Less Costs of Direct Benefits to Donors	(465,535)	-	-	(465,535)
Total Internal Special Events	<u>1,298,480</u>	<u>-</u>	<u>-</u>	<u>1,298,480</u>
Appropriation of Nonoperating Assets for Operations	400,000	255,000	-	655,000
Other Income	25,982	-	-	25,982
Net Assets Released from Restrictions	656,347	(656,347)	-	-
Total Operating Revenues, Gains, and Other Support	<u>8,324,337</u>	<u>48,778</u>	<u>-</u>	<u>8,373,115</u>
EXPENSES				
Program Services:				
Wish Granting	4,702,562	-	-	4,702,562
Program-Related Support	1,417,425	-	-	1,417,425
Total Program Services	<u>6,119,987</u>	<u>-</u>	<u>-</u>	<u>6,119,987</u>
Support Services:				
Fundraising	583,344	-	-	583,344
Management and General	909,039	-	-	909,039
Total Support Services	<u>1,492,383</u>	<u>-</u>	<u>-</u>	<u>1,492,383</u>
Total Program and Support Services Expense	<u>7,612,370</u>	<u>-</u>	<u>-</u>	<u>7,612,370</u>
Change in Net Assets from Operations	711,967	48,778	-	760,745
NONOPERATING ACTIVITIES				
Interest Income and Investment Gains, Net	510,319	4,738	-	515,057
Appropriation of Endowment Assets for Operations	(396,316)	(3,684)	-	(400,000)
Leadership Gifts, Net of Appropriation for Operations	-	(191,377)	-	(191,377)
Change in Value of Split-interest Agreements	-	(155)	-	(155)
Change in Net Assets from Nonoperating Activities	<u>114,003</u>	<u>(190,478)</u>	<u>-</u>	<u>(76,475)</u>
Change in Net Assets	825,970	(141,700)	-	684,270
NET ASSETS, BEGINNING OF YEAR	<u>7,624,861</u>	<u>1,007,891</u>	<u>54,444</u>	<u>8,687,196</u>
NET ASSETS, END OF YEAR	<u>\$ 8,450,831</u>	<u>\$ 866,191</u>	<u>\$ 54,444</u>	<u>\$ 9,371,466</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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,107,760	\$ 684,270
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	23,200	21,278
Net Realized and Unrealized Gains on Investments	(760,422)	(330,868)
Contributed Property and Equipment	(29,427)	(123,379)
Change in Value of Split-Interest Agreements	75	155
Change in Discount to Present Value of Contributions Receivable	1,876	(3,622)
(Increase) Decrease in Assets:		
Contributions Receivable	(57,067)	113,010
Due from Related Entities	7,953	(37,083)
Prepaid Expenses and Other Assets	(31,656)	15,046
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	23,350	17,895
Accrued Pending Wish Costs	197,729	275,620
Due to Related Entities	4,358	14,001
Other Liabilities	4,711	(30,119)
Net Cash Provided by Operating Activities	492,440	616,204
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(546,806)	(681,412)
Proceeds from Sales of Investments	294,157	517,886
Purchases of Property and Equipment	(1,197)	(4,600)
Net Cash Used by Investing Activities	(253,846)	(168,126)
 Net Increase in Cash and Cash Equivalents	238,594	448,078
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,457,441	2,009,363
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,696,035	\$ 2,457,441

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services			Support Services			Total
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,420,154	\$ -	\$ 4,420,154	\$ -	\$ -	\$ -	\$ 4,420,154
Salaries, Taxes, and Benefits	-	878,236	878,236	461,398	826,727	1,288,125	2,166,361
Printing, Subscriptions, and Publications	-	7,047	7,047	18,005	1,671	19,676	26,723
Professional Fees	-	64,478	64,478	49,217	70,126	119,343	183,821
Rent and Utilities	-	112,807	112,807	57,356	62,222	119,578	232,385
Postage and Delivery	-	5,603	5,603	5,422	3,583	9,005	14,608
Travel	-	4,964	4,964	4,150	16,892	21,042	26,006
Meetings and Conferences	-	1,013	1,013	32,904	6,121	39,025	40,038
Office Supplies	-	6,816	6,816	5,756	4,329	10,085	16,901
Communications	-	7,205	7,205	3,351	6,194	9,545	16,750
Repairs and Maintenance	-	17,727	17,727	8,124	10,725	18,849	36,576
Membership Dues	-	-	-	-	55	55	55
Volunteer Training	-	1,819	1,819	-	-	-	1,819
National Partnership Dues	-	175,802	175,802	22,254	24,479	46,733	222,535
Miscellaneous	-	48,209	48,209	7,554	8,945	16,499	64,708
Depreciation and Amortization	-	11,393	11,393	5,321	6,486	11,807	23,200
Special Event Expenses	-	-	-	1,914,980	-	1,914,980	1,914,980
Investment Fees	-	-	-	-	28,762	28,762	28,762
	<u>4,420,154</u>	<u>1,343,119</u>	<u>5,763,273</u>	<u>2,595,792</u>	<u>1,077,317</u>	<u>3,673,109</u>	<u>9,436,382</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	(1,914,980)	-	(1,914,980)	(1,914,980)
Investment Fees	-	-	-	-	(28,762)	(28,762)	(28,762)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,420,154</u>	<u>\$ 1,343,119</u>	<u>\$ 5,763,273</u>	<u>\$ 680,812</u>	<u>\$ 1,048,555</u>	<u>\$ 1,729,367</u>	<u>\$ 7,492,640</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, 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
Special Event Expenses	-	-	-	465,535	-	465,535	465,535
Investment Fees	-	-	-	-	25,629	25,629	25,629
	<u>4,702,562</u>	<u>1,417,425</u>	<u>6,119,987</u>	<u>1,048,879</u>	<u>934,668</u>	<u>1,983,547</u>	<u>8,103,534</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Special Event Expenses	-	-	-	(465,535)	-	(465,535)	(465,535)
Investment Fees	-	-	-	-	(25,629)	(25,629)	(25,629)
Total Expenses Included in the Expense Section of the Statement of Activities	<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.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc. (the Foundation) is a Massachusetts nonprofit 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 accounting principles generally accepted in the United States of America (GAAP) applicable to nonprofit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2017 and 2016 is \$103,302 and \$107,066, 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, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$1,000 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. 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, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **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 \$65,000 and \$255,000 for the years ended August 31, 2017 and 2016, respectively.

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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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 and materials that are reported in the statements of activities as follows at:

	August 31, 2017			Total
	Programs	Fundraising	Management and General	
Program and Support Service Purpose:				
Wish Related	\$ 1,691,988	\$ -	\$ -	\$ 1,691,988
Professional Services	22,852	10,726	19,258	52,836
Other	4,446	1,876	2,284	8,606
Total Program and Support Service Purpose	<u>\$ 1,719,286</u>	<u>\$ 12,602</u>	<u>\$ 21,542</u>	1,753,430
Property and Equipment (Capitalized)				29,427
Equipment Receivable (Due from National)				1,825
Total				<u>\$ 1,784,682</u>

	August 31, 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 Support Service Purpose	<u>\$ 2,133,806</u>	<u>\$ 27,398</u>	<u>\$ 29,766</u>	2,190,970
Property and Equipment (Capitalized)				123,379
Total				<u>\$ 2,314,349</u>

Income Taxes

The Foundation is a nonprofit organization exempt from federal income taxes under the provisions of Internal Revenue Code (IRC) 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.

No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. Management believes that no uncertain tax positions exist for the Foundation at August 31, 2017 and 2016. The Foundation files income tax returns in the U.S federal jurisdiction and applicable state jurisdictions.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS AND RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016, the Foundation incurred joint costs for activities that include fundraising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	2017	2016
Fundraising	\$ 2,702	\$ 7,965
Wish Granting	2,702	7,965
Total	\$ 5,404	\$ 15,930

Management and General

All costs not identifiable with a single programs or fundraising activities, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, 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 accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments 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 consolidated 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, 2017 and 2016, represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

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.

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

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

	Fair Value Measurements at August 31, 2017 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Investments:				
Mutual Funds:				
Domestic Equity	\$ 5,066,203	\$ -	\$ -	\$ 5,066,203
International Equity	1,296,911	-	-	1,296,911
Real Estate	66,605	-	-	66,605
Commodities	255,512	-	-	255,512
Bonds	3,021,564	-	-	3,021,564
Equity Securities:				
U.S. Corporate Equity Securities	200,465	-	-	200,465
Total	\$ 9,907,259	\$ -	\$ -	\$ 9,907,259

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	\$ 8,894,188	\$ -	\$ -	\$ 8,894,188

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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:

	2017	2016
Interest and Dividend Income	\$ 277,500	\$ 209,758
Realized and Unrealized Gains (Losses), Net	760,422	330,868
Less: Investment Expenses	(28,762)	(25,629)
Investment Income (Losses), Net	\$ 1,009,160	\$ 514,997

The interest income and investment return, net of \$1,009,319 and \$515,057, respectively, on the statement of activities, includes \$159 and \$60, respectively, of operating cash interest in 2017 and 2016.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 3.38% to 4.06% at August 31, 2017 and 2016. The following is a summary of the Foundation's contributions receivable at August 31:

	2017	2016
Total Amounts Due in:		
One Year	\$ 564,626	\$ 532,560
Two to Five Years	70,000	45,000
Gross Contributions Receivable	634,626	577,560
Less: Discount to Present Value	(4,274)	(2,399)
Contributions Receivable, Net	\$ 630,352	\$ 575,161

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 online and through the mail, amounts for internal grants, travel and training scholarships, and other miscellaneous revenues. During the years ended August 31, 2017 and 2016, the Foundation received \$1,429,235 and \$1,537,839, respectively, from these national revenue streams.

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 contributed \$100,000 and \$50,000 during the years August 31, 2017 and 2016, respectively.

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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

The Foundation also pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation. Amounts totaling \$271,701 and \$202,915 were paid from the Foundation to the National Organization during the years ended August 31, 2017 and 2016, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a “fee for service” called the wish assist fee. Under this program, the originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking, and facilitating of the wish for the home chapter. Under this program, the Foundation received \$18,550 and \$18,600 for the years ended August 31, 2017 and 2016, respectively, which is recorded in the accompanying statements of activities as Other Income.

Amounts due from and to related entities are as follows:

	<u>2017</u>	<u>2016</u>
Balance at August 31:		
Due from National Organization	\$ 90,312	\$ 100,303
Due from Other Chapters	8,968	7,005
Total Due from Related Entities	<u>\$ 99,280</u>	<u>\$ 107,308</u>
Due to National Organization	\$ -	\$ 16,525
Due to Other Chapters	40,812	19,929
Total Due to Related Entities	<u>\$ 40,812</u>	<u>\$ 36,454</u>

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

During 2017 and 2016, the Foundation recognized contributions, both cash and in-kind, from board members totaling \$534,275 and \$442,171, respectively. In 2017 and 2016, amounts due from board members totaled \$66,000 and \$60,000 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, 2017 and 2016.

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NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2017	2016
Computer Equipment and Software	\$ 65,593	\$ 65,593
Other Equipment	189,599	158,975
	<u>255,192</u>	<u>224,568</u>
Less: Accumulated Depreciation and Amortization	(115,795)	(92,595)
Property and Equipment, Net	<u>\$ 139,397</u>	<u>\$ 131,973</u>

Depreciation and amortization expense totaled \$23,200 and \$21,278 for the years ended August 31, 2017 and 2016, respectively.

NOTE 7 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes 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.

Estimated cash and in-kind costs owed as of year-end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability includes the estimated in-kind outlay that is expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue was recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2017 would be increased by \$947,210 resulting in adjusted net assets of \$11,426,436.

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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, 2017 and 2016, the Foundation had 268 and 248 reportable pending wishes, respectively.

NOTE 8 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through August 31, 2022. Total rent expense for all operating leases for the years ended August 31, 2017 and 2016 totaled \$221,752 and \$219,412, 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>
2018	\$ 239,920
2019	111,717
2020	30,720
2021	30,720
2022	30,720
Total Minimum Lease Payments	<u>\$ 443,797</u>

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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.

The Foundation's endowment consists of 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 9 ENDOWMENTS (CONTINUED)

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 8,948	\$ 54,444	\$ 63,392
Board-Designated Endowment Funds	6,816,615	-	-	6,816,615
Total Funds	<u>\$ 6,816,615</u>	<u>\$ 8,948</u>	<u>\$ 54,444</u>	<u>\$ 6,880,007</u>

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 6,693,025	\$ 7,685	\$ 54,444	\$ 6,755,154
Investment Return:				
Investment Income	177,718	1,653	-	179,371
Net Appreciation (Realized and Unrealized)	640,333	5,955	-	646,288
Total Investment Return	<u>818,051</u>	<u>7,608</u>	<u>-</u>	<u>825,659</u>
Reclassifications From Interest, Gains, and Losses From Endowment Asset to Operating Net Asset	(274,368)	(2,438)	-	(276,806)
Appropriation of Endowment Assets for Expenditure	<u>(420,093)</u>	<u>(3,907)</u>	<u>-</u>	<u>(424,000)</u>
Endowment Net Assets, End of Year	<u>\$ 6,816,615</u>	<u>\$ 8,948</u>	<u>\$ 54,444</u>	<u>\$ 6,880,007</u>

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	<u>510,259</u>	<u>4,738</u>	<u>-</u>	<u>514,997</u>
Appropriation of Endowment Assets for Expenditure	<u>(396,316)</u>	<u>(3,684)</u>	<u>-</u>	<u>(400,000)</u>
Endowment Net Assets, End of Year	<u>\$ 6,693,025</u>	<u>\$ 7,685</u>	<u>\$ 54,444</u>	<u>\$ 6,755,154</u>

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NOTE 9 ENDOWMENTS (CONTINUED)

In past fiscal years, all of the investment income, gains, and losses have been allocated to the endowment, even though not all of the investment amounts are part of the endowment due to the appropriation of endowment assets for expenditure into operating. The reclassification in the above table is to correctly re-allocate the portion of interest, gains, and losses that should have been allocated to the operating net asset.

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

	2017	2016
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	\$ 8,948	\$ 7,685
Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ 8,948	\$ 7,685

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, 2017 and 2016.

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 fund 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.

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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 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 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
Time Restrictions	\$ 444,451	\$ 340,992
Purpose Restrictions	468,755	525,199
Total Temporarily Restricted Net Assets	\$ 913,206	\$ 866,191

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

	2017	2016
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	\$ 54,444	\$ 54,444

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NOTE 11 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan 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 contributes up to 3% of the employee's salary, per board discretion. Foundation contributions to the Plan for the years ended August 31, 2017 and 2016 were \$39,511 and \$39,637, respectively.

NOTE 12 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 \$961,486 and \$992,743 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 13% total public support for both years. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 13 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 14 SUBSEQUENT EVENTS

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