

**MAKE-A-WISH FOUNDATION® OF
EASTERN NORTH CAROLINA**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2017 AND 2016

**MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Eastern North Carolina
Raleigh, North Carolina

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Eastern North Carolina, 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 Eastern North Carolina

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 Eastern North Carolina 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

Phoenix, Arizona
January 24, 2018

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 381,013	\$ 320,524
Investments	7,635	6,633
Due from Related Entities	109,839	42,029
Prepaid Expenses	22,474	11,936
Contributions Receivable, Net	339,763	295,357
Other Assets	27,486	21,076
Property and Equipment, Net	9,313	20,530
Total Assets	\$ 897,523	\$ 718,085
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts Payable and Accrued Expenses	\$ 75,441	\$ 99,447
Accrued Pending Wish Costs, Cash	1,152,740	981,235
Accrued Pending Wish Costs, In-Kinds	1,092,519	845,311
Due to Related Entities	6,261	4,619
Deferred Rent	2,462	11,789
Total Liabilities	2,329,423	1,942,401
NET ASSETS (DEFICIT)		
Unrestricted	(1,814,794)	(1,529,861)
Temporarily Restricted	382,894	305,545
Total Net Assets (Deficit)	(1,431,900)	(1,224,316)
Total Liabilities and Net Assets	\$ 897,523	\$ 718,085

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017

(With Summary Totals for the Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 2,330,718	\$ 349,395	\$ 2,680,113	\$ 2,553,041
Grants	188,901	33,500	222,401	140,064
Total Public Support	<u>2,519,619</u>	<u>382,895</u>	<u>2,902,514</u>	<u>2,693,105</u>
Internal Special Events	918,681	-	918,681	811,248
Less Costs of Direct Benefits to Donors	(277,490)	-	(277,490)	(209,378)
Total Special Events	<u>641,191</u>	<u>-</u>	<u>641,191</u>	<u>601,870</u>
Investment Income, Net	1,049	-	1,049	701
Other Income	3,287	-	3,287	4,148
Net Assets Released from Restrictions	305,546	(305,546)	-	-
Total Revenues, Gains, and Other Support	<u>3,470,692</u>	<u>77,349</u>	<u>3,548,041</u>	<u>3,299,824</u>
EXPENSES				
Program Services:				
Wish Granting	2,779,309	-	2,779,309	3,110,092
Total Program Services	<u>2,779,309</u>	<u>-</u>	<u>2,779,309</u>	<u>3,110,092</u>
Support Services:				
Fundraising	797,734	-	797,734	839,404
Management and General	178,582	-	178,582	188,378
Total Support Services	<u>976,316</u>	<u>-</u>	<u>976,316</u>	<u>1,027,782</u>
Total Program and Support Services Expense	<u>3,755,625</u>	<u>-</u>	<u>3,755,625</u>	<u>4,137,874</u>
Change in Net Assets	(284,933)	77,349	(207,584)	(838,050)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(1,529,861)</u>	<u>305,545</u>	<u>(1,224,316)</u>	<u>(386,266)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (1,814,794)</u>	<u>\$ 382,894</u>	<u>\$ (1,431,900)</u>	<u>\$ (1,224,316)</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 2,262,795	\$ 290,246	\$ 2,553,041
Grants	129,874	10,190	140,064
Total Public Support	2,392,669	300,436	2,693,105
Internal Special Events	811,248	-	811,248
Less Costs of Direct Benefits to Donors	(209,378)	-	(209,378)
Total Special Events	601,870	-	601,870
Investment Income, Net	701	-	701
Other Income	4,148	-	4,148
Net Assets Released from Restrictions	372,168	(372,168)	-
Total Revenues, Gains, and Other Support	3,371,556	(71,732)	3,299,824
EXPENSES			
Program Services:			
Wish Granting	3,110,092	-	3,110,092
Total Program Services	3,110,092	-	3,110,092
Support Services:			
Fundraising	839,404	-	839,404
Management and General	188,378	-	188,378
Total Support Services	1,027,782	-	1,027,782
Total Program and Support Services Expense	4,137,874	-	4,137,874
Change in Net Assets	(766,318)	(71,732)	(838,050)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(763,543)	377,277	(386,266)
NET ASSETS (DEFICIT), END OF YEAR	\$ (1,529,861)	\$ 305,545	\$ (1,224,316)

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (207,584)	\$ (838,050)
Adjustments to Reconcile Change in Net Deficit to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	13,602	11,608
Bad Debt Expense	5,110	33,952
Net Realized and Unrealized Gains on Investments	(866)	(257)
Contributed Inventory	-	(4,217)
Change in Attrition on Accrued Pending Wish Costs	(10,056)	(10,103)
Change in Discount to Present Value of Contributions Receivable	-	(3,547)
Changes in Assets and Liabilities:		
Contributions Receivable	(49,516)	18,324
Due from Related Entities	(67,810)	(21,776)
Prepaid Expenses	(10,538)	26,562
Other Assets	(6,410)	(5,177)
Accounts Payable and Accrued Expenses	(24,006)	(31,991)
Accrued Pending Wish Costs	428,769	664,049
Due to Related Entities	1,642	(41,995)
Deferred Rent	(9,327)	(7,253)
Net Cash Provided by (Used in) Operating Activities	63,010	(209,871)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(136)	(131)
Proceeds from Sales of Investments	-	248,092
Purchases of Property and Equipment	(2,385)	(5,405)
Net Cash Provided by (Used in) Investing Activities	(2,521)	242,556
Net Increase in Cash and Cash Equivalents	60,489	32,685
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	320,524	287,839
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 381,013	\$ 320,524
SUPPLEMENTAL CASH FLOW INFORMATION		
Contributed Inventory	\$ -	\$ 4,217

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,062,468	\$ -	\$ -	\$ -	\$ 2,062,468
Salaries, Taxes, and Benefits	552,360	519,917	134,419	654,336	1,206,696
Printing, Subscriptions, and Publications	228	23,886	1,221	25,107	25,335
Professional Fees	21,842	20,357	11,408	31,765	53,607
Rent and Utilities	28,267	26,424	6,771	33,195	61,462
Postage and Delivery	2,667	2,552	484	3,036	5,703
Travel	4,303	18,981	1,985	20,966	25,269
Meetings and Conferences	2,296	35,638	3,008	38,646	40,942
Office Supplies	11,490	4,785	503	5,288	16,778
Communications	3,236	3,185	715	3,900	7,136
Advertising and Media (Cash)	-	5,170	-	5,170	5,170
Advertising and Media (In-Kind)	-	56,609	-	56,609	56,609
Repairs and Maintenance	2,909	3,210	696	3,906	6,815
Membership Dues	118	1,571	1,489	3,060	3,178
Bad Debt Expense	-	5,110	-	5,110	5,110
National Partnership Dues	65,908	8,343	9,177	17,520	83,428
Miscellaneous	14,960	56,147	5,210	61,357	76,317
Depreciation and Amortization	6,257	5,849	1,496	7,345	13,602
Special Event Expenses	-	277,490	-	277,490	277,490
Total	<u>2,779,309</u>	<u>1,075,224</u>	<u>178,582</u>	<u>1,253,806</u>	<u>4,033,115</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	<u>-</u>	<u>(277,490)</u>	<u>-</u>	<u>(277,490)</u>	<u>(277,490)</u>
 Total Expenses Included in the Expense Section of the Statement of Activities	 <u>\$ 2,779,309</u>	 <u>\$ 797,734</u>	 <u>\$ 178,582</u>	 <u>\$ 976,316</u>	 <u>\$ 3,755,625</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services	Support Services			Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,362,412	\$ -	\$ -	\$ -	\$ 2,362,412
Salaries, Taxes, and Benefits	584,063	441,860	139,156	581,016	1,165,079
Printing, Subscriptions, and Publications	1,786	46,980	969	47,949	49,735
Professional Fees	21,063	36,779	11,056	47,835	68,898
Rent and Utilities	29,650	24,246	7,847	32,093	61,743
Postage and Delivery	4,357	5,288	462	5,750	10,107
Travel	12,708	20,537	3,488	24,025	36,733
Meetings and Conferences	5,006	28,665	7,510	36,175	41,181
Office Supplies	7,655	7,258	811	8,069	15,724
Communications	3,586	2,863	967	3,830	7,416
Advertising and Media (Cash)	-	131	-	131	131
Advertising and Media (In-Kind)	-	129,335	-	129,335	129,335
Repairs and Maintenance	3,229	3,948	774	4,722	7,951
Membership Dues	25	1,706	1,375	3,081	3,106
Bad Debt Expense	-	33,952	-	33,952	33,952
National Partnership Dues	50,967	7,304	6,244	13,548	64,515
Miscellaneous	17,781	44,141	6,326	50,467	68,248
Depreciation and Amortization	5,804	4,411	1,393	5,804	11,608
Special Event Expenses	-	209,378	-	209,378	209,378
Total	<u>3,110,092</u>	<u>1,048,782</u>	<u>188,378</u>	<u>1,237,160</u>	<u>4,347,252</u>
Less Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	<u>-</u>	<u>(209,378)</u>	<u>-</u>	<u>(209,378)</u>	<u>(209,378)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 3,110,092</u>	<u>\$ 839,404</u>	<u>\$ 188,378</u>	<u>\$ 1,027,782</u>	<u>\$ 4,137,874</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Eastern North Carolina (the Foundation) is a North Carolina not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2017 and 2016 is \$200,094 and \$150,046, 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 EASTERN NORTH CAROLINA
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 \$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 five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

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

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

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

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
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. There are no permanently restricted net assets recorded as of August 31, 2017 and 2016.

Temporarily restricted net assets – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.

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

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. 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 EASTERN NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation received in-kind contributions of assets, services, and materials that are reported in the statements of activities as follows at:

	August 31, 2017			Total
	Programs	Fundraising	Management and General	
Wish Related	\$ 956,196	\$ -	\$ -	\$ 956,196
Professional Services	-	-	4,500	4,500
Advertising	-	56,613	-	56,613
Other	16,827	5,508	1,128	23,463
	<u>\$ 973,023</u>	<u>\$ 62,121</u>	<u>\$ 5,628</u>	1,040,772
Direct Benefit Expenses				5,918
Total				<u>\$ 1,046,690</u>

	August 31, 2016			Total
	Programs	Fundraising	Management and General	
Wish Related	\$ 925,771	\$ -	\$ -	\$ 925,771
Professional Services	-	-	4,500	4,500
Printing, Subscriptions, and Publications	-	131	-	131
Advertising	-	129,335	-	129,335
Other	11,321	8,657	5,843	25,821
	<u>\$ 937,092</u>	<u>\$ 138,123</u>	<u>\$ 10,343</u>	1,085,558
Direct Benefit Expenses				8,702
Inventory (Asset)				4,217
Total				<u>\$ 1,098,477</u>

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes.

Donated advertising and media is reported as contribution revenue and fundraising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and North Carolina income or franchise taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Chapter 55A of the General Statutes of North Carolina. 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.

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, 2017 and 2016, the Foundation incurred no significant joint costs for activities that include fundraising appeals.

Management and General

All costs not identifiable with specific programs or fundraising activities, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. Unamortized deferred rent was \$2,462 and \$11,789 at August 31, 2017 and 2016, respectively.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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, in-kind and contributions receivable, accrued pending wish costs, net of attrition on pending wish costs, allocation of functional expenses, and whether an allowance for uncollectible contributions receivable is required. The current economic environment continues to create a high degree of uncertainty in those estimates and assumptions.

Reclassifications

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

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

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

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Directors, which oversees the Foundation's investment program in accordance with established guidelines.

Fair Value Hierarchy

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 7,635	\$ -	\$ -	\$ 7,635
Total	<u>\$ 7,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,635</u>

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

	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 6,633	\$ -	\$ -	\$ 6,633
Total	<u>\$ 6,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,633</u>

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Total investment income, gains, and losses for the years ended August 31, 2017 and 2016 consist of the following:

	2017	2016
Interest and Dividend Income	\$ 183	\$ 444
Realized and Unrealized Gains, Net	866	257
Investment Income, Net	\$ 1,049	\$ 701

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable as of August 31, 2017 and 2016 was \$339,763 and \$295,357, respectively, which are due from two donors and five donors as of August 31, 2017 and 2016, respectively. All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2017 and 2016.

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, 2017 and 2016, respectively, the Foundation received \$610,043 and \$534,263, respectively, from these national revenue streams.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation received \$125,000 and \$75,000 during the years ended August 31, 2017 and 2016, respectively.

Conversely, the Foundation 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 it provides for the Foundation. Amounts totaling \$138,330 and \$109,656 were paid from the Foundation to the National Organization during the years ended August 31, 2017 and 2016, respectively.

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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

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 \$3,287 and \$4,148 for the years ended August 31, 2017 and 2016, respectively, which has been recorded as other income on the statements of activities.

Amounts due from and to related entities are as follows:

	<u>2017</u>	<u>2016</u>
Balance at August 31:		
Due from National Organization	\$ 109,110	\$ 40,724
Due from Other Chapters	729	1,305
Total Due from Related Entities	<u>\$ 109,839</u>	<u>\$ 42,029</u>
Due to National Organization	\$ 90	\$ -
Due to Other Chapters	6,171	4,619
Total Due to Related Entities	<u>\$ 6,261</u>	<u>\$ 4,619</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 received contributions, both cash and in-kind, from board members totaling \$181,359 and \$84,222, respectively.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	<u>2017</u>	<u>2016</u>
Computer Equipment and Software	\$ 55,692	\$ 53,307
Office Furniture	36,406	36,406
Leasehold Improvements	7,925	7,925
	<u>100,023</u>	<u>97,638</u>
Less: Accumulated Depreciation and Amortization	(90,710)	(77,108)
Property and Equipment, Net	<u>\$ 9,313</u>	<u>\$ 20,530</u>

Depreciation and amortization expense totaled \$13,602 and \$11,608 for the years ended August 31, 2017 and 2016, respectively.

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NOTE 7 ACCRUED PENDING WISH COSTS

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

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

Estimated cash and in-kind costs are accrued as pending wish liability at year-end for all reportable pending wishes. The in-kind portion of the pending wish liability includes the estimated in-kind expenses that are expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net deficit at August 31, 2017 would be decreased by \$756,256, resulting in adjusted net deficit of \$(675,644).

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 approximately 238 and 193 reportable pending wishes, respectively.

NOTE 8 LEASES

The Foundation is obligated under various operating leases for office rent and office equipment, which expire at various points through December 31, 2024. Total rent expense for all operating leases for the years ended August 31, 2017 and 2016 totaled \$68,265 and \$69,424, respectively.

Subsequent to year-end, the Foundation entered into a new lease agreement at a different location. The lease term ends on December 31, 2024.

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NOTE 8 LEASES (CONTINUED)

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 Amount</u>
2018	\$ 86,998
2019	103,204
2020	106,163
2021	109,211
2022	112,351
Thereafter	264,821
Total	<u>\$ 782,748</u>

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Time Restrictions	\$ -	\$ 5,110
Purpose Restrictions	382,894	300,435
Total Temporarily Restricted Net Assets	<u>\$ 382,894</u>	<u>\$ 305,545</u>

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of three months of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2017 and 2016 were \$21,058 and \$10,172, respectively.

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NOTE 11 CONCENTRATIONS OF CREDIT RISK

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

In-kind contributions totaling \$657,915 and \$579,584 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents 23% and 22%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 12 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 24, 2018, the date at which the financial statements were available to be issued.