

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2016 AND 2015

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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YEARS ENDED AUGUST 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of the Mid-South
Memphis, Tennessee

We have audited the accompanying financial statements of Make-A-Wish Foundation® of the Mid-South 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 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 the Mid-South

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 the Mid-South as of August 31, 2016 and 2015, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oak Brook, Illinois
December 15, 2016

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 591,038	\$ 782,941
Investments	3,062,964	2,164,443
Due from Related Entities	17,757	55,561
Prepaid Expenses	37,994	38,587
Contributions Receivable	100,015	107,543
Notes Receivable, Net	1,038,064	1,628,539
Other Assets	42	1,134
Investments Held for Long-Term Purposes	238,130	226,185
Property and Equipment, Net.	25,361	14,175
Total Assets	\$ 5,111,365	\$ 5,019,108
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 271,449	\$ 331,303
Accrued Pending Wish Costs - Cash	999,623	999,723
Accrued Pending Wish Costs - In-Kinds	655,824	676,216
Due to Related Entities	22,221	12,887
Total Liabilities	1,949,117	2,020,129
NET ASSETS		
Unrestricted	1,774,709	1,020,211
Temporarily Restricted	1,231,809	1,826,038
Permanently Restricted	155,730	152,730
Total Net Assets	3,162,248	2,998,979
Total Liabilities and Net Assets	\$ 5,111,365	\$ 5,019,108

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
REVENUES, GAINS, AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	\$ 3,880,275	\$ 99,845	\$ 3,000	\$ 3,983,120	\$ 6,390,321
Grants	51,745	-	-	51,745	45,550
Total Public Support	3,932,020	99,845	3,000	4,034,865	6,435,871
Internal Special Events	701,816	11,500	-	713,316	608,647
Less: Costs of Direct Benefits to Donors	(137,977)	-	-	(137,977)	(113,563)
Total Special Events	563,839	11,500	-	575,339	495,084
Investment Income (Loss), Net	202,061	11,380	-	213,441	(72,962)
Other Income	1,849	-	-	1,849	8,913
Net Assets Released from Restrictions	716,954	(716,954)	-	-	-
Total Revenues, Gains, and Other Support	5,416,723	(594,229)	3,000	4,825,494	6,866,906
EXPENSES					
Program Services:					
Wish Granting	3,799,013	-	-	3,799,013	3,704,410
Support Services:					
Fundraising	452,870	-	-	452,870	484,811
Management and General	410,342	-	-	410,342	348,844
Total Support Services	863,212	-	-	863,212	833,655
Total Expenses	4,662,225	-	-	4,662,225	4,538,065
CHANGE IN NET ASSETS	754,498	(594,229)	3,000	163,269	2,328,841
Net Assets - Beginning of Year	1,020,211	1,826,038	152,730	2,998,979	670,138
NET ASSETS - END OF YEAR	<u>\$ 1,774,709</u>	<u>\$ 1,231,809</u>	<u>\$ 155,730</u>	<u>\$ 3,162,248</u>	<u>\$ 2,998,979</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 4,643,238	\$ 1,742,083	\$ 5,000	\$ 6,390,321
Grants	45,550	-	-	45,550
Total Public Support	4,688,788	1,742,083	5,000	6,435,871
Internal Special Events	598,147	10,500	-	608,647
Less: Costs of Direct Benefits to Donors	(113,563)	-	-	(113,563)
Total Special Events	484,584	10,500	-	495,084
Investment Loss, Net	(53,118)	(19,844)	-	(72,962)
Other Income	8,913	-	-	8,913
Net Assets Released from Restrictions	79,451	(79,451)	-	-
 Total Revenues, Gains, and Other Support	 5,208,618	 1,653,288	 5,000	 6,866,906
EXPENSES				
Program Services:				
Wish Granting	3,704,410	-	-	3,704,410
Support Services:				
Fundraising	484,811	-	-	484,811
Management and General	348,844	-	-	348,844
Total Support Services	833,655	-	-	833,655
 Total Expenses	 4,538,065	 -	 -	 4,538,065
CHANGE IN NET ASSETS	670,553	1,653,288	5,000	2,328,841
Net Assets - Beginning of Year	349,658	172,750	147,730	670,138
NET ASSETS - END OF YEAR	\$ 1,020,211	\$ 1,826,038	\$ 152,730	\$ 2,998,979

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 163,269	\$ 2,328,841
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	6,996	4,745
Contributions Restricted for Long-Term Investment	3,000	5,000
Net Realized and Unrealized (Gains) Losses on Investments	(78,861)	170,699
Loss on Sale of Property and Equipment	232	-
Changes in Assets and Liabilities:		
Contributions Receivable	7,528	(31,092)
Notes Receivable	590,475	(1,628,539)
Due from Related Entities	37,804	(36,073)
Prepaid Expenses	593	(11,457)
Other Assets	1,092	2,232
Accounts Payable and Accrued Expenses	(59,854)	159,977
Accrued Pending Wish Costs	(20,492)	596,119
Due to Related Entities	9,334	(1,354)
Net Cash Provided by Operating Activities	661,116	1,559,098
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(896,105)	(2,028,155)
Proceeds from Sales of Investments	64,500	630,542
Purchases of Property and Equipment	(18,414)	(9,164)
Net Cash Used by Investing Activities	(850,019)	(1,406,777)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long-Term Investment	(3,000)	(5,000)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(191,903)	147,321
Cash and Cash Equivalents - Beginning of Year	782,941	635,620
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 591,038	\$ 782,941

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,794,112	\$ -	\$ -	\$ -	\$ 2,794,112
Salaries, Taxes, and Benefits	633,772	308,095	288,690	596,785	1,230,557
Printing, Subscriptions, and Publications	3,764	12,639	1,172	13,811	17,575
Professional Fees	12,203	1,522	31,463	32,985	45,188
Rent and Utilities	78,344	35,209	31,924	67,133	145,477
Postage and Delivery	5,872	7,430	2,073	9,503	15,375
Travel	17,217	20,068	5,301	25,369	42,586
Meetings and Conferences	2,714	1,635	852	2,487	5,201
Office Supplies	28,238	14,826	3,385	18,211	46,449
Communications	18,861	7,635	5,846	13,481	32,342
Advertising and Media (Cash)	4,963	8,981	1,335	10,316	15,279
Repairs and Maintenance	11,338	8,556	5,962	14,518	25,856
Membership Dues	716	422	272	694	1,410
Grants and Scholarships	25,000	-	-	-	25,000
National Partnership Dues	158,151	24,028	18,016	42,044	200,195
Miscellaneous	38	51	12,538	12,589	12,627
Depreciation and Amortization	3,710	1,773	1,513	3,286	6,996
Total	<u>\$ 3,799,013</u>	<u>\$ 452,870</u>	<u>\$ 410,342</u>	<u>\$ 863,212</u>	<u>\$ 4,662,225</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,842,937	\$ -	\$ -	\$ -	\$ 2,842,937
Salaries, Taxes, and Benefits	563,816	355,871	254,192	610,063	1,173,879
Printing, Subscriptions, and Publications	7,276	10,816	770	11,586	18,862
Professional Fees	7,686	1,328	19,038	20,366	28,052
Rent and Utilities	79,000	41,059	29,811	70,870	149,870
Postage and Delivery	5,311	6,211	1,758	7,969	13,280
Travel	16,365	20,868	3,208	24,076	40,441
Meetings and Conferences	3,074	1,886	861	2,747	5,821
Office Supplies	28,361	15,195	2,621	17,816	46,177
Communications	12,562	6,146	5,145	11,291	23,853
Advertising and Media (Cash)	-	4,264	-	4,264	4,264
Repairs and Maintenance	10,021	5,595	3,662	9,257	19,278
Membership Dues	300	128	95	223	523
Grants and Scholarships	25,000	-	-	-	25,000
National Partnership Dues	99,980	13,921	12,656	26,577	126,557
Miscellaneous	206	242	14,078	14,320	14,526
Depreciation and Amortization	2,515	1,281	949	2,230	4,745
Total	<u>\$ 3,704,410</u>	<u>\$ 484,811</u>	<u>\$ 348,844</u>	<u>\$ 833,655</u>	<u>\$ 4,538,065</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of the Mid-South (the Foundation) is a Tennessee 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), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles 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, 2016 and 2015 is \$355,183 and \$351,382, respectively, of interest-bearing money market 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 THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$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 over time in an amount equivalent to annual depreciation. 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 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.

Fair Value Measurements

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

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

- Level 1* Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.

- Level 2* Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 3 Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

The Foundation adopted the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

Net Assets

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

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.

Temporarily Restricted Net Assets

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

Unrestricted Net Assets

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

Revenue Recognition

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Support Services			2016 Total
	Programs	Fundraising	Management and General	
Program and Support Service Expenses:				
Wish Related	\$ 1,105,430	\$ -	\$ -	\$ 1,105,430
Professional Services	-	-	3,264	3,264
Rent	-	-	6,115	6,115
Other	7,892	814	915	9,621
Total Program and Supported Service Expenses	<u>\$ 1,113,322</u>	<u>\$ 814</u>	<u>\$ 10,294</u>	1,124,430
Direct Benefit Expenses, Netted with Special Event Revenue Total				<u>94,630</u> 1,219,060
Property and Equipment (Capitalized) Total				529 <u>\$ 1,219,589</u>

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

	Support Services			2015 Total
	Programs	Fundraising	Management and General	
Program and Support Service Expenses:				
Wish Related	\$ 869,359	\$ -	\$ -	\$ 869,359
Professional Services	-	-	1,980	1,980
Rent	-	-	14,353	14,353
Advertising and Media	-	762	-	762
Other	7,991	1,349	10,093	19,433
Total Program and Supported Service Expenses	<u>\$ 877,350</u>	<u>\$ 2,111</u>	<u>\$ 26,426</u>	905,887
Direct Benefit Expenses, Netted with Special Event Revenue Total				76,647 <u>\$ 982,534</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.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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 \$15,279 and \$4,264 for the years ended August 31, 2016 and 2015, respectively.

In-kind program and supporting services expenses were recorded at fair value totaling \$1,124,430 and \$905,887 in 2016 and 2015, respectively, with the difference recorded as other assets representing primarily (1) depreciation and amortization on property and equipment contributed in previous years, (2) current year contributions of property and equipment and inventory and (3) timing differences related to the accrued pending wish costs.

Wish related in-kind contributions consisted of the following:

	2016	2015
Computer Equipment, Games, and Toys	\$ 1,723	\$ 1,849
Cruises	12,025	2,122
Lodging	323,897	199,294
Theme Parks	489,903	474,802
Transportation	136,164	137,878
Other Wish-Related Donations	127,190	74,605
Total Wish Related In-Kind Contributions	1,090,902	890,550
Change in Contribution Receivable	14,528	(21,191)
Total	<u>\$ 1,105,430</u>	<u>\$ 869,359</u>

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Illinois taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 205 of the Illinois Revenue and Taxation Code. 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.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 no significant joint costs for activities that include fundraising.

Management and General

All costs not identifiable with a single program or fund raising 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 reclassifications have been made to the 2015 financial statement presentation to conform to the 2016 financial statement presentation. The change did not effect total net assets or change in net assets.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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.

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 finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in common collective trust funds that invest in equity securities, short duration fixed income funds, and multistrategy funds. The fair values of the Foundation's interests in shares or units of these funds, because of liquidity or redemption restrictions that vary depending on the specific fund, may differ from the fair value of the fund's underlying net assets.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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, 2016:

	Fair Value Measurements at August 31, 2016 Using				For Investments Recorded at Net Asset Value		
	(Level 1)	(Level 2)	(Level 3)	Total	Redemption or Liquidation	Days' Notice	Unfunded Commitments
	Investments:						
Mutual Funds:							
Multiple Strategies	\$ 658,079	\$ -	\$ -	\$ 658,079			
Alternative Investments:							
Common Collective Trust							
Invested in Equity Securities	-	1,654,149	-	1,654,149	Month-End	2	-
Common Collective Trust							
Invested in Short Duration							
Fixed Income Funds	-	988,866	-	988,866	Month-End	2	-
Total Investments and							
Investments for Long-							
Term Purposes	<u>\$ 658,079</u>	<u>\$ 2,643,015</u>	<u>\$ -</u>	<u>\$ 3,301,094</u>			

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

	Fair Value Measurements at August 31, 2015 Using				For Investments Recorded at Net Asset Value		
	(Level 1)	(Level 2)	(Level 3)	Total	Redemption or Liquidation	Days' Notice	Unfunded Commitments
	Investments:						
Mutual Funds:							
Multiple Strategies	\$ 477,778	\$ -	\$ -	\$ 477,778			
Alternative Investments:							
Common Collective Trust							
Invested in Equity Securities	-	1,207,330	-	1,207,330	Month-end	2	-
Common Collective Trust							
Invested in Short Duration							
Fixed Income Funds	-	705,520	-	705,520	Month-end	2	-
Total Investments and							
Investments for Long-							
Term Purposes	<u>\$ 477,778</u>	<u>\$ 1,912,850</u>	<u>\$ -</u>	<u>\$ 2,390,628</u>			

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

	2016	2015
Interest and Dividend Income	\$ 134,580	\$ 97,737
Realized and Unrealized Gains (Losses), Net	78,861	(170,699)
Investment Income (Loss), Net	<u>\$ 213,441</u>	<u>\$ (72,962)</u>

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 CONTRIBUTIONS RECEIVABLE

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, 2016 and 2015.

NOTE 5 NOTES RECEIVABLE

In January 2015, the Foundation received a contribution from a single donor which totaled \$2,728,377. The Foundation received \$766,099 in cash and \$1,962,278 in the form of a note receivable. The note bears interest at 4% and payments have been made on a monthly basis to the Foundation. There was \$91,109 and \$36,715, respectively, of accrued interest receivable as of August 31, 2016 and 2015. The note receivable, including all remaining principal and accrued interest is scheduled to be paid in full by the year ending August 31, 2018. The note is expected to be fully collectible. Total due to the Foundation as of August 31, 2016 and 2015 is \$1,038,064 and \$1,628,539, respectively, and is presented as "Notes Receivable" on the accompanying statements of financial position.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The Foundation received the following distributions from the National Organization for the years ended August 31:

	2016	2015
Corporate, Online, Whitemail, and General Contributions	\$ 475,046	\$ 461,405
Grants	-	7,500
Scholarships	595	-
Total Distributions Received	\$ 475,641	\$ 468,905

These amounts are recorded in the statement of activities as public support revenue.

The Foundation paid to the National Organization the following amounts for the years ended August 31:

	2016	2015
Partnership Dues	\$ 200,195	\$ 126,557
Insurance	-	43,020
Other	36,769	30,457
Total Amounts Paid	\$ 236,964	\$ 200,034

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 \$1,800 and \$675 for the years ended August 31, 2016 and 2015, respectively, which is recorded in the accompanying statements of activities as other income.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
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AUGUST 31, 2016 AND 2015

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows:

	<u>2016</u>	<u>2015</u>
Balance at August 31:		
Due from National Organization	\$ 16,499	\$ 55,561
Due from Other Chapters	1,258	-
Total Due from Related Entities	<u>\$ 17,757</u>	<u>\$ 55,561</u>
Due to National Organization	\$ -	\$ 316
Due to Other Chapters	22,221	12,571
Total Due to Related Entities	<u>\$ 22,221</u>	<u>\$ 12,887</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 \$139,872 and \$191,492, respectively. In 2016 and 2015, amounts due from board members totaled \$-0- and \$2,500, respectively, and are included in contributions receivable in the accompanying statements of financial position.

NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2016</u>	<u>2015</u>
Computer Equipment and Software	\$ 55,154	\$ 67,064
Office Furniture	43,726	39,016
Leasehold Improvements	7,985	-
	<u>106,865</u>	<u>106,080</u>
Less: Accumulated Depreciation and Amortization	<u>(81,504)</u>	<u>(91,905)</u>
Property and Equipment, Net	<u>\$ 25,361</u>	<u>\$ 14,175</u>

Depreciation and amortization expense totaled \$6,996 and \$4,745 for the years ended August 31, 2016 and 2015, respectively.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 ACCRUED PENDING WISH COSTS

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

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

Estimated cash and in-kind costs owed as of year-end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability includes the estimated in-kind outlay that is expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if the related expected in-kind revenue were recognized in the same fiscal period as the expected in-kind expense, total net assets at August 31, 2016 would be \$3,738,057.

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 193 and 175 reportable pending wishes, respectively.

NOTE 9 LEASES

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through May 2021. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$136,817 and \$128,471, respectively.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 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</u>
2017	\$ 119,927
2018	90,392
2019	84,862
2020	81,842
2021	61,382
Total Minimum Lease Payments	<u>\$ 438,405</u>

NOTE 10 ENDOWMENTS

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

The Foundation's endowment consists of one individual fund established by donors to grant wishes in perpetuity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets 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 Tennessee 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.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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	\$ -	\$ 82,400	\$ 155,730	\$ 238,130
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 73,455	\$ 152,730	\$ 226,185

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

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 73,455	\$ 152,730	\$ 226,185
Investment Return:				
Investment Income	-	6,531	-	6,531
Net Appreciation (Realized and Unrealized)	-	2,414	-	2,414
Total Investment Return	-	8,945	-	8,945
Contributions	-	-	3,000	3,000
Endowment Net Assets, End of Year	\$ -	\$ 82,400	\$ 155,730	\$ 238,130

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ -	\$ 93,299	\$ 147,730	\$ 241,029
Investment Return:				
Investment Income	-	7,975	-	7,975
Net Loss (Realized and Unrealized)	-	(27,819)	-	(27,819)
Total Investment Return	-	(19,844)	-	(19,844)
Contributions	-	-	5,000	5,000
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 73,455</u>	<u>\$ 152,730</u>	<u>\$ 226,185</u>

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	<u>\$ 155,730</u>	<u>\$ 152,730</u>
Temporarily Restricted Net Assets:		
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA: With Purpose Restrictions	<u>\$ 82,400</u>	<u>\$ 73,455</u>

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. There were no such deficiencies for the years ended August 31, 2016 and 2015.

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 10 ENDOWMENTS (CONTINUED)

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 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation does not have a spending policy given the insignificant balance of the endowment and its annual return.

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Time Restrictions	\$ 1,120,465	\$ 1,701,994
Purpose Restrictions	111,344	124,044
Total Temporarily Restricted Net Assets	<u>\$ 1,231,809</u>	<u>\$ 1,826,038</u>

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

	<u>2016</u>	<u>2015</u>
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	<u>\$ 155,730</u>	<u>\$ 152,730</u>

MAKE-A-WISH FOUNDATION® OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 12 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 50% of employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$22,787 and \$18,588, respectively.

NOTE 13 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 Federal Deposit Insurance Corporation (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 \$534,250 and \$542,106 were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 15% and 9%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through December 15, 2016, the date at which the financial statements were available to be issued.



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