

**MAKE-A-WISH FOUNDATION® OF GREATER  
PENNSYLVANIA & WEST VIRGINIA, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2017 AND 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Greater Pennsylvania & West Virginia, Inc.  
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Greater Pennsylvania & West Virginia, 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 Greater Pennsylvania and West Virginia, 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 Greater Pennsylvania & West Virginia, 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**

Plymouth Meeting, Pennsylvania  
January 10, 2017

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2017 AND 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 383,556	\$ 1,045,472
Investments	1,430,722	1,355,580
Due from Related Entities	117,724	77,798
Prepaid Expenses	74,041	74,383
Contributions Receivable, Net	853,777	893,883
Other Assets	83,766	84,934
Investments Held for Long-Term Purposes	2,628,561	2,471,478
Property and Equipment, Net	<u>78,675</u>	<u>92,113</u>
Total Assets	<u>\$ 5,650,822</u>	<u>\$ 6,095,641</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable and Accrued Expenses	\$ 150,915	\$ 293,406
Accrued Pending Wish Costs	1,420,626	1,447,107
Accrued Pending Wish Costs - In-kind	1,311,255	1,338,416
Due to Related Entities	36,710	47,285
Other Liabilities	73,984	86,852
Total Liabilities	<u>2,993,490</u>	<u>3,213,066</u>
<b>NET ASSETS</b>		
Unrestricted	680,498	985,432
Temporarily Restricted	690,788	677,945
Permanently Restricted	<u>1,286,046</u>	<u>1,219,198</u>
Total Net Assets	<u>2,657,332</u>	<u>2,882,575</u>
Total Liabilities and Net Assets	<u>\$ 5,650,822</u>	<u>\$ 6,095,641</u>

*See accompanying Notes to Financial Statements.*

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, 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
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
<b>Public Support:</b>					
Contributions	\$ 7,627,827	\$ 621,807	\$ 3,375	\$ 8,253,009	\$ 8,594,738
Grants	785,115	27,904	-	813,019	802,713
Total Public Support	8,412,942	649,711	3,375	9,066,028	9,397,451
Internal Special Events	365,651	-	-	365,651	412,654
Less: Costs of Direct Benefits to Donors	(77,705)	-	-	(77,705)	(97,147)
Total Special Events	287,946	-	-	287,946	315,507
Investment Income (Loss), Net	156,233	15,334	63,473	235,040	200,499
Other Income	11,456	-	-	11,456	3,852
Net Assets Released from Restrictions	652,202	(652,202)	-	-	-
Total Revenues, Gains, and Other Support	9,520,779	12,843	66,848	9,600,470	9,917,309
<b>EXPENSES</b>					
<b>Program Services:</b>					
Wish Granting	8,361,482	-	-	8,361,482	8,576,131
Total Program Services	8,361,482	-	-	8,361,482	8,576,131
<b>Support Services:</b>					
Fundraising	982,993	-	-	982,993	982,043
Management and General	481,238	-	-	481,238	463,219
Total Support Services	1,464,231	-	-	1,464,231	1,445,262
Total Expenses	9,825,713	-	-	9,825,713	10,021,393
Change in Net Assets Before Transfers	(304,934)	12,843	66,848	(225,243)	(104,084)
Transfer of Assets to Make A Wish® Montana	-	-	-	-	(27,387)
Change in Net Assets	(304,934)	12,843	66,848	(225,243)	(131,471)
<b>NET ASSETS, BEGINNING OF YEAR</b>	985,432	677,945	1,219,198	2,882,575	3,014,046
<b>NET ASSETS, END OF YEAR</b>	\$ 680,498	\$ 690,788	\$ 1,286,046	\$ 2,657,332	\$ 2,882,575

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Public Support:				
Contributions, Net of Write-Offs	\$ 7,980,610	\$ 612,203	\$ 1,925	\$ 8,594,738
Grants	771,513	31,200	-	802,713
Total Public Support	8,752,123	643,403	1,925	9,397,451
Internal Special Events	412,654	-	-	412,654
Less: Costs of Direct Benefits to Donors	(97,147)	-	-	(97,147)
Total Special Events	315,507	-	-	315,507
Investment Income (Loss), Net	135,473	13,438	51,588	200,499
Other Income	3,852	-	-	3,852
Net Assets Released from Restrictions	676,484	(676,484)	-	-
Total Revenues, Gains, and Other Support	9,883,439	(19,643)	53,513	9,917,309
<b>EXPENSES</b>				
Program Services:				
Wish Granting	8,576,131	-	-	8,576,131
Total Program Services	8,576,131	-	-	8,576,131
Support Services:				
Fundraising	982,043	-	-	982,043
Management and General	463,219	-	-	463,219
Total Support Services	1,445,262	-	-	1,445,262
Total Expenses	10,021,393	-	-	10,021,393
Change in Net Assets Before Transfers	(137,954)	(19,643)	53,513	(104,084)
Transfer of Assets to Make A Wish® Montana	(27,387)	-	-	(27,387)
Change in Net Assets	(165,341)	(19,643)	53,513	(131,471)
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,150,773	697,588	1,165,685	3,014,046
<b>NET ASSETS, END OF YEAR</b>	\$ 985,432	\$ 677,945	\$ 1,219,198	\$ 2,882,575

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (225,243)	\$ (131,471)
Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	30,658	32,467
Contributions Restricted for Long-Term Investment	(3,375)	(1,925)
Net Realized and Unrealized (Gains) on Investments	(196,428)	(68,590)
Change in Attrition on Accrued Pending Wish Costs	12,592	20,760
Changes in Assets and Liabilities:		
Contributions Receivable	40,106	220,996
Due from Related Entities	(39,926)	(16,235)
Prepaid Expenses	342	(9,224)
Other Assets	1,168	(29,768)
Accounts Payable and Accrued Expenses	(142,491)	56,384
Accrued Pending Wish Costs	(66,234)	88,871
Due to Related Entities	(10,575)	(393)
Other Liabilities	(12,868)	(12,868)
Net Cash Provided by (Used in) Operating Activities	(612,274)	149,004
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(446,977)	(485,159)
Proceeds from Sales of Investments	411,180	356,267
Purchases of Property and Equipment	(17,220)	(41,643)
Net Cash Used in Investing Activities	(53,017)	(170,535)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Investment	3,375	1,925
Net Cash Provided by Financing Activities	3,375	1,925
Net Decrease in Cash and Cash Equivalents	(661,916)	(19,606)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,045,472	1,065,078
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 383,556	\$ 1,045,472

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2017**

	Program Services			Support Services		Total
	Wish Granting	Fundraising	Management and General	Support Services	Total	
Direct Costs of Wishes	\$ 5,915,468	\$ -	\$ -	\$ -	\$ 5,915,468	
Salaries, Taxes, and Benefits	1,768,763	713,210	370,870	1,084,080	2,852,843	
Printing, Subscriptions, and Publications	6,541	48,858	619	49,477	56,018	
Professional Fees	13,643	14,023	5,402	19,425	33,068	
Rent and Utilities	147,372	59,425	30,901	90,326	237,698	
Postage and Delivery	27,330	23,475	2,448	25,923	53,253	
Travel	15,364	10,635	1,865	12,500	27,864	
Meetings and Conferences	12,629	8,318	3,170	11,488	24,117	
Office Supplies	101,302	23,416	10,020	33,436	134,738	
Communications	67,234	26,848	13,222	40,070	107,304	
Repairs and Maintenance	23,418	9,496	4,733	14,229	37,647	
Membership Dues	1,598	3,928	325	4,253	5,851	
National Partnership Dues	241,769	30,604	33,664	64,268	306,037	
Miscellaneous	-	3,149	-	3,149	3,149	
Depreciation	19,051	7,608	3,999	11,607	30,658	
Special Event Expenses	-	77,705	-	77,705	77,705	
Investment Fees	-	-	37,526	37,526	37,526	
	<u>8,361,482</u>	<u>1,060,698</u>	<u>518,764</u>	<u>1,579,462</u>	<u>9,940,944</u>	
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	(77,705)	-	(77,705)	(77,705)	
Investment Fees	-	-	(37,526)	(37,526)	(37,526)	
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 8,361,482</u>	<u>\$ 982,993</u>	<u>\$ 481,238</u>	<u>\$ 1,464,231</u>	<u>\$ 9,825,713</u>	

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2016**

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Support Services	
Direct Costs of Wishes	\$ 5,976,837	-	-	-	\$ 5,976,837
Salaries, Taxes, and Benefits	1,696,972	684,263	355,816	1,040,079	2,737,051
Printing, Subscriptions, and Publications	14,651	52,263	660	52,923	67,574
Professional Fees	7,416	10,505	5,915	16,420	23,836
Rent and Utilities	143,464	57,849	30,082	87,931	231,395
Postage and Delivery	38,193	28,786	3,185	31,971	70,164
Travel	17,679	11,383	1,884	13,267	30,946
Meetings and Conferences	8,823	11,465	4,687	16,152	24,975
Office Supplies	158,971	40,262	12,370	52,632	211,603
Communications	33,055	13,188	5,935	19,123	52,178
Repairs and Maintenance	32,755	13,818	7,731	21,549	54,304
Membership Dues	1,550	5,196	641	5,837	7,387
Grants and Scholarships	160,614	-	-	-	160,614
National Partnership Dues	264,029	40,106	30,079	70,185	334,214
Miscellaneous	923	4,925	-	4,925	5,848
Depreciation	20,199	8,034	4,234	12,268	32,467
Special Event Expenses	-	97,147	-	97,147	97,147
Investment Fees	-	-	36,211	36,211	36,211
	8,576,131	1,079,190	499,430	1,578,620	10,154,751
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Special Event Expenses	-	(97,147)	-	(97,147)	(97,147)
Investment Fees	-	-	(36,211)	(36,211)	(36,211)
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 8,576,131	\$ 982,043	\$ 463,219	\$ 1,445,262	\$ 10,021,393

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 1 ORGANIZATION**

Make-A-Wish Foundation® of Greater Pennsylvania & West Virginia, Inc. (the Foundation) is a Pennsylvania 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 U.S. generally accepted accounting principles (GAAP) applicable to not-for-profit entities.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2017 and 2016 is \$128,469 and \$104,399 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 GREATER PENNSYLVANIA & WEST VIRGINIA, 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 useful life of more than two years or a cost of more than \$500 are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

**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 GREATER PENNSYLVANIA & WEST VIRGINIA, 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.

**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.

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

	Support Services			2017 Total
	Programs	Fundraising	Management and General	
Program and Support Services Expenses				
Wish Related	\$ 2,658,003	\$ -	\$ -	\$ 2,658,003
Professional Services	6,274	3,301	38	9,613
Rent	10,736	4,329	2,251	17,316
Other	28,114	6,190	133	34,437
Total	<u>\$ 2,703,127</u>	<u>\$ 13,820</u>	<u>\$ 2,422</u>	2,719,369
Special Events				24,286
Total				<u>\$ 2,743,655</u>

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

	Support Services			2016 Total
	Programs	Fundraising	Management and General	
Program and Support Services Expenses				
Wish Related	\$ 2,534,739	\$ -	\$ -	\$ 2,534,739
Professional Services	5,618	10,503	-	16,121
Rent	13,836	5,579	2,901	22,316
Other	54,855	15,075	-	69,930
	<u>\$ 2,609,048</u>	<u>\$ 31,157</u>	<u>\$ 2,901</u>	2,643,106
Special Events				46,324
Total				<u>\$ 2,689,430</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.

**Income Taxes**

The Foundation is a not-for-profit organization exempt from federal income and Commonwealth of Pennsylvania and West Virginia income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 509(a)(1), Pennsylvania Department of Revenue regulations and West Virginia Department of Revenue Taxation Code §11-24-5. 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 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.

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses (Continued)**

**Management and General**

All costs not identifiable with a 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 evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$73,984 and \$86,852 at August 31, 2017 and 2016, respectively.

**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, allocation of functional expenses, valuation of investments, in-kind receivables and accrued pending wish costs, net of attrition.

**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 the 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.

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA & WEST VIRGINIA, INC.**  
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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

The fair values of the financial instruments shown in the following table as of August 31, 2017, represents 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 Audit and Finance committee, 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 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)	
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,259,688	\$ -	\$ -	\$ 1,259,688
International Equity	209,481	-	-	209,481
Global	68,406	-	-	68,406
Money Market Funds	132,880	-	-	132,880
Real Estate	43,635	-	-	43,635
Bonds	2,345,193	-	-	2,345,193
Total	\$ 4,059,283	\$ -	\$ -	\$ 4,059,283



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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fair Value Hierarchy (Continued)**

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			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,111,932	\$ -	\$ -	\$ 1,111,932
International Equity	175,304	-	-	175,304
Global	64,000	-	-	64,000
Money Market Funds	127,759	-	-	127,759
Real Estate	46,207	-	-	46,207
Bonds	2,301,856	-	-	2,301,856
Total	\$ 3,827,058	\$ -	\$ -	\$ 3,827,058

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

	2017	2016
Interest and Dividend Income	\$ 76,138	\$ 168,120
Realized and Unrealized Gains, Net	196,428	68,590
Less: Investment Expenses	(37,526)	(36,211)
Investment Income, Net	\$ 235,040	\$ 200,499

**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, 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 Wishmaker® program, and other miscellaneous revenues. During the year ended August 31, 2017 and 2016, the Foundation received \$987,703 and \$909,820 from these national revenue streams.

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**NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)**

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 contributed \$0 and \$160,614 during the years ended August 31, 2017 and 2016, respectively.

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation® of America pays on behalf of the Foundation for services provided by the National Organization. Amounts totaling \$333,810 and \$342,082 were paid from the Foundation to the National Organization during the years ended August 31, 2017 and 2016, respectively.

Amounts due from and to related entities are as follows:

	2017	2016
Balance at August 31:		
Due from National Organization	\$ 117,199	\$ 70,971
Due from Other Chapters	525	6,827
Total Due from Related Entities	\$ 117,724	\$ 77,798
Due to National Organization	\$ 402	\$ -
Due to Other Chapters	36,308	47,285
Total Due to Related Entities	\$ 36,710	\$ 47,285

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 personal contributions, both cash and in-kind, from board members totaling \$54,700 and \$53,316, respectively. This do not include the member's caused-to-be-raised fundraising activities.

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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	\$ 434,050	\$ 421,488
Office Furniture	220,579	217,338
Leasehold Improvements	83,979	82,562
	<u>738,608</u>	<u>721,388</u>
Less Accumulated Depreciation and Amortization	(659,933)	(629,275)
Property and Equipment, Net	<u>\$ 78,675</u>	<u>\$ 92,113</u>

Depreciation expense totaled \$30,658 and \$32,467 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 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 assets at August 31, 2017 would be increased by \$752,288 resulting in adjusted net assets of \$3,409,620.

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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 337 and 342 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 July 31, 2021. Total rent expense for all operating leases for the year ended August 31, 2017 and 2016 totaled \$233,062 and \$228,280, 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>	
2018	\$ 227,404
2019	211,839
2020	195,889
2021	165,312
Total Minimum Lease Payments	<u>\$ 800,444</u>

**NOTE 9 ENDOWMENTS**

The Foundation follows the provisions of ASC 958, Section 205-50 *Reporting Endowment Funds*. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also require disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of 12 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as investments held for long term purposes on the statements of financial position.

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**NOTE 9 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law**

The Commonwealth of Pennsylvania has not enacted a version of UPMIFA or a version of the predecessor Uniform Management of Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. §5548, Investment of Trust Funds. The Foundation has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary.

Pennsylvania law permits, but does not require, the board of directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor restricted endowment funds averaged over a period of three or more preceding years, provided the board of directors has determined that such percentage is consistent with the long term preservation of the real value of such assets. The Foundation has not made this election; therefore under Pennsylvania law, it may only spend true interest and dividend income related to permanent endowments. The Foundation therefore 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) returns on permanent endowment other than interest and dividend income.

Interest and dividend income on permanent endowments are generally recorded as unrestricted revenue unless there is a purpose restriction on the use of the income that is not satisfied in the year the income is earned.

Endowment net asset composition by type of fund as of August 31, 2017 and 2016, is as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 41,077	\$ 1,286,046	\$ 1,327,123
Board-Designated Endowment Funds	1,301,438	-	-	1,301,438
Total Funds	<u>\$ 1,301,438</u>	<u>\$ 41,077</u>	<u>\$ 1,286,046</u>	<u>\$ 2,628,561</u>

  

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ 34,542	\$ 1,219,198	\$ 1,253,740
Board-Designated Endowment Funds	1,217,738	-	-	1,217,738
Total Funds	<u>\$ 1,217,738</u>	<u>\$ 34,542</u>	<u>\$ 1,219,198</u>	<u>\$ 2,471,478</u>

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**NOTE 9 ENDOWMENTS (CONTINUED)**

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ 1,217,738	\$ 34,542	\$ 1,219,198	\$ 2,471,478
Investment Return:				
Investment Income	11,760	14,036	-	25,796
Net Appreciation (Realized and Unrealized)	61,940	1,299	63,473	126,712
Total Investment Return	73,700	15,335	63,473	152,508
Contributions	10,000	-	3,375	13,375
Appropriation of Endowment Assets for Expenditure	-	(8,800)	-	(8,800)
Endowment Net Assets, End of Year	<u>\$ 1,301,438</u>	<u>\$ 41,077</u>	<u>\$ 1,286,046</u>	<u>\$ 2,628,561</u>

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ 1,144,188	\$ 36,704	\$ 1,165,685	\$ 2,346,577
Investment Return:				
Investment Income	10,321	12,465	-	22,786
Net Depreciation (Realized and Unrealized)	53,229	973	51,588	105,790
Total Investment Return	63,550	13,438	51,588	128,576
Contributions	10,000	-	1,925	11,925
Appropriation of Endowment Assets for Expenditure	-	(15,600)	-	(15,600)
Endowment Net Assets, End of Year	<u>\$ 1,217,738</u>	<u>\$ 34,542</u>	<u>\$ 1,219,198</u>	<u>\$ 2,471,478</u>

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**NOTE 9 ENDOWMENTS (CONTINUED)**

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets as of August 31 (endowment only):

	2017	2016
<b>Permanently Restricted Net Assets:</b>		
The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by Pennsylvania Law	\$ 1,286,046	\$ 1,219,198
<b>Temporarily Restricted Net Assets:</b>		
The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under Pennsylvania Law:		
With Purpose Restrictions	\$ 41,077	\$ 34,542
Total Endowment Funds Classified as Temporarily Restricted Net Assets	\$ 41,077	\$ 34,542

**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 Commonwealth law requires the Foundation to retain as a fund of perpetual duration. 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 funds 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 performance for a low-equity balanced portfolio measured by a benchmark using a blend of the S&P 500 Index (35% weighting), a Government/Corporate Bond Intermediate Index (55% weighting), and T-bill performance (10% weighting). Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

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

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**NOTE 9 ENDOWMENTS (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Under Commonwealth of Pennsylvania law, the Foundation has not elected a spending policy and instead expends interest and dividend income earned on a current year basis for donor restricted endowment funds. The Foundation's policy regarding board designated endowment is that it is permitted, but not required, to spend up to 4% of board designated endowment balances each year.

In establishing these policies, the Foundation considered their impact on both the real growth of the endowment through new gifts and investment return and annual expendable endowment income.

**NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

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

	2017	2016
Time Restrictions	\$ 649,711	\$ 612,203
Wish Granting	41,077	65,742
Total Temporarily Restricted Net Assets	\$ 690,788	\$ 677,945

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

	2017	2016
Investments in Perpetuity, the Income from which is Expendable to Support Wishes	\$ 980,110	\$ 928,495
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	305,936	290,703
	\$ 1,286,046	\$ 1,219,198

**NOTE 11 RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation can contribute up to 5% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2017 and 2016 were \$95,720 and \$91,833.



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**NOTE 12 CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not 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 \$1,894,352 and \$1,750,092 were received from a single donor for the years ended August 31, 2017 and 2016, respectively, which represents approximately 21% and 19% of total public support. 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, the ultimate disposition of these matters will not 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 January 10, 2017, the date at which the financial statements were available to be issued.



**Investment advisory services are offered through CliftonLarsonAllen  
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