

**MAKE-A-WISH FOUNDATION® OF
CENTRAL & SOUTH TEXAS**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2016 AND 2015

**MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Central & South Texas
Austin, Texas

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Central & South Texas, 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 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 Central & South Texas

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 4, 2017

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 1,935,315	\$ 1,894,694
Due from Related Entities	181,800	73,895
Prepaid Expenses	6,109	27,692
Contributions Receivable, Net	159,656	170,997
Other Assets	119	182
Property and Equipment, Net	38,558	58,953
Total Assets	\$ 2,321,557	\$ 2,226,413
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts Payable and Accrued Expenses	\$ 312,128	\$ 255,738
Accrued Pending Wish Costs - Cash	1,367,953	868,681
Accrued Pending Wish Costs - In-kinds	1,021,633	886,652
Due to Related Entities	16,550	36,341
Capital Lease Obligations	13,012	16,383
Total Liabilities	2,731,276	2,063,795
Net Assets (Deficit)		
Unrestricted	(600,627)	(64,498)
Temporarily Restricted	190,908	227,116
Total Net Assets (Deficit)	(409,719)	162,618
Total Liabilities and Net Assets (Deficit)	\$ 2,321,557	\$ 2,226,413

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
(With Summary Totals For Year Ended August 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2015 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public Support:				
Contributions, Net of Write-Offs	\$ 3,508,605	\$ 160,908	\$ 3,669,513	\$ 3,211,869
Grants	<u>186,600</u>	<u>30,000</u>	<u>216,600</u>	<u>354,931</u>
Total Public Support	3,695,205	190,908	3,886,113	3,566,800
Internal Special Events	731,575	-	731,575	594,517
Less Costs of Direct Benefits to Donors	<u>(101,299)</u>	<u>-</u>	<u>(101,299)</u>	<u>(127,450)</u>
Total Special Events	630,276	-	630,276	467,067
Investment Income (Loss), Net	(1,122)	-	(1,122)	365
Other Income, Net of Losses	5,255	-	5,255	2,950
Net Assets Released from Restrictions	<u>227,116</u>	<u>(227,116)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>4,556,730</u>	<u>(36,208)</u>	<u>4,520,522</u>	<u>4,037,182</u>
EXPENSES				
Program Services:				
Wish Granting	<u>4,316,784</u>	<u>-</u>	<u>4,316,784</u>	<u>3,813,156</u>
Total Program Services	4,316,784	-	4,316,784	3,813,156
Support Services:				
Fundraising	520,369	-	520,369	698,138
Management and General	<u>255,706</u>	<u>-</u>	<u>255,706</u>	<u>298,111</u>
Total Support Services	776,075	-	776,075	996,249
Total Program and Support Services Expense	<u>5,092,859</u>	<u>-</u>	<u>5,092,859</u>	<u>4,809,405</u>
Change in Net Assets	(536,129)	(36,208)	(572,337)	(772,223)
Net Assets (Deficit) - Beginning of Year	<u>(64,498)</u>	<u>227,116</u>	<u>162,618</u>	<u>934,841</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (600,627)</u>	<u>\$ 190,908</u>	<u>\$ (409,719)</u>	<u>\$ 162,618</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 3,044,959	\$ 166,910	\$ 3,211,869
Grants	298,812	56,119	354,931
Total Public Support	3,343,771	223,029	3,566,800
Internal Special Events	590,430	4,087	594,517
Less Costs of Direct Benefits to Donors	(127,450)	-	(127,450)
Total Special Events	462,980	4,087	467,067
Investment Income, Net	365	-	365
Other Income, Net of Losses	2,950	-	2,950
Net Assets Released from Restrictions	157,228	(157,228)	-
Total Revenues, Gains, and Other Support	3,967,294	69,888	4,037,182
EXPENSES			
Program Services:			
Wish Granting	3,813,156	-	3,813,156
Total Program Services	3,813,156	-	3,813,156
Support Services:			
Fundraising	698,138	-	698,138
Management and General	298,111	-	298,111
Total Support Services	996,249	-	996,249
Total Program and Support Services Expense	4,809,405	-	4,809,405
Change in Net Assets	(842,111)	69,888	(772,223)
Net Assets - Beginning of Year	777,613	157,228	934,841
NET ASSETS (DEFICIT) - END OF YEAR	\$ (64,498)	\$ 227,116	\$ 162,618

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (572,337)	\$ (772,223)
Adjustments to reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	22,795	17,761
Bad Debt Expense and Other	2,727	2,435
Contributed Property and Equipment	-	(15,024)
Change in Attrition on Accrued Pending Wish Costs	(32,299)	(42,288)
Changes in Assets and Liabilities:		
Contributions Receivable	8,614	43,715
Due from Related Entities	(107,905)	90,660
Prepaid Expenses	21,583	(12,298)
Other Assets	63	36,485
Accounts Payable and Accrued Expenses	56,390	180,719
Accrued Pending Wish Costs	666,552	907,636
Due to Related Entities	(19,791)	32,841
Net Cash Provided by Operating Activities	46,392	470,419
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,400)	(10,349)
Net Cash Used in Investing Activities	(2,400)	(10,349)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(3,371)	(2,358)
Net Cash Used in Financing Activities	(3,371)	(2,358)
Net Increase in Cash and Cash Equivalents	40,621	457,712
Cash and Cash Equivalents - Beginning of Year	1,894,694	1,436,982
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,935,315	\$ 1,894,694
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest on Capital Lease	\$ 1,189	\$ 1,062
NONCASH OPERATING AND FINANCING ACTIVITIES		
Contributed Property and Equipment	\$ -	\$ 15,024
Acquisition of Equipment with Capital Lease	\$ -	\$ 18,741

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program	Support Services			Total
	Services				
	Wish	Fundraising	Management	Total	
	Granting		and General	Support	
				Services	Total
Direct Costs of Wishes	\$ 3,523,076	\$ -	\$ -	\$ -	\$ 3,523,076
Salaries, Taxes, and Benefits	537,865	339,646	187,056	526,702	1,064,567
Printing, Subscriptions, and Publications	3,908	12,125	6,122	18,247	22,155
Professional Fees	33,771	26,111	16,626	42,737	76,508
Rent and Utilities	63,894	41,913	18,953	60,866	124,760
Postage and Delivery	2,552	1,899	720	2,619	5,171
Travel	10,748	15,621	2,263	17,884	28,632
Meetings and Conferences	10,459	21,729	4,158	25,887	36,346
Office Supplies	12,403	2,259	855	3,114	15,517
Communications	12,189	8,605	2,843	11,448	23,637
Advertising and Media (Cash)	96	1,871	23	1,894	1,990
Advertising and Media (In-Kind)	-	10,163	-	10,163	10,163
Repairs and Maintenance	631	420	185	605	1,236
Bad Debt Expense	-	2,727	-	2,727	2,727
Membership Dues	267	1,095	80	1,175	1,442
National Partnership Dues	83,837	9,745	8,700	18,445	102,282
Miscellaneous	9,491	16,690	3,674	20,364	29,855
Depreciation and Amortization	11,597	7,750	3,448	11,198	22,795
	<u>\$ 4,316,784</u>	<u>\$ 520,369</u>	<u>\$ 255,706</u>	<u>\$ 776,075</u>	<u>\$ 5,092,859</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services		Support Services		Total
	Wish Granting	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 3,176,202	\$ -	\$ -	\$ -	\$ 3,176,202
Salaries, Taxes, and Benefits	412,221	451,138	220,152	671,290	1,083,511
Printing, Subscriptions, and Publications	6,365	16,019	2,763	18,782	25,147
Professional Fees	18,119	25,212	10,705	35,917	54,036
Rent and Utilities	43,695	45,936	22,408	68,344	112,039
Postage and Delivery	2,581	2,706	1,269	3,975	6,556
Travel	8,214	15,988	4,744	20,732	28,946
Meetings and Conferences	6,513	31,383	9,842	41,225	47,738
Office Supplies	18,227	5,109	2,466	7,575	25,802
Communications	9,810	10,925	4,173	15,098	24,908
Advertising and Media (Cash)	3,750	7,265	-	7,265	11,015
Advertising and Media (In-Kind)	-	33,010	-	33,010	33,010
Repairs and Maintenance	724	761	371	1,132	1,856
Insurance	-	5,244	-	5,244	5,244
Bad Debt Expense	-	2,435	-	2,435	2,435
Membership Dues	337	2,192	173	2,365	2,702
Grants and Scholarships	1,000	-	-	-	1,000
National Partnership Dues	91,355	12,720	11,564	24,284	115,639
Miscellaneous	7,116	22,813	3,929	26,742	33,858
Depreciation and Amortization	6,927	7,282	3,552	10,834	17,761
	<u>\$ 3,813,156</u>	<u>\$ 698,138</u>	<u>\$ 298,111</u>	<u>\$ 996,249</u>	<u>\$ 4,809,405</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Central & South Texas (the Foundation) is a Texas not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independent 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.

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.

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 10 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.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

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.

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. For the years ended August 31, 2016 and 2015, the Foundation had no permanently restricted net assets.
- **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 CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Foundation received in-kind contributions of assets and services that are included in the accompanying statements of activities as follows:

	Programs	Support Services		2016 Total
		Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 1,410,562	\$ -	\$ -	\$ 1,410,562
Professional Services	6,311	4,208	1,856	12,375
Advertising and Media	-	10,163	-	10,163
Other	24,115	20,714	5,437	50,266
Total Program and Supported Service Expenses	1,440,988	35,085	7,293	1,483,366
Direct Benefit Expenses, Netted with Special Event Revenue	-	-	-	26,957
Total	<u>\$ 1,440,988</u>	<u>\$ 35,085</u>	<u>\$ 7,293</u>	<u>\$ 1,510,323</u>
	Programs	Support Services		2015 Total
		Fundraising	Management and General	
Program and Support Service Expenses				
Wish Related	\$ 1,015,248	\$ -	\$ -	\$ 1,015,248
Professional Services	-	6,400	-	6,400
Advertising and Media	-	33,010	-	33,010
Other	22,751	32,049	8,334	63,134
Total Program and Supported Service Expenses	1,037,999	71,459	8,334	1,117,792
Direct Benefit Expenses, Netted with Special Event Revenue	-	-	-	25,279
Total	<u>\$ 1,037,999</u>	<u>\$ 71,459</u>	<u>\$ 8,334</u>	<u>\$ 1,143,071</u>
Property and Equipment (Capitalized)				15,024
				<u>\$ 1,158,095</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 CENTRAL & SOUTH TEXAS
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 fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. 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.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and Texas taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 171.063 of the Texas Tax 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. The Foundation files income tax returns in the U.S. federal jurisdiction, and one state jurisdiction.

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.

Management and General

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

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

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of amounts previously reported have been made to the accompanying 2015 financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported 2015 net assets.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at August 31, 2016 and 2015 were \$159,656 of which 95% is due from one donor, and \$170,997, of which 91% is due from one donor, respectively. All contributions receivable are due within the next twelve months. Management determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at August 31, 2016 and 2015.

NOTE 4 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2016 and 2015, the Foundation received \$963,076 and \$756,627, respectively, from these national revenue streams.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 4 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$155,147 and \$168,893 were paid from the Foundation to the National Organization during the years ended August 31, 2016 and 2015, respectively.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation received \$30,000 and \$10,000 during the years ended August 31, 2016 and 2015, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$5,250 and \$10,950 for the years ended August 31, 2016 and 2015, respectively, which is recorded in the accompanying statements of activities as other income.

These amounts are recorded in the Statement of Activities as public support revenue.

Amounts due from and to related entities are as follows:

	<u>2016</u>	<u>2015</u>
Balance at August 31:		
Due from National Organization	\$ 172,978	\$ 66,878
Due from Other Chapters	8,822	7,017
Total Due from Related Entities	<u>\$ 181,800</u>	<u>\$ 73,895</u>
Due to National Organization	\$ 650	\$ 3,595
Due to Other Chapters	15,900	32,746
Total Due to Related Entities	<u>\$ 16,550</u>	<u>\$ 36,341</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 \$47,119 and \$26,043, respectively.

MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 5 PROPERTY AND EQUIPMENT, NET

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

	2016	2015
Computer Equipment and Software	\$ 59,833	\$ 63,277
Office Furniture	56,533	56,533
Leasehold Improvements	26,172	26,172
	142,538	145,982
Less Accumulated Depreciation and Amortization	(103,980)	(87,029)
Property and Equipment, Net	\$ 38,558	\$ 58,953

Depreciation and amortization expense totaled \$22,795 and \$17,761 for the years ended August 31, 2016 and 2015, respectively.

NOTE 6 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 \$461,006.

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NOTE 6 ACCRUED PENDING WISH COSTS (CONTINUED)

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2016 and 2015, the Foundation had approximately 267 and 177 reportable pending wishes, respectively.

NOTE 7 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through August 2021. As of August 31, 2016 and 2015, the cost of leased property and equipment under capital leases was \$18,741, and accumulated depreciation was \$6,559 and \$2,811, respectively. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$91,477 and \$79,375, respectively.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year are as follows:

<u>Year Ending August 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2017	\$ 93,627	\$ 4,560
2018	90,336	4,560
2019	81,683	4,560
2020	84,101	1,140
2021	86,038	-
Total Minimum Lease Payments	<u>435,785</u>	<u>14,820</u>
Less Amounts Representing Interest	-	(1,808)
Present Value of Net Minimum Lease Payments	<u><u>\$ 435,785</u></u>	<u><u>\$ 13,012</u></u>

NOTE 8 TEMPORARILY 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	\$ -	\$ 15,313
Purpose Restrictions	190,908	211,803
Total Temporarily Restricted Net Assets	<u><u>\$ 190,908</u></u>	<u><u>\$ 227,116</u></u>

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NOTE 9 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan upon date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches 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 \$24,377 and \$23,148, respectively.

NOTE 10 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 \$733,137 and \$554,524 were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 19% and 16%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 11 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 4, 2017, the date at which the financial statements were available to be issued.