

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

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**MAKE-A-WISH FOUNDATION® OF MICHIGAN
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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 Michigan
Brighton, Michigan

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Michigan, 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 Michigan

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 Michigan 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

Oak Brook, Illinois
March 27, 2017

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

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 582,080	\$ 836,853
Investments	2,985,766	2,835,402
Due from Related Entities	77,964	60,881
Prepaid Expenses	11,404	12,716
Contributions Receivable	528,599	278,910
Other Assets	33,055	42,901
Investments Held for Long-Term Purposes	104,224	104,224
Property and Equipment, Net	65,135	60,641
Total Assets	\$ 4,388,227	\$ 4,232,528
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 625,182	\$ 490,551
Accrued Pending Wish Costs - Cash	1,799,331	1,184,591
Accrued Pending Wish Costs - In-kinds	1,311,815	813,053
Due to Related Entities	24,651	33,854
Capital Lease Obligations	8,155	10,542
Total Liabilities	3,769,134	2,532,591
NET ASSETS		
Unrestricted	154,310	1,339,491
Temporarily Restricted	360,559	256,222
Permanently Restricted	104,224	104,224
Total Net Assets	619,093	1,699,937
Total Liabilities and Net Assets	\$ 4,388,227	\$ 4,232,528

See accompanying Notes to Financial Statements.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
REVENUES, GAINS AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	\$ 4,304,758	\$ 303,835	\$ -	\$ 4,608,593	\$ 4,881,305
Grants	234,592	56,765	-	291,357	287,622
Total Public Support	<u>4,539,350</u>	<u>360,600</u>	<u>-</u>	<u>4,899,950</u>	<u>5,168,927</u>
Internal Special Events	3,799,533	-	-	3,799,533	3,598,150
Less Costs of Direct Benefits to Donors	(748,147)	-	-	(748,147)	(956,203)
Total Internal Special Events	<u>3,051,386</u>	<u>-</u>	<u>-</u>	<u>3,051,386</u>	<u>2,641,947</u>
Investment Income (Loss), Net	220,772	7,271	-	228,043	(35,413)
Other Income	3,750	-	-	3,750	1,801
Net Assets Released from Restrictions	<u>263,534</u>	<u>(263,534)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>8,078,792</u>	<u>104,337</u>	<u>-</u>	<u>8,183,129</u>	<u>7,777,262</u>
EXPENSES					
Program Services:					
Wish Granting and Program Related Support	7,395,618	-	-	7,395,618	6,401,429
Support Services:					
Fundraising	1,441,029	-	-	1,441,029	985,450
Management and General	427,326	-	-	427,326	502,654
Total Support Services	<u>1,868,355</u>	<u>-</u>	<u>-</u>	<u>1,868,355</u>	<u>1,488,104</u>
Total Program and Support Services Expense	<u>9,263,973</u>	<u>-</u>	<u>-</u>	<u>9,263,973</u>	<u>7,889,533</u>
Total Expenses and Losses	<u>9,263,973</u>	<u>-</u>	<u>-</u>	<u>9,263,973</u>	<u>7,889,533</u>
Change in Net Assets	(1,185,181)	104,337	-	(1,080,844)	(112,271)
Net Assets - Beginning of Year	<u>1,339,491</u>	<u>256,222</u>	<u>104,224</u>	<u>1,699,937</u>	<u>1,812,208</u>
NET ASSETS - END OF YEAR	<u>\$ 154,310</u>	<u>\$ 360,559</u>	<u>\$ 104,224</u>	<u>\$ 619,093</u>	<u>\$ 1,699,937</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN
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	\$ 4,625,083	\$ 256,222	\$ -	\$ 4,881,305
Grants	<u>287,622</u>	<u>-</u>	<u>-</u>	<u>287,622</u>
Total Public Support	4,912,705	256,222	-	5,168,927
Internal Special Events	3,598,150	-	-	3,598,150
Less Costs of Direct Benefits to Donors	<u>(956,203)</u>	<u>-</u>	<u>-</u>	<u>(956,203)</u>
Total Internal Special Events	2,641,947	-	-	2,641,947
Investment Loss, Net	(34,007)	(1,406)	-	(35,413)
Other Income	1,801	-	-	1,801
Net Assets Released from Restrictions	<u>176,944</u>	<u>(176,944)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	7,699,390	77,872	-	7,777,262
EXPENSES				
Program Services:				
Wish Granting and Program Related Support	6,401,429	-	-	6,401,429
Support Services:				
Fundraising	985,450	-	-	985,450
Management and General	<u>502,654</u>	<u>-</u>	<u>-</u>	<u>502,654</u>
Total Support Services	1,488,104	-	-	1,488,104
Total Program and Support Services Expense	<u>7,889,533</u>	<u>-</u>	<u>-</u>	<u>7,889,533</u>
Total Expenses and Losses	7,889,533	-	-	7,889,533
Change in Net Assets	(190,143)	77,872	-	(112,271)
Net Assets - Beginning of Year	<u>1,529,634</u>	<u>178,350</u>	<u>104,224</u>	<u>1,812,208</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,339,491</u></u>	<u><u>\$ 256,222</u></u>	<u><u>\$ 104,224</u></u>	<u><u>\$ 1,699,937</u></u>

See accompanying Notes to Financial Statements.

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,080,844)	\$ (112,271)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	24,428	22,137
Bad Debt Expense	3,340	1,775
Net Realized and Unrealized (Gains) Losses on Investments	(83,252)	204,543
Loss on Sale of Property and Equipment	560	-
Contributed Property and Equipment, Inventory and Investments	(13,654)	(1,125)
Change in Attrition on Accrued Pending Wish Costs	(11,015)	-
Changes in Assets and Liabilities:		
Contributions Receivable	(253,029)	(80,890)
Due from Related Entities	(17,083)	51,735
Prepaid Expenses	1,312	(8,777)
Other Assets	9,846	7,894
Accounts Payable and Accrued Expenses	134,631	(206,008)
Accrued Pending Wish Costs	1,124,517	4,004
Due to Related Entities	(9,203)	5,916
Other Liabilities	757	-
Net Cash Used by Operating Activities	(168,689)	(111,067)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(67,096)	(246,406)
Proceeds from Sales of Investments	1,118	116,907
Purchases of Property and Equipment	(16,962)	(15,436)
Net Cash Used by Investing Activities	(82,940)	(144,935)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(3,144)	(190)
Net Decrease in Cash and Cash Equivalents	(254,773)	(256,192)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	836,853	1,093,045
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 582,080	\$ 836,853
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 757	\$ 72
Equipment Acquired under Capital Lease	\$ -	\$ 10,732
Donated Property and Equipment, Inventory and Investments	\$ 13,654	\$ 1,125

See accompanying Notes to Financial Statements.

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

	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
	Wish Granting and Program Related Support	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 5,356,168	\$ -	\$ -	\$ -	\$ 5,356,168
Salaries, Taxes, and Benefits	1,408,753	804,558	302,643	1,107,201	2,515,954
Printing, Subscriptions, and Publications	25,457	94,022	5,909	99,931	125,388
Professional Fees	91,019	79,971	18,818	98,789	189,808
Rent and Utilities	99,325	56,756	21,284	78,040	177,365
Postage and Delivery	23,325	28,703	5,088	33,791	57,116
Travel	27,824	59,594	8,410	68,004	95,828
Meetings and Conferences	50,328	50,166	19,103	69,269	119,597
Office Supplies	48,053	22,186	8,102	30,288	78,341
Communications	13,927	9,218	2,532	11,750	25,677
Advertising and Media (Cash)	1,147	5,035	246	5,281	6,428
Advertising and Media (In-Kind)	235	43,322	50	43,372	43,607
Repairs and Maintenance	6,545	3,532	1,369	4,901	11,446
Bad Debt Expense	-	3,340	-	3,340	3,340
Membership Dues	1,732	1,926	609	2,535	4,267
National Partnership Dues	186,623	28,348	21,261	49,609	236,232
Miscellaneous	41,493	142,524	8,966	151,490	192,983
Depreciation and Amortization	13,664	7,828	2,936	10,764	24,428
Total	<u>\$ 7,395,618</u>	<u>\$ 1,441,029</u>	<u>\$ 427,326</u>	<u>\$ 1,868,355</u>	<u>\$ 9,263,973</u>

See accompanying Notes to Financial Statements.

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

	Program Services	Support Services			Total
	Wish Granting and Program Related Support	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 4,430,117	\$ -	\$ -	\$ -	\$ 4,430,117
Salaries, Taxes, and Benefits	1,363,484	611,217	374,883	986,100	2,349,584
Printing, Subscriptions, and Publications	27,195	76,767	7,039	83,806	111,001
Professional Fees	99,411	44,782	27,314	72,096	171,507
Rent and Utilities	100,862	45,214	27,823	73,037	173,899
Postage and Delivery	24,458	23,035	6,702	29,737	54,195
Travel	24,515	57,974	4,242	62,216	86,731
Meetings and Conferences	58,431	41,989	4,860	46,849	105,280
Office Supplies	21,662	12,559	5,862	18,421	40,083
Communications	14,491	5,942	3,646	9,588	24,079
Advertising and Media (Cash)	2,136	4,374	-	4,374	6,510
Advertising and Media (In-Kind)	-	5,000	-	5,000	5,000
Repairs and Maintenance	7,531	3,376	12,357	15,733	23,264
Bad Debt Expense	-	1,775	-	1,775	1,775
Membership Dues	1,140	1,841	315	2,156	3,296
National Partnership Dues	164,506	22,906	20,824	43,730	208,236
Miscellaneous	48,651	20,943	3,245	24,188	72,839
Depreciation and Amortization	12,839	5,756	3,542	9,298	22,137
Total	\$ 6,401,429	\$ 985,450	\$ 502,654	\$ 1,488,104	\$ 7,889,533

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Michigan (the Foundation) is a Michigan 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 (GAAP) applicable to nonprofit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2016 and 2015 is \$19,230 and \$26,581, respectively, of money market mutual funds.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

MAKE-A-WISH FOUNDATION® OF MICHIGAN
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 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* 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).
- 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.

See additional information in Note 3.

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

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.

MAKE-A-WISH FOUNDATION® OF MICHIGAN
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 reported as follows at August 31:

	Support Services			2016 Total
	Programs	Fundraising	Management and General	
Program and Support Service Expenses:				
Wish Related	\$ 1,861,240	\$ -	\$ -	\$ 1,861,240
Professional Services	3,200	5,000	-	8,200
Rent	-	-	-	-
Advertising and Media	-	43,322	50	43,372
Other	22,803	321	131	23,255
Total Program and Support Service Expenses	<u>\$ 1,887,243</u>	<u>\$ 48,643</u>	<u>\$ 181</u>	1,936,067
Direct Benefit Expenses, Netted with Special Event Revenue				145,760
Total				<u>2,081,827</u>
Investments (Asset)				1,030
Property and Equipment (Capitalized)				12,520
Total				<u>\$ 2,095,377</u>

	Support Services			2015 Total
	Programs	Fundraising	Management and General	
Program and Support Service Expenses:				
Wish Related	\$ 1,967,198	\$ -	\$ -	\$ 1,967,198
Professional Services	12,762	5,721	3,520	22,003
Rent	-	-	-	-
Advertising and Media	-	5,000	-	5,000
Other	5,133	1,129	76	6,338
Total Program and Support Service Expenses	<u>\$ 1,985,093</u>	<u>\$ 11,850</u>	<u>\$ 3,596</u>	2,000,539
Direct Benefit Expenses, Netted with Special Event Revenue				256,881
Total				<u>2,257,420</u>
Property and Equipment (Capitalized)				1,125
Total				<u>\$ 2,258,545</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 MICHIGAN
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (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. Donated 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 \$43,607 and \$5,000 for the years ended August 31, 2016 and 2015, respectively.

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Michigan taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 208.1207 of the state of Michigan. 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.

Functional Expenses

The Foundation performs four functions: wish granting, program-related support, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation in granting wishes to children with life-threatening medical conditions.

Program-Related Support

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During fiscal years August 31, 2016 and 2015, the Foundation incurred no significant joint costs for activities that included fund raising appeals.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

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.

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 consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

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

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

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.

Fair Value Hierarchy

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31:

	Fair Value Measurements at August 31, 2016 Using			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,971,530	\$ -	\$ -	\$ 1,971,530
International Equity	431,064	-	-	431,064
Exchange-Traded Funds:				
Bonds	523,004	-	-	523,004
Equity Securities:				
Certificates of Deposit	-	137,377	-	137,377
Debt Securities:				
U.S. Treasury	-	27,015	-	27,015
Total	\$ 2,925,598	\$ 164,392	\$ -	\$ 3,089,990

MAKE-A-WISH FOUNDATION® OF MICHIGAN
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

	Fair Value Measurements at August 31, 2015 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,649,543	\$ -	\$ -	\$ 1,649,543
International Equity	508,745	-	-	508,745
Exchange-Traded Funds:				
Bonds	622,970	-	-	622,970
Certificates of Deposit	-	131,345	-	131,345
Debt Securities:				
U.S. Treasury	-	27,023	-	27,023
Total	\$ 2,781,258	\$ 158,368	\$ -	\$ 2,939,626

For the valuation of U.S. Treasury, U.S. Agency, and certificate of deposit securities at August 31, 2016 and 2015, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

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

	2016	2015
Interest and Dividend Income	\$ 144,791	\$ 169,130
Realized and Unrealized Gains (Losses), Net	83,252	(204,543)
Investment Income (Loss), Net	\$ 228,043	\$ (35,413)

NOTE 4 CONTRIBUTIONS RECEIVABLE

All contributions receivable are due within the next 12 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.

**MAKE-A-WISH FOUNDATION® OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2016 and 2015, the Foundation received \$1,175,536 and \$1,119,736, respectively, from these national revenue streams.

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 \$347,722 and \$208,236 were paid from the Foundation to the National Organization 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 \$3,750 and \$1,800 for the years ended August 31, 2016 and 2015, respectively, which is recorded in the accompanying statements of activities as Other Income.

Amounts due from and to related entities are as follows:

	<u>2016</u>	<u>2015</u>
Balance at August 31:		
Due from National Organization	\$ 61,444	\$ 58,328
Due from Other Chapters	16,520	2,553
Total Due from Related Entities	<u>\$ 77,964</u>	<u>\$ 60,881</u>
Due to National Organization	\$ 103	\$ 549
Due to Other Chapters	24,548	33,305
Total Due to Related Entities	<u>\$ 24,651</u>	<u>\$ 33,854</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 \$592,929 and \$357,733, respectively. There are no amounts due from board members as of August 31, 2016 and 2015.

MAKE-A-WISH FOUNDATION® OF MICHIGAN
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NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	2016	2015
Computer Equipment and Software	\$ 239,556	\$ 266,768
Office Furniture	33,604	35,023
Other Equipment	57,372	69,632
Leasehold Improvements	30,308	29,042
	<u>360,840</u>	<u>400,465</u>
Less: Accumulated Depreciation and Amortization	(295,705)	(339,824)
Property and Equipment, Net	<u>\$ 65,135</u>	<u>\$ 60,641</u>

Depreciation and amortization expense totaled \$24,428 and \$22,137 for the years ended August 31, 2016 and 2015, 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 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 all 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 \$1,702,467.

MAKE-A-WISH FOUNDATION® OF MICHIGAN
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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, 2016 and 2015, the Foundation had approximately 308 and 250 reportable pending wishes, respectively.

NOTE 8 NOTES PAYABLE

The Foundation has an unsecured line of credit with a financial institution totaling \$500,000, bearing interest at a variable rate and expires on September 20, 2016. As of August 31, 2016 and 2015, the Foundation had no amounts outstanding on this line of credit.

In September 2016, the Foundation signed a new unsecured line of credit agreement with a financial institution totaling \$500,000 with a variable interest rate and a maturity date of September 20, 2017.

NOTE 9 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through July 31, 2019. As of August 31, 2016 and 2015, the cost of leased property and equipment under capital leases was \$10,732, and accumulated depreciation was \$2,907 and \$234, respectively. Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$163,360 and \$161,919, 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	\$ 168,826	\$ 3,144
2018	159,692	3,144
2019	<u>67,468</u>	<u>2,882</u>
Total Minimum Lease Payments	395,986	9,170
Less: Amounts Representing Interest	-	(1,015)
Present Value of Net Minimum Lease Payments	<u>\$ 395,986</u>	<u>\$ 8,155</u>

MAKE-A-WISH FOUNDATION® OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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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 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.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Michigan UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

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

Interpretation of Relevant Law (Continued)

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 104,224	\$ 104,224

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 104,224	\$ 104,224

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ -	\$ -	\$ 104,224	\$ 104,224
Investment Return:				
Investment Income	-	4,767	-	4,767
Net Appreciation (Realized and Unrealized)	-	2,504	-	2,504
Total Investment Return	-	7,271	-	7,271
Appropriation of Endowment Assets for Expenditure	-	(7,271)	-	(7,271)
Endowment Net Assets, End of Year	\$ -	\$ -	\$ 104,224	\$ 104,224

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ -	\$ -	\$ 104,224	\$ 104,224
Investment Return:				
Investment Income	-	5,781	-	5,781
Net Depreciation (Realized and Unrealized)	-	(7,187)	-	(7,187)
Total Investment Return	-	(1,406)	-	(1,406)
Appropriation of Endowment Assets for Expenditure	-	1,406	-	1,406
Endowment Net Assets, End of Year	\$ -	\$ -	\$ 104,224	\$ 104,224

**MAKE-A-WISH FOUNDATION® OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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

	August 31,	
	2016	2015
Investments in Perpetuity, the Income from Which is Expendable to Support Any Activities of the Foundation	\$ 104,224	\$ 104,224

Fund Deficiencies

There are no fund deficiencies as of August 31, 2016 and 2015.

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 has a policy of appropriating for distribution each year approximately 3% of its endowment fund's ending balance. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate of return that would meet or exceed the Balanced Market Index. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
Time Restrictions	\$ 303,835	\$ -
Purpose Restrictions	56,724	256,222
Total Temporarily Restricted Net Assets	\$ 360,559	\$ 256,222

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

	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	\$ 104,224	\$ 104,224

NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan on the first day of the month coinciding with or immediately following their date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. Upon completion of two years for full-time employees or upon completion of 1,000 hours annually for two years for part-time employees, the Foundation contributes 5% of the employee's salary into their account. Foundation contributions to the Plan for the years ended August 31, 2016 and 2015 were \$64,611 and \$58,134, 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 \$1,014,807 and \$1,067,261 were received from a single donor for the years ended August 31, 2016 and 2015, respectively, which represents 21% of total public support for 2016 and 2015. Should these contribution levels decrease, the Foundation may be adversely affected.

**MAKE-A-WISH FOUNDATION® OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 LITIGATION AND CLAIMS

The Foundation is not currently involved in any claims or legal action at August 31, 2016 and 2015.

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through March 27, 2017, the date at which the financial statements were available to be issued.



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