

MAKE-A-WISH, HAWAII, INC.
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2016 AND 2015

**MAKE-A-WISH, HAWAII, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish, Hawaii, Inc.
Honolulu, Hawaii

We have audited the accompanying financial statements of Make-A-Wish, Hawaii, Inc., 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, Hawaii, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish, Hawaii, Inc. as of August 31, 2016 and 2015, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on contributions other than cash received on behalf of the chapter in the Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
December 8, 2016

MAKE-A-WISH, HAWAII, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 623,994	\$ 1,016,998
Investments	1,591,329	1,512,115
Due from Related Entities	678,956	564,325
Prepaid Expenses	19,012	12,240
Contributions Receivable, Net	321,367	208,049
Other Assets	33,605	107,672
Restricted Cash	-	5,355
Investments Held for Long-Term Purposes	523,360	523,360
Property and Equipment, Net.	181,382	238,909
Total Assets	\$ 3,973,005	\$ 4,189,023
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 699,066	\$ 676,432
Accrued Pending Wish Costs - Cash	486,595	456,781
Accrued Pending Wish - In-Kinds	425,437	340,462
Due to Related Entities	1,310	10,438
Note Payable	450,000	300,000
Total Liabilities	2,062,408	1,784,113
NET ASSETS		
Unrestricted	1,376,288	1,802,341
Temporarily Restricted	109,459	177,719
Permanently Restricted	424,850	424,850
Total Net Assets	1,910,597	2,404,910
Total Liabilities and Net Assets	\$ 3,973,005	\$ 4,189,023

See accompanying Notes to Financial Statements.

MAKE-A-WISH, HAWAII, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016
(WITH SUMMARY TOTALS FOR YEAR ENDED AUGUST 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
REVENUES, GAINS AND OTHER SUPPORT					
Public Support:					
Contributions, Net of Write-Offs	\$ 2,073,043	\$ 93,934	\$ -	\$ 2,166,977	\$ 2,146,782
Grants	536,922	-	-	536,922	544,921
Total Public Support	<u>2,609,965</u>	<u>93,934</u>	<u>-</u>	<u>2,703,899</u>	<u>2,691,703</u>
Internal Special Events	1,299,543	-	-	1,299,543	1,105,570
Less Costs of Direct Benefits to Donors	<u>(505,978)</u>	<u>-</u>	<u>-</u>	<u>(505,978)</u>	<u>(384,374)</u>
Total Special Events	<u>793,565</u>	<u>-</u>	<u>-</u>	<u>793,565</u>	<u>721,196</u>
Investment Income, Net	115,333	-	-	115,333	(38,205)
Other Income	521,540	-	-	521,540	368,873
Net Assets Released from Restrictions	<u>162,194</u>	<u>(162,194)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>4,202,597</u>	<u>(68,260)</u>	<u>-</u>	<u>4,134,337</u>	<u>3,743,567</u>
EXPENSES					
Program Services:					
Wish Granting	3,142,328	-	-	3,142,328	2,976,521
Program-Related Support	<u>910,561</u>	<u>-</u>	<u>-</u>	<u>910,561</u>	<u>891,079</u>
Total Program Services	<u>4,052,889</u>	<u>-</u>	<u>-</u>	<u>4,052,889</u>	<u>3,867,600</u>
Support Services:					
Fundraising	280,347	-	-	280,347	307,859
Management and General	<u>295,414</u>	<u>-</u>	<u>-</u>	<u>295,414</u>	<u>249,833</u>
Total Support Services	<u>575,761</u>	<u>-</u>	<u>-</u>	<u>575,761</u>	<u>557,692</u>
Total Program and Support Services Expense	<u>4,628,650</u>	<u>-</u>	<u>-</u>	<u>4,628,650</u>	<u>4,425,292</u>
Change in Net Assets	(426,053)	(68,260)	-	(494,313)	(681,725)
Net Assets - Beginning of Year	<u>1,802,341</u>	<u>177,719</u>	<u>424,850</u>	<u>2,404,910</u>	<u>3,086,635</u>
NET ASSETS - END OF YEAR	<u>\$ 1,376,288</u>	<u>\$ 109,459</u>	<u>\$ 424,850</u>	<u>\$ 1,910,597</u>	<u>\$ 2,404,910</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH, HAWAII, INC.
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	\$ 1,924,781	\$ 222,001	\$ -	\$ 2,146,782
Grants	539,566	5,355	-	544,921
Total Public Support	2,464,347	227,356	-	2,691,703
Internal Special Events	1,105,570	-	-	1,105,570
Less Costs of Direct Benefits to Donors	(384,374)	-	-	(384,374)
Total Special Events	721,196	-	-	721,196
Investment Income, Net	(38,205)	-	-	(38,205)
Other Income	368,873	-	-	368,873
Net Assets Released from Restrictions	207,876	(207,876)	-	-
Total Revenues, Gains, and Other Support	3,724,087	19,480	-	3,743,567
EXPENSES				
Program Services:				
Wish Granting	2,976,521	-	-	2,976,521
Program-Related Support	891,079	-	-	891,079
Total Program Services	3,867,600	-	-	3,867,600
Support Services:				
Fundraising	307,859	-	-	307,859
Management and General	249,833	-	-	249,833
Total Support Services	557,692	-	-	557,692
Total Program and Support Services Expense	4,425,292	-	-	4,425,292
Change in Net Assets	(701,205)	19,480	-	(681,725)
Net Assets - Beginning of Year	2,503,546	158,239	424,850	3,086,635
NET ASSETS - END OF YEAR	\$ 1,802,341	\$ 177,719	\$ 424,850	\$ 2,404,910

See accompanying Notes to Financial Statements.

MAKE-A-WISH, HAWAII, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (494,313)	\$ (681,725)
Adjustments to reconcile Change in Net Assets to Net Cash		
Used in Operating Activities:		
Depreciation and Amortization	59,322	49,498
Net Realized and Unrealized (Gains) Losses on Investments	(93,592)	67,119
Contributed Property and Equipment and Inventory	(192,608)	(1,140)
Changes in Assets and Liabilities:		
Contributions Receivable	(113,318)	(132,822)
Due from Related Entities	(114,631)	(10,042)
Prepaid Expenses	(6,772)	(4,871)
Other Assets	266,675	(35,452)
Accounts Payable and Accrued Expenses	22,634	157,233
Accrued Pending Wish Costs	114,789	448,138
Due to Related Entities	(9,128)	(392,237)
Net Cash Used in Operating Activities	(560,942)	(536,301)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,167,294)	(1,329,840)
Proceeds from Sales of Investments	1,181,672	1,685,013
Purchases of Property and Equipment	(1,795)	(72,820)
Change in Restricted Cash	5,355	94,645
Net Cash Provided by Investing Activities	17,938	376,998
 CASH FLOWS FROM FINANCING ACTIVITIES		
Net Change in Note Payable	150,000	300,000
Net Cash Provided by Financing Activities	150,000	300,000
 Net Increase (Decrease) in Cash and Cash Equivalents	(393,004)	140,697
 Cash and Cash Equivalents - Beginning of Year	1,016,998	876,301
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 623,994	\$ 1,016,998

See accompanying Notes to Financial Statements.

MAKE-A-WISH, HAWAII, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	Program Services			Support Services			Total
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 1,646,732	\$ 17,900	\$ 1,664,632	\$ -	\$ -	\$ -	\$ 1,664,632
Salaries, Taxes, and Benefits	1,006,816	679,213	1,686,029	163,515	185,620	349,135	2,035,164
Printing, Subscriptions, and Publications	165,170	11,509	176,679	15,318	1,937	17,255	193,934
Professional Fees	12,121	14,430	26,551	8,610	69,790	78,400	104,951
Rent and Utilities	109,563	76,304	185,867	19,621	13,080	32,701	218,568
Postage and Delivery	6,414	4,624	11,038	1,128	591	1,719	12,757
Travel	21,031	8,205	29,236	1,773	5,075	6,848	36,084
Meetings and Conferences	48,325	9,105	57,430	8,941	4,522	13,463	70,893
Office Supplies	9,819	3,673	13,492	963	941	1,904	15,396
Communications	3,846	2,985	6,831	687	458	1,145	7,976
Repairs and Maintenance	2,974	2,082	5,056	535	357	892	5,948
Information Technology	29,573	20,160	49,733	5,275	3,455	8,730	58,463
Membership Dues	175	47	222	17	12	29	251
National Partnership Dues	43,192	30,235	73,427	7,775	5,183	12,958	86,385
Miscellaneous	6,916	9,326	16,242	40,850	834	41,684	57,926
Depreciation and Amortization	29,661	20,763	50,424	5,339	3,559	8,898	59,322
	<u>\$ 3,142,328</u>	<u>\$ 910,561</u>	<u>\$ 4,052,889</u>	<u>\$ 280,347</u>	<u>\$ 295,414</u>	<u>\$ 575,761</u>	<u>\$ 4,628,650</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH, HAWAII, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services			Support Services			Total
	Wish Granting	Program- Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 1,768,533	\$ 60,133	\$ 1,828,666	\$ -	\$ -	\$ -	\$ 1,828,666
Salaries, Taxes, and Benefits	761,138	610,699	1,371,837	172,148	132,893	305,041	1,676,878
Printing, Subscriptions, and Publications	101,848	15,936	117,784	65,440	3,003	68,443	186,227
Professional Fees	9,945	9,702	19,647	2,426	65,646	68,072	87,719
Rent and Utilities	83,568	81,273	164,841	20,327	18,372	38,699	203,540
Postage and Delivery	2,595	3,346	5,941	617	557	1,174	7,115
Travel	25,910	9,723	35,633	7,716	1,715	9,431	45,064
Meetings and Conferences	60,263	14,869	75,132	7,610	2,189	9,799	84,931
Office Supplies	9,473	7,624	17,097	1,745	1,185	2,930	20,027
Communications	3,325	3,654	6,979	803	723	1,526	8,505
Repairs and Maintenance	2,244	2,097	4,341	524	472	996	5,337
Information Technology	21,455	21,102	42,557	5,045	4,613	9,658	52,215
Membership Dues	387	378	765	95	85	180	945
National Partnership Dues	52,665	-	52,665	7,333	6,667	14,000	66,665
Miscellaneous	52,878	30,744	83,622	11,281	7,057	18,338	101,960
Depreciation and Amortization	20,294	19,799	40,093	4,749	4,656	9,405	49,498
	<u>\$ 2,976,521</u>	<u>\$ 891,079</u>	<u>\$ 3,867,600</u>	<u>\$ 307,859</u>	<u>\$ 249,833</u>	<u>\$ 557,692</u>	<u>\$ 4,425,292</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 1 ORGANIZATION

Make-A-Wish, Hawaii, Inc. (the Foundation) is a Hawaii not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. Due to the geographical location of the chapter, the chapter also performs wish assist services for other Make-A-Wish chapters with children whose wish is to travel to Hawaii. 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, 2016 and 2015 is \$96,080 and \$263,080 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.

Investments held for long term purposes have been segregated due to donor-imposed restrictions that limit their use to long-term purposes.

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, HAWAII, INC.
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 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 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

Fair Value Measurements

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

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

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

MAKE-A-WISH, HAWAII, INC.
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, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation received in-kind contributions of assets and services that are reported as follows for the year ending August 31:

	2016	2015
Program - Wish Granting		
Wish Related	\$ 718,730	\$ 678,911
Professional Services	-	19,647
Other	174,357	202,637
Management and General		
Professional Services	-	2,183
Rent	4,570	6,537
Other	4,989	393
Fundraising		
Professional Services	-	2,426
Printing, Subscriptions, and Publications	6,782	57,619
Other	15,449	10,857
Total Program and Supported Services Expenses	924,877	981,210
Direct Benefit Expenses, Netted with Special Event Revenue	69,433	54,139
Total	\$ 994,310	\$ 1,035,349

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

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue when received and fundraising or public information 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 paid totaled \$-0- for the years ended August 31, 2016 and 2015.

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and taxes under the provisions of Internal Revenue Code Section 501(c)(3). 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 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 the fiscal years ended August 31, 2016 and 2015, the Foundation incurred no significant joint costs for activities that included fund raising appeals.

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, HAWAII, INC.
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.

Reclassification

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

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

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

The fair values of the financial instruments shown in the following tables as of August 31, 2016 and 2015 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

Investments

Overall Investment Objective

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

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

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

	Fair Value Measurements at August 31, 2016 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 211,980	\$ -	\$ -	\$ 211,980
Exchange-Traded Funds:				
Domestic Equity	37,708	-	-	37,708
Commodities	31,598	-	-	31,598
Bonds	23,778	-	-	23,778
Equity Securities:				
U.S. Corporate Equity Securities	1,120,566	-	-	1,120,566
Certificates of Deposit	300,000	-	-	300,000
Debt Securities:				
U.S. Treasury	-	289,814	-	289,814
Corporate	-	99,245	-	99,245
Total	<u>\$ 1,725,630</u>	<u>\$ 389,059</u>	<u>\$ -</u>	<u>\$ 2,114,689</u>

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

	Fair Value Measurements at August 31, 2015 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 230,826	\$ -	\$ -	\$ 230,826
Equity Securities:				
U.S. Corporate Equity Securities	1,073,228	-	-	1,073,228
Certificates of Deposit	300,000	-	-	300,000
Debt Securities:				
U.S. Treasury	-	338,654	-	338,654
Corporate	92,767	-	-	92,767
Total	<u>\$ 1,696,821</u>	<u>\$ 338,654</u>	<u>\$ -</u>	<u>\$ 2,035,475</u>

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

At August 31, 2016 and 2015, there were no assets and liabilities that were measured using Level 3 inputs.

Total investment income, gains, and losses for the years ended August 31, 2016 and 2015 consist of the following:

	2016	2015
Interest and Dividend Income	\$ 42,508	\$ 52,502
Realized and Unrealized Gains (Loss), Net	93,592	(67,119)
Less Investment Expenses	(20,767)	(23,588)
Investment Income, Net	\$ 115,333	\$ (38,205)

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable at August 31, 2016 and 2015 were \$321,367 and \$208,049, which represent 81% from two donors and 72% 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 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 \$586,221 and \$890,452, respectively, from these national revenue streams.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Foundation contributed \$-0- during the years August 31, 2016 and 2015, respectively.

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. Amounts totaling \$91,601 and \$73,981 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.

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 5 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Under this program, the Foundation received \$485,725 and \$338,100 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	\$ 61,674	\$ 35,635
Due from Other Chapters	617,282	528,690
Total Due from Related Entities	<u>\$ 678,956</u>	<u>\$ 564,325</u>
Due to National Organization	\$ -	\$ -
Due to Other Chapters	1,310	10,438
Total Due to Related Entities	<u>\$ 1,310</u>	<u>\$ 10,438</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 \$109,629 and \$516,652, respectively. In 2016 and 2015, amounts due from board members totaled \$750 and \$1,975, respectively, and are included in contributions receivable in the accompanying statements of financial position. Amounts paid to related parties for office rent (Note 9) used in the Foundation's operations totaled \$76,263 and \$89,291 in 2016 and 2015, respectively. Amounts due to related parties as of August 31, 2016 and 2015 totaled \$-0- and are included in accounts payable in the accompanying statements of financial position.

NOTE 6 PROPERTY AND EQUIPMENT, NET

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

	<u>2016</u>	<u>2015</u>
Computer Equipment and Software	\$ 94,079	\$ 92,284
Office Furniture	203,634	203,633
Other Equipment	23,360	23,360
Leasehold Improvements	55,145	55,145
	<u>376,218</u>	<u>374,422</u>
Less Accumulated Depreciation and Amortization	(194,836)	(135,513)
Property and Equipment, Net	<u>\$ 181,382</u>	<u>\$ 238,909</u>

Depreciation and amortization expense totaled \$59,322 and \$49,498 for the years ended August 31, 2016 and 2015, respectively.

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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 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 \$2,226,576.

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 72 and 60 reportable pending wishes, respectively.

NOTE 8 NOTE PAYABLE

The Foundation has a secured line of credit with a financial institution totaling \$700,000, bearing interest at 2% that expires on April 30, 2017. The line of credit is secured by the Foundations investments held in brokerage accounts. There was \$450,000 and \$300,000 outstanding on this line of credit as of August 31, 2016 and 2015, respectively.

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 9 LEASES

The Foundation is obligated under operating leases for office space and copier equipment. The office equipment lease term is five years with a payment of \$450 per month. On March 12, 2012, the Foundation entered into a lease agreement with a related party for office space. The office space lease term began on April 1, 2012 and expires in five years. On November 26, 2013, the lease was amended and rental expense increased to \$12,190 commencing on January 1, 2014, of which the Foundation pays \$6,221 in cash and receives a discount of \$5,969 as rental expense and an in-kind contribution. On October 25, 2016 a new copier equipment lease was executed for a term of five years with a payment of \$538 per month.

Total rent expense for all operating leases for the years ended August 31, 2016 and 2015 totaled \$155,192 and \$203,540, respectively, which includes general excise tax and the donated rent portion.

Future minimum lease payments under operating leases having remaining terms in excess of one year, including the new copier lease, are as follows:

<u>Year Ending August 31:</u>	<u>Operating Leases</u>
2017	\$ 51,964
2018	6,453
2019	6,453
2020	6,453
2021	6,453
Thereafter	538
Total Minimum Lease Payments	<u>\$ 78,314</u>

NOTE 10 ENDOWMENTS

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

The Foundation's endowment consists of approximately two 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.

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 10 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Hawaii 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

Endowment net asset composition by type of fund as of August 31, 2016 and 2015 is as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 424,850	\$ 424,850
Board-Designated Endowment Funds	98,510	-	-	98,510
Total Funds	<u>\$ 98,510</u>	<u>\$ -</u>	<u>\$ 424,850</u>	<u>\$ 523,360</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 424,850	\$ 424,850
Board-Designated Endowment Funds	98,510	-	-	98,510
Total Funds	<u>\$ 98,510</u>	<u>\$ -</u>	<u>\$ 424,850</u>	<u>\$ 523,360</u>

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 10 ENDOWMENTS (CONTINUED)

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ 98,510	\$ -	\$ 424,850	\$ 523,360
Investment Return:				
Investment Income	-	10,521	-	10,521
Net Appreciation (Realized and Unrealized)	-	18,023	-	18,023
Total Investment Return	-	28,544	-	28,544
Contributions	-	-	-	-
Reclassification to Endowment Asset	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(28,544)	-	(28,544)
Endowment Net Assets, End of Year	<u>\$ 98,510</u>	<u>\$ -</u>	<u>\$ 424,850</u>	<u>\$ 523,360</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ 98,510	\$ -	\$ 424,850	\$ 523,360
Investment Return:				
Investment Income	-	13,499	-	13,499
Net Appreciation (Realized and Unrealized)	-	(23,323)	-	(23,323)
Total Investment Return	-	(9,824)	-	(9,824)
Contributions	-	-	-	-
Reclassification to Endowment Asset	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	9,824	-	9,824
Endowment Net Assets, End of Year	<u>\$ 98,510</u>	<u>\$ -</u>	<u>\$ 424,850</u>	<u>\$ 523,360</u>

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

	2016	2015
Permanently Restricted Net Assets:		
The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA	\$ 424,850	\$ 424,850

**MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 10 ENDOWMENTS (CONTINUED)

Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There have been no such deficiencies in 2016 or 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 any investment income earned or generated from its endowment fund.

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	\$ 109,459	\$ 168,969
Purpose Restrictions	-	8,750
Total Temporarily Restricted Net Assets	\$ 109,459	\$ 177,719

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

	2016	2015
Investments in Perpetuity, the Income from which is Expendable to Support Any Activities of the Foundation	\$ 424,850	\$ 424,850

MAKE-A-WISH, HAWAII, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches 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 \$26,300 and \$21,243, 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 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.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through December 8, 2016, the date at which the financial statements were available to be issued.

MAKE-A-WISH, HAWAII, INC.
SCHEDULE
AUGUST 31, 2016 AND 2015

Supplementary Information (Unaudited)

Contributions Received on Behalf of Other Chapters

In 2016 and 2015, the Foundation received contributions of assets other than cash on behalf of other chapters in the amounts of \$14,125,109 and \$12,981,160, respectively. In 2016 and 2015, \$11,106,720 and \$10,034,431, respectively, of these contributions were received from a single vendor providing lodging services. These amounts are excluded from the accompanying statements of activities as they are recognized as in-kind contributions on the financial statements of affiliated chapters.