

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2016 AND 2015**

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.  
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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 New Jersey, Inc.  
Monroe Township, New Jersey

We have audited the accompanying financial statements of Make-A-Wish Foundation® of New Jersey, 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 Foundation® of New Jersey, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of New Jersey, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
December 7, 2016

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2016 AND 2015**

|   | 2016          | 2015          |
|---|---------------|---------------|
| <b>ASSETS</b>                           |               |               |
| Cash and Cash Equivalents               | \$ 1,550,460  | \$ 1,575,240  |
| Investments                             | 6,226,761     | 5,949,544     |
| Due from Related Entities               | 171,519       | 163,297       |
| Prepaid Expenses                        | 10,424        | 17,631        |
| Contributions Receivable, Net           | 2,129,506     | 1,341,525     |
| Other Assets                            | 16,037        | 23,086        |
| Split-Interest Agreements               | 219,067       | 149,015       |
| Investments Held for Long-Term Purposes | 1,017,207     | 966,331       |
| Property and Equipment, Net             | 7,900,830     | 8,139,108     |
|   | \$ 19,241,811 | \$ 18,324,777 |
| <b>LIABILITIES AND NET ASSETS</b>       |               |               |
| Accounts Payable and Accrued Expenses   | \$ 99,630     | \$ 39,721     |
| Accrued Pending Wish Costs - Cash       | 2,364,147     | 2,104,149     |
| Accrued Pending Wish Costs - In-kind    | 1,676,745     | 1,194,200     |
| Due to Related Entities                 | 141,373       | 39,653        |
| Total Liabilities                       | 4,281,895     | 3,377,723     |
| <b>NET ASSETS</b>                       |               |               |
| Unrestricted                            | 12,226,560    | 13,443,477    |
| Temporarily Restricted                  | 1,008,601     | 755,577       |
| Permanently Restricted                  | 1,724,755     | 748,000       |
| Total Net Assets                        | 14,959,916    | 14,947,054    |
| Total Liabilities and Net Assets        | \$ 19,241,811 | \$ 18,324,777 |

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2016**

|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|----------------------|---------------------------|---------------------------|----------------------|
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>     |                      |                           |                           |                      |
| Public Support:                              |                      |                           |                           |                      |
| Contributions                                | \$ 6,018,789         | \$ 529,218                | \$ 976,755                | \$ 7,524,762         |
| Grants                                       | 162,647              | 48,764                    | -                         | 211,411              |
| Total Public Support                         | <u>6,181,436</u>     | <u>577,982</u>            | <u>976,755</u>            | <u>7,736,173</u>     |
| Internal Special Events                      | 1,445,793            | -                         | -                         | 1,445,793            |
| Less Costs of Direct Benefits to Donors      | (382,400)            | -                         | -                         | (382,400)            |
| Total Special Events                         | <u>1,063,393</u>     | <u>-</u>                  | <u>-</u>                  | <u>1,063,393</u>     |
| Investment Income, Net                       | 281,515              | 50,875                    | -                         | 332,390              |
| Other Income                                 | 8,785                | -                         | -                         | 8,785                |
| Change in Value of Split-Interest Agreements | -                    | 12,398                    | -                         | 12,398               |
| Net Assets Released from Restrictions        | 388,231              | (388,231)                 | -                         | -                    |
| Total Revenues, Gains, and Other Support     | <u>7,923,360</u>     | <u>253,024</u>            | <u>976,755</u>            | <u>9,153,139</u>     |
| <b>EXPENSES</b>                              |                      |                           |                           |                      |
| Program Services:                            |                      |                           |                           |                      |
| Wish Granting                                | 7,339,204            | -                         | -                         | 7,339,204            |
| Total Program Services                       | <u>7,339,204</u>     | <u>-</u>                  | <u>-</u>                  | <u>7,339,204</u>     |
| Support Services:                            |                      |                           |                           |                      |
| Fundraising                                  | 1,233,249            | -                         | -                         | 1,233,249            |
| Management and General                       | 567,824              | -                         | -                         | 567,824              |
| Total Support Services                       | <u>1,801,073</u>     | <u>-</u>                  | <u>-</u>                  | <u>1,801,073</u>     |
| Total Expenses                               | <u>9,140,277</u>     | <u>-</u>                  | <u>-</u>                  | <u>9,140,277</u>     |
| Change in Net Assets                         | (1,216,917)          | 253,024                   | 976,755                   | 12,862               |
| Net Assets, Beginning of Year                | <u>13,443,477</u>    | <u>755,577</u>            | <u>748,000</u>            | <u>14,947,054</u>    |
| <b>NET ASSETS, END OF YEAR</b>               | <u>\$ 12,226,560</u> | <u>\$ 1,008,601</u>       | <u>\$ 1,724,755</u>       | <u>\$ 14,959,916</u> |

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2015**

|  | Unrestricted                | Temporarily<br>Restricted | Permanently<br>Restricted | Total                       |
|--|-----------------------------|---------------------------|---------------------------|-----------------------------|
| <b>REVENUES, GAINS AND OTHER SUPPORT</b>     |                             |                           |                           |                             |
| Public Support:                              |                             |                           |                           |                             |
| Contributions                                | \$ 10,875,043               | \$ 377,880                | \$ -                      | \$ 11,252,923               |
| Grants                                       | 184,482                     | 10,351                    | -                         | 194,833                     |
| Total Public Support                         | <u>11,059,525</u>           | <u>388,231</u>            | <u>-</u>                  | <u>11,447,756</u>           |
| Internal Special Events                      | 2,130,100                   | -                         | -                         | 2,130,100                   |
| Less Costs of Direct Benefits to Donors      | <u>(945,223)</u>            | <u>-</u>                  | <u>-</u>                  | <u>(945,223)</u>            |
| Total Special Events                         | <u>1,184,877</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,184,877</u>            |
| Investment Loss, Net                         | (47,270)                    | (22,674)                  | -                         | (69,944)                    |
| Other Income                                 | 7,703                       | -                         | -                         | 7,703                       |
| Change in Value of Split-Interest Agreements | -                           | (14,449)                  | -                         | (14,449)                    |
| Net Assets Released from Restrictions        | <u>402,376</u>              | <u>(402,376)</u>          | <u>-</u>                  | <u>-</u>                    |
| Total Revenues, Gains, and Other Support     | <u>12,607,211</u>           | <u>(51,268)</u>           | <u>-</u>                  | <u>12,555,943</u>           |
| <b>EXPENSES</b>                              |                             |                           |                           |                             |
| Program Services:                            |                             |                           |                           |                             |
| Wish Granting                                | <u>6,990,871</u>            | <u>-</u>                  | <u>-</u>                  | <u>6,990,871</u>            |
| Total Program Services                       | <u>6,990,871</u>            | <u>-</u>                  | <u>-</u>                  | <u>6,990,871</u>            |
| Support Services:                            |                             |                           |                           |                             |
| Fundraising                                  | 1,251,963                   | -                         | -                         | 1,251,963                   |
| Management and General                       | 462,232                     | -                         | -                         | 462,232                     |
| Total Support Services                       | <u>1,714,195</u>            | <u>-</u>                  | <u>-</u>                  | <u>1,714,195</u>            |
| Total Expenses                               | <u>8,705,066</u>            | <u>-</u>                  | <u>-</u>                  | <u>8,705,066</u>            |
| Change in Net Assets                         | 3,902,145                   | (51,268)                  | -                         | 3,850,877                   |
| Net Assets, Beginning of Year                | <u>9,541,332</u>            | <u>806,845</u>            | <u>748,000</u>            | <u>11,096,177</u>           |
| <b>NET ASSETS, END OF YEAR</b>               | <u><u>\$ 13,443,477</u></u> | <u><u>\$ 755,577</u></u>  | <u><u>\$ 748,000</u></u>  | <u><u>\$ 14,947,054</u></u> |

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2016 AND 2015**

|  | 2016         | 2015         |
|--|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |              |
| Change in Net Assets   | \$ 12,862    | \$ 3,850,877 |
| Adjustments to reconcile Change in Net Assets to Net Cash<br>Provided by Operating Activities:         |              |              |
| Depreciation   | 294,729      | 290,069      |
| Bad Debt Expense and Other   | -            | 3,750        |
| Loss on Disposal of Property and Equipment   | -            | 6,994        |
| Net Realized and Unrealized (Gains) Losses on Investments  | (203,246)    | 236,954      |
| Contributed Property and Equipment, Inventory, Investments<br>and Split-Interest Agreements            | (85,383)     | (86,433)     |
| Change in Attrition on Accrued Pending Wish Costs  | 12,925       | 197,345      |
| Change in Value of Split-Interest Agreements   | (12,398)     | 14,449       |
| Change in Discount to Present Value of Contributions Receivable<br>and Allowance for Doubtful Accounts | (3,540)      | -            |
| Changes in Assets and Liabilities:   |              |              |
| Contributions Receivable   | (784,441)    | 388,005      |
| Due from Related Entities  | (8,222)      | 226,284      |
| Prepaid Expenses   | 7,207        | (6,542)      |
| Other Assets   | 19,987       | 11,436       |
| Accounts Payable and Accrued Expenses  | 59,909       | (147,877)    |
| Accrued Pending Wish Costs   | 729,618      | 544,744      |
| Due to Related Entities  | 101,720      | 7,109        |
| Deferred Revenue   | -            | (119,170)    |
| Net Cash Provided by Operating Activities  | 141,727      | 5,417,994    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |              |              |
| Purchases of Investments   | (3,293,089)  | (4,268,853)  |
| Proceeds from Sales of Investments   | 3,178,173    | 2,412,617    |
| Purchases of Property and Equipment  | (51,591)     | (43,354)     |
| Net Cash Used in Investing Activities  | (166,507)    | (1,899,590)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |              |              |
| Principal Payments on Capital Lease Obligations  | -            | (835)        |
| Principal Payments on Notes Payable  | -            | (2,914,847)  |
| Net Cash Used in Financing Activities  | -            | (2,915,682)  |
| Net Increase (Decrease) in Cash and Cash Equivalents   | (24,780)     | 602,722      |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | 1,575,240    | 972,518      |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | \$ 1,550,460 | \$ 1,575,240 |
| Supplemental Cash Flow Information:  |              |              |
| Cash paid for interest   | \$ -         | \$ 78,823    |
| Contributed Property and Equipment, Inventory, Investments<br>and Split-Interest Agreements            | 85,383       | 86,433       |
| Contributed services   | 35,350       | 19,316       |
| In-kind contributions  | 1,928,586    | 2,440,695    |

See accompanying Notes to Financial Statements.



**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2016**

|   | Program Services    | Support Services    |                           | Total               |
|---|---------------------|---------------------|---------------------------|---------------------|
|   | Wish<br>Granting    | Fundraising         | Management<br>and General |                     |
| Direct Costs of Wishes                    | \$ 5,534,444        | \$ -                | \$ -                      | \$ 5,534,444        |
| Salaries, Taxes, and Benefits             | 802,968             | 751,591             | 416,431                   | 1,970,990           |
| Printing, Subscriptions, and Publications | 9,513               | 38,397              | 3,462                     | 51,372              |
| Professional Fees                         | 6,050               | 53,097              | 22,296                    | 81,443              |
| Occupancy                                 | 131,316             | 36,852              | 13,043                    | 181,211             |
| Postage and Delivery                      | 16,622              | 16,848              | 3,451                     | 36,921              |
| Travel                                    | 15,422              | 21,454              | 6,237                     | 43,113              |
| Meetings and Conferences                  | 93,641              | 48,331              | 3,199                     | 145,171             |
| Office Supplies                           | 27,622              | 26,288              | 14,915                    | 68,825              |
| Communications                            | 15,197              | 14,069              | 7,971                     | 37,237              |
| Advertising and Media (Cash)              | -                   | 11,410              | -                         | 11,410              |
| Repairs and Maintenance                   | 2,602               | 732                 | 259                       | 3,593               |
| Information Technology                    | 18,478              | 17,106              | 9,705                     | 45,289              |
| Membership Dues                           | 99                  | 490                 | 1,515                     | 2,104               |
| Grants and Scholarships                   | 100,000             | -                   | -                         | 100,000             |
| Volunteer Training                        | 1,143               | -                   | -                         | 1,143               |
| National Partnership Dues                 | 328,199             | 49,853              | 37,390                    | 415,442             |
| Miscellaneous                             | 22,445              | 86,695              | 6,700                     | 115,840             |
| Depreciation                              | 213,443             | 60,036              | 21,250                    | 294,729             |
|   | <u>\$ 7,339,204</u> | <u>\$ 1,233,249</u> | <u>\$ 567,824</u>         | <u>\$ 9,140,277</u> |

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED AUGUST 31, 2015**

|   | Program Services    |                     | Support Services          |                     | Total |
|---|---------------------|---------------------|---------------------------|---------------------|-------|
|   | Wish<br>Granting    | Fundraising         | Management<br>and General |                     |       |
| Direct Costs of Wishes                    | \$ 5,069,962        | \$ -                | \$ -                      | \$ 5,069,962        |       |
| Salaries, Taxes, and Benefits             | 752,162             | 724,874             | 346,462                   | 1,823,498           |       |
| Printing, Subscriptions, and Publications | 8,832               | 82,390              | 1,341                     | 92,563              |       |
| Professional Fees                         | 18,743              | 26,182              | 13,582                    | 58,507              |       |
| Occupancy                                 | 132,818             | 34,922              | 10,778                    | 178,518             |       |
| Postage and Delivery                      | 16,928              | 29,461              | 2,486                     | 48,875              |       |
| Travel                                    | 18,965              | 26,224              | 2,520                     | 47,709              |       |
| Meetings and Conferences                  | 95,316              | 129,303             | 2,902                     | 227,521             |       |
| Office Supplies                           | 23,998              | 28,629              | 13,825                    | 66,452              |       |
| Communications                            | 12,929              | 12,120              | 5,853                     | 30,902              |       |
| Advertising and Media (Cash)              | -                   | 16,750              | -                         | 16,750              |       |
| Repairs and Maintenance                   | 2,166               | 569                 | 176                       | 2,911               |       |
| Information Technology                    | 19,605              | 18,380              | 8,876                     | 46,861              |       |
| Membership Dues                           | -                   | 3,713               | 1,268                     | 4,981               |       |
| Grants and Scholarships                   | 350,000             | -                   | -                         | 350,000             |       |
| Volunteer Training                        | 6,540               | -                   | -                         | 6,540               |       |
| National Partnership Dues                 | 156,817             | 21,835              | 19,850                    | 198,502             |       |
| Miscellaneous                             | 30,632              | 24,447              | 10,042                    | 65,121              |       |
| Interest                                  | 58,645              | 15,420              | 4,759                     | 78,824              |       |
| Depreciation                              | 215,813             | 56,744              | 17,512                    | 290,069             |       |
|   | <u>\$ 6,990,871</u> | <u>\$ 1,251,963</u> | <u>\$ 462,232</u>         | <u>\$ 8,705,066</u> |       |

See accompanying Notes to Financial Statements.

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**NOTE 1 ORGANIZATION**

Make-a-Wish Foundation® of New Jersey, Inc. is a New Jersey not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) applicable to not-for-profit entities.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2016 and 2015 is \$1,545,793 and \$1,574,287, respectively, of money market bank 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. Split-Interest Agreements are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

**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 NEW JERSEY, 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 \$1,000 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 40 years. Land improvements are depreciated over the estimated useful life of the asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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

**Fair Value Measurements**

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

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

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

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

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

See additional information in Note 3.

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

**Net Assets**

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

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

**Revenue Recognition**

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution 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.

During the fiscal year ended August 31, 2015, the Foundation received two significant donations totaling approximately \$4.9 million that had no donor restrictions. As a result, the Board of Directors approved a five-year plan to grant more wishes, to pay off the note payable described in Note 9, and to improve the Foundation's infrastructure with the addition of key staff, employee benefits and technology. The Board also designated \$1.8 million to support the operation of the Foundation's building with an unrestricted endowment as indicated in Note 10. Further, the Foundation contributed \$350,000 to the Wish Fulfillment Fund, a program of the National Organization, as described in Note 6.

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

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

During the fiscal year ended August 31, 2016, the Foundation received a \$1 million pledge from a donor to strengthen the operating endowment supporting the Foundation's building. This has been included in restricted net assets.

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

|                                | 2016         | 2015         |
|--------------------------------|--------------|--------------|
| Contributions:                 |              |              |
| Wish Related                   | \$ 1,919,119 | \$ 1,820,382 |
| Professional Services          | 35,350       | 19,316       |
| Donated Property and Equipment | 17,798       | 11,299       |
| Charitable Gift Annuity        | 57,654       | -            |
| Total                          | \$ 2,029,921 | \$ 1,850,997 |
| Special Event Revenue          |              |              |
| Internal Special Events        | \$ 9,466     | \$ 620,313   |

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, lodging and auction items.

**Income Taxes**

The Foundation is a not-for-profit organization exempt from federal income and New Jersey 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.

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

**Functional Expenses**

The Foundation performs three functions: wish granting, fundraising, and management and general. Definitions of these functions are as follows:

**Wish Granting**

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

**Fundraising**

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

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

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**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 Investment Committee, which oversees the Foundation's investment program in accordance with established guidelines.



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**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<br>August 31, 2016 Using |                     |                   | Total               |
|----------------------------------|---|---------------------|-------------------|---------------------|
|                                  | (Level 1)   | (Level 2)           | (Level 3)         |                     |
| Assets:                          |   |                     |                   |                     |
| Investments:                     |   |                     |                   |                     |
| Mutual Funds:                    |   |                     |                   |                     |
| Domestic Equity                  | \$ 715,570  | \$ -                | \$ -              | \$ 715,570          |
| International Equity             | 235,531   | -                   | -                 | 235,531             |
| Money Market Funds               | 303,038   | -                   | -                 | 303,038             |
| Bonds                            | 1,271,142   | -                   | -                 | 1,271,142           |
| Equity Securities:               |   |                     |                   |                     |
| U.S. Corporate Equity Securities | 2,181,490   | -                   | -                 | 2,181,490           |
| Foreign Equity Securities        | 843,211   | -                   | -                 | 843,211             |
| Debt Securities:                 |   |                     |                   |                     |
| U.S. Treasury                    | -   | 876,560             | -                 | 876,560             |
| U.S. Agency                      | -   | 127,673             | -                 | 127,673             |
| Corporate                        | -   | 689,753             | -                 | 689,753             |
| Total Recurring                  | <u>5,549,982</u>                                    | <u>1,693,986</u>    | <u>-</u>          | <u>7,243,968</u>    |
| Split-Interest Agreements        | <u>-</u>  | <u>-</u>            | <u>219,067</u>    | <u>219,067</u>      |
| Total Nonrecurring               | <u>-</u>  | <u>-</u>            | <u>219,067</u>    | <u>219,067</u>      |
| Total                            | <u>\$ 5,549,982</u>                                 | <u>\$ 1,693,986</u> | <u>\$ 219,067</u> | <u>\$ 7,463,035</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<br>August 31, 2015 Using |                     |                   | Total               |
|----------------------------------|---|---------------------|-------------------|---------------------|
|                                  | (Level 1)   | (Level 2)           | (Level 3)         |                     |
| Assets:                          |   |                     |                   |                     |
| Investments:                     |   |                     |                   |                     |
| Mutual Funds:                    |   |                     |                   |                     |
| Domestic Equity                  | \$ 704,268  | \$ -                | \$ -              | \$ 704,268          |
| International Equity             | 228,890   | -                   | -                 | 228,890             |
| Money Market Funds               | 2,029,027   | -                   | -                 | 2,029,027           |
| Bonds                            | 955,450   | -                   | -                 | 955,450             |
| Equity Securities:               |   |                     |                   |                     |
| U.S. Corporate Equity Securities | 1,396,731   | -                   | -                 | 1,396,731           |
| Foreign Equity Securities        | 442,967   | -                   | -                 | 442,967             |
| Debt Securities:                 |   |                     |                   |                     |
| U.S. Treasury                    | -   | 541,006             | -                 | 541,006             |
| U.S. Agency                      | -   | 117,102             | -                 | 117,102             |
| Corporate                        | -   | 500,434             | -                 | 500,434             |
| Total Recurring                  | <u>5,757,333</u>                                    | <u>1,158,542</u>    | <u>-</u>          | <u>6,915,875</u>    |
| Split-Interest Agreements        | <u>-</u>  | <u>-</u>            | <u>149,015</u>    | <u>149,015</u>      |
| Total Nonrecurring               | <u>-</u>  | <u>-</u>            | <u>149,015</u>    | <u>149,015</u>      |
| Total                            | <u>\$ 5,757,333</u>                                 | <u>\$ 1,158,542</u> | <u>\$ 149,015</u> | <u>\$ 7,064,890</u> |

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

For the valuation of Debt 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).

For the valuation of split-interest agreements at August 31, 2016 and 2015, the Foundation used significant unobservable inputs including net asset value, as a practical expedient (Level 3).

| Quantitative Information About Level 3 Fair Value Measurements |                                     |                                     |                          |  |
|--|-------------------------------------|-------------------------------------|--------------------------|--|
| Type of Investments  | Fair Value at<br>August 31,<br>2016 | Fair Value at<br>August 31,<br>2015 | Valuation<br>Technique   | Unobservable<br>Input                  |
|  |                                     |                                     |                          | Present Value<br>of Expected<br>Future |
|  |                                     |                                     | Net Asset<br>Value (NAV) | Amount to be<br>Received               |
| Split-Interest Agreements                                      | \$ 219,067                          | \$ 149,015                          |                          |  |
| Total  | <u>\$ 219,067</u>                   | <u>\$ 149,015</u>                   |                          |  |

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2016 and 2015:

|  |                   |                    |
|--|-------------------|--------------------|
|  | 2016              | 2015               |
| Beginning Balance  | \$ 149,015        | \$ 163,464         |
| Total Gains or Losses (Realized/Unrealized) Included in Changes in<br>Net Assets   | 12,398            | (14,449)           |
| Contributed Split Interest Agreement   | 57,654            | -                  |
| Ending Balance   | <u>\$ 219,067</u> | <u>\$ 149,015</u>  |
| Change in Unrealized Gains or Losses for the Period Included in the<br>Change in Net Assets Relating to Split-Interest Agreements Still Held<br>at the End of the Reporting Period | <u>\$ 12,398</u>  | <u>\$ (14,449)</u> |

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                | \$ 195,665        | \$ 217,195         |
| Realized and Unrealized Gains (Losses), Net | 203,246           | (236,954)          |
| Less Investment Expenses                    | (66,521)          | (50,185)           |
| Investment Income (Loss), Net               | <u>\$ 332,390</u> | <u>\$ (69,944)</u> |

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**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable include pledges that have been discounted at rates ranging from 1.19% to 2.15% at August 31, 2016 and 2015, respectively. The following is a summary of the Foundation's contributions receivable at August 31:

|                                      | 2016         | 2015         |
|--------------------------------------|--------------|--------------|
| Total Amounts Due in:                |              |              |
| One Year                             | \$ 1,285,915 | \$ 1,024,394 |
| Two to Five Years                    | 984,859      | 454,859      |
| Gross Contributions Receivable       | 2,270,774    | 1,479,253    |
| Less Allowance for Doubtful Accounts | (111,807)    | (119,561)    |
| Less Discount to Present Value       | (29,461)     | (18,167)     |
| Contributions Receivable, Net        | \$ 2,129,506 | \$ 1,341,525 |

For contributions receivable at August 31, 2016 and 2015, there were three donors who have contributions outstanding of approximately \$1,395,292 and \$741,373, respectively. Combined, these represent approximately 61% and 50% of gross receivables at August 31, 2016 and 2015, respectively.

**NOTE 5 SPLIT-INTEREST AGREEMENTS**

**Charitable Gift Annuities**

Donors have contributed assets to the National Organization in exchange for a promise by the National Organization to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the National Organization. The National Organization records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The Foundation is named as the beneficiary of three of these agreements. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation received the notice that the agreements convey unconditional rights to receive benefits. Subsequent changes in value of the underlying assets are recorded in the accompanying statements of activities as the change in value of split-interest agreements.

The Foundation's beneficial interest under split-interest agreements totaled \$219,067 and \$149,015 at August 31, 2016 and 2015, respectively. The Foundation was the recipient of an additional gift as of August 31, 2016 valued at \$57,654.

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**NOTE 6 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, respectively, the Foundation received \$2,178,591 and \$2,124,516, 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 \$100,000 and \$350,000, respectively, 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 \$454,111 and \$205,554 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 \$7,600 and \$7,650 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:

|                                 | 2016       | 2015       |
|---------------------------------|------------|------------|
| Balance at August 31:           |            |            |
| Due from National Organization  | \$ 164,969 | \$ 159,025 |
| Due from Other Chapters         | 6,550      | 4,272      |
| Total Due from Related Entities | \$ 171,519 | \$ 163,297 |
| <br>                            |            |            |
| Due to National Organization    | \$ 100,458 | \$ 160     |
| Due to Other Chapters           | 40,915     | 39,493     |
| Total Due to Related Entities   | \$ 141,373 | \$ 39,653  |

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 \$219,527 and \$311,747, respectively. In 2016 and 2015, amounts due from board members totaled \$210,000 and \$230,000, respectively, and are included in contributions receivable in the accompanying statements of financial position.

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**NOTE 7 PROPERTY AND EQUIPMENT, NET**

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

|                                     | 2016         | 2015         |
|-------------------------------------|--------------|--------------|
| Land                                | \$ 807,000   | \$ 807,000   |
| Land Improvements                   | 1,628,060    | 1,625,560    |
| Buildings and Building Improvements | 6,441,880    | 6,418,330    |
| Computer Equipment and Software     | 117,549      | 109,602      |
| Office Furniture                    | 89,942       | 68,918       |
| Other Equipment                     | 188,072      | 188,072      |
|                                     | 9,272,503    | 9,217,482    |
| Less Accumulated Depreciation       | (1,371,673)  | (1,078,374)  |
| Property and Equipment, Net         | \$ 7,900,830 | \$ 8,139,108 |

Depreciation expense totaled \$294,729 and \$290,069 for the years ended August 31, 2016 and 2015, respectively.

**NOTE 8 ACCRUED PENDING WISH COSTS**

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

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

Estimated cash and in-kind costs owed as of year end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability includes the estimated in-kind outlay that is expected to be incurred in fulfilling each wish even though the matching in-kind revenues are not recognized until the in-kind goods or services, or an unconditional promise for those in-kind goods or services, are received. Although not fully guaranteed, if 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 \$16,186,926.

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

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**NOTE 8 ACCRUED PENDING WISH COSTS (CONTINUED)**

chapter's territory, or loss of contact with the family. As of August 31, 2016 and 2015, the Foundation had approximately 619 and 480 reportable pending wishes, respectively.

**NOTE 9 NOTES PAYABLE**

On May 31, 2012, the Foundation entered into a note payable with a financial institution totaling \$4,600,000, secured by the Foundation's building and land in Monroe Township, New Jersey. The note required interest for five years at a fixed rate of 4.5% per annum and for the remaining years at the floating rate of 2.5% in excess of the average yield on U.S. Treasury securities adjusted to a constant maturity of five years, subject to a minimum rate of 4.5%. The note required principal and interest payments in equal monthly installments of \$19,996, according to a 20-year amortization schedule and matures on May 31, 2022. During April 2015, this loan was paid in full on the remaining balance of approximately \$2.8 million due to the receipt of two significant donations.

**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 five 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. Donor-restricted endowment assets are reflected as investments held for long-term purposes on the statements of financial position.

**Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the New Jersey 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

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**NOTE 10 ENDOWMENTS (CONTINUED)**

3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

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

|   | 2016         |                           |                           |              |
|---|--------------|---------------------------|---------------------------|--------------|
|   | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
| Donor-Restricted Endowment Funds              | \$ -         | \$ 269,206                | \$ 748,000                | \$ 1,017,206 |
| Board-Designated Endowment Funds (See Note 2) | 1,886,957    | -                         | -                         | 1,886,957    |
| Total Funds                                   | \$ 1,886,957 | \$ 269,206                | \$ 748,000                | \$ 2,904,163 |

|                                  | 2015         |                           |                           |              |
|----------------------------------|--------------|---------------------------|---------------------------|--------------|
|                                  | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
| Donor-Restricted Endowment Funds | \$ -         | \$ 218,331                | \$ 748,000                | \$ 966,331   |
| Board-Designated Endowment Funds | 1,800,000    | -                         | -                         | 1,800,000    |
| Total Funds                      | \$ 1,800,000 | \$ 218,331                | \$ 748,000                | \$ 2,766,331 |

Changes in endowment net assets for the year ended August 31, 2016 and 2015 are as follows:

|  | 2016         |                           |                           |              |
|--|--------------|---------------------------|---------------------------|--------------|
|  | Unrestricted | Temporarily<br>Restricted | Permanently<br>Restricted | Total        |
| Endowment Net Assets, Beginning of Year    | \$ 1,800,000 | \$ 218,331                | \$ 748,000                | \$ 2,766,331 |
| Investment Return:                         |              |                           |                           |              |
| Investment Income                          | 86,957       | 50,875                    | -                         | 137,832      |
| Net Appreciation (Realized and Unrealized) | -            | -                         | -                         | -            |
| Total Investment Return                    | 86,957       | 50,875                    | -                         | 137,832      |
| Endowment Net Assets, End of Year          | \$ 1,886,957 | \$ 269,206                | \$ 748,000                | \$ 2,904,163 |

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
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**NOTE 10 ENDOWMENTS (CONTINUED)**

|   | 2015                |                        |                        | Total               |
|---|---------------------|------------------------|------------------------|---------------------|
|   | Unrestricted        | Temporarily Restricted | Permanently Restricted |                     |
| Endowment Net Assets, Beginning of Year           | \$ -                | \$ 288,621             | \$ 748,000             | \$ 1,036,621        |
| Investment Return:                                |                     |                        |                        |                     |
| Investment Income                                 | -                   | (22,674)               | -                      | (22,674)            |
| Net Appreciation (Realized and Unrealized)        | -                   | -                      | -                      | -                   |
| Total Investment Return                           | -                   | (22,674)               | -                      | (22,674)            |
| Contributions (See Note 2)                        | 1,800,000           | -                      | -                      | 1,800,000           |
| Appropriation of Endowment Assets for Expenditure | -                   | (47,616)               | -                      | (47,616)            |
| Endowment Net Assets, End of Year                 | <u>\$ 1,800,000</u> | <u>\$ 218,331</u>      | <u>\$ 748,000</u>      | <u>\$ 2,766,331</u> |

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

|  | 2016              | 2015              |
|--|-------------------|-------------------|
| Permanently Restricted Net Assets:   |                   |                   |
| The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or by UPMIFA | <u>\$ 748,000</u> | <u>\$ 748,000</u> |
| Temporarily Restricted Net Assets:   |                   |                   |
| The Portion of Perpetual Endowment Funds Subject to a Time Restriction Under UPMIFA:   |                   |                   |
| Without Purpose Restrictions   | \$ -              | \$ -              |
| With Purpose Restrictions  | <u>269,206</u>    | <u>218,331</u>    |
| Total Endowment Funds Classified as Temporarily Restricted Net Assets  | <u>\$ 269,206</u> | <u>\$ 218,331</u> |

**Fund Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation had no deficiencies of this nature 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 6.5% annually. Actual returns in any given year may vary from this amount.



**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
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**NOTE 10 ENDOWMENTS (CONTINUED)**

**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 spending policy which is included in the investment policy. The policy provides for average annual spending of investments of \$250,000, to ensure sufficient funds are available to support program expenses, with a maximum annual limit of \$500,000.

**NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

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

|  | 2016                | 2015              |
|--|---------------------|-------------------|
| Wish Granting                                  | \$ 449,733          | \$ 377,880        |
| Appreciation on Endowment not yet Appropriated | 269,206             | 218,331           |
| Other Time Restrictions                        | 289,662             | 159,366           |
| Total Temporarily Restricted Net Assets        | <u>\$ 1,008,601</u> | <u>\$ 755,577</u> |

For the year 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 | \$ 748,000          | \$ 748,000        |
| Pledged Endowment, net of discount                     | 976,755             |                   |
|  | <u>\$ 1,724,755</u> | <u>\$ 748,000</u> |

**NOTE 12 RETIREMENT PLAN**

The Foundation has a 403b defined contribution retirement plan, which upon approval of the Board of Directors, was frozen on December 31, 2015. Employees were eligible for participation as of their dates of employment and elected to defer a percentage of their salary subject to certain IRC limitations. The Foundation did not make any matching contributions to the 403b plan.

In August 2015, the Board of Directors approved a plan to adopt the Extensis Retirement Savings Plan (the Plan), the 401k defined contribution plan of its professional employer organization, which provides payroll and human resources services. This change occurred on January 1, 2016. Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of six months 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 4% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2016 was \$18,711.

**MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**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.

In-kind contributions totaling \$1,053,901 and \$907,073 were received from a single donor for the years ended August 31, 2016 and 2015, which represents approximately 14% and 8% of total public support, respectively. Contributions totaling approximately \$1 million and \$4.95 million were received from one and two donors for the years ended August 31, 2016 and 2015 which represent approximately 13% and 43% of total public support, respectively. Should these contribution levels decrease, the Foundation may be adversely affected.

**NOTE 14 LITIGATION**

The Foundation is not involved in any litigation or claims arising in the ordinary course of business.

**NOTE 15 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events from the statement of financial position date through December 7, 2016, the date at which the financial statements were available to be issued. There were no additional disclosures required.