

***CHILDREN'S WISH FOUNDATION  
INTERNATIONAL, INC.***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2016***

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# Frank & Company, p.c.

Certified Public Accountants  
703-821-0702

## *INDEPENDENT AUDITORS' REPORT*

To the Board of Directors of  
Children's Wish Foundation International, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Children's Wish Foundation International, Inc. (the Foundation) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 control 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 Foundation'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 Foundation'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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Wish Foundation International, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Frank & Company, P.C.*

1360 Beverly Road  
Suite 300  
McLean, Virginia 22101  
January 26, 2017

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**STATEMENT OF FINANCIAL POSITION**

*JUNE 30, 2016*

**Assets:**

Current assets:

Cash and cash equivalents	\$ 89,295
Promises to give - current, net of allowance for uncollectible promises of \$393,755	120,958
Accounts receivable	10,509
Interest receivable	310
Inventory	57,947
Prepaid expenses	<u>177,770</u>

Total current assets 456,789

Property and equipment, net of accumulated  
depreciation of \$1,727,698 442,718

Other assets:

Investments	1,219,143
Promises to give - long term, net of unamortized discount of \$161,215	28,597
Deposits	<u>7,498</u>

Total other assets 1,255,238

Total assets \$ 2,154,745

See accompanying notes to financial statements.

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**STATEMENT OF FINANCIAL POSITION**

(Continued)

JUNE 30, 2016

**Liabilities and net assets:**

Current liabilities:

Accounts payable	\$ 235,026
Mortgage note payable - current	956,450
Capitalized lease - current	7,542
Margin loan	90,736
Agency funds held for others	<u>50,030</u>

Total current liabilities 1,339,784

Long-term liabilities:

Capitalized lease - less current portion	<u>26,721</u>
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Total liabilities 1,366,505

Net assets:

Unrestricted	638,685
Temporarily restricted	<u>149,555</u>

Total net assets 788,240

Total liabilities and net assets \$ 2,154,745

See accompanying notes to financial statements.

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and gains:</b>			
Contributions	\$ 3,722,327	\$ 120,958	\$ 3,843,285
In-kind contributions	1,292,525	-	1,292,525
Changes in the value of charitable trust	-	(24,012)	(24,012)
Interest and other revenue	49,645	-	49,645
Loss on disposal of fixed assets	(9,180)	-	(9,180)
Net realized and unrealized loss on investments	(46,387)	-	(46,387)
Net assets released from restrictions	<u>80,411</u>	<u>(80,411)</u>	<u>-</u>
Total revenues and gains	<u>5,089,341</u>	<u>16,535</u>	<u>5,105,876</u>
<b>Expenses:</b>			
Program services:			
Children's wishes	1,144,833	-	1,144,833
Family services	1,769,265	-	1,769,265
Education/public awareness	<u>123,458</u>	<u>-</u>	<u>123,458</u>
Total program services	<u>3,037,556</u>	<u>-</u>	<u>3,037,556</u>
Supporting services:			
Management and general	434,937	-	434,937
Fundraising	<u>1,980,819</u>	<u>-</u>	<u>1,980,819</u>
Total supporting services	<u>2,415,756</u>	<u>-</u>	<u>2,415,756</u>
Total expenses	<u>5,453,312</u>	<u>-</u>	<u>5,453,312</u>
Change in net assets	(363,971)	16,535	(347,436)
Net assets at beginning of year	<u>1,002,656</u>	<u>133,020</u>	<u>1,135,676</u>
Net assets at end of year	<u>\$ 638,685</u>	<u>\$ 149,555</u>	<u>\$ 788,240</u>

See accompanying notes to financial statements.

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			Supporting Services		Total
	Children's Wishes	Family Services	Education/ Public Awareness	Management and General	Fund-Raising	
Salaries and payroll taxes	\$ 269,006	\$ 97,820	\$ 73,365	\$ 171,185	\$ -	\$ 611,376
Utilities	16,168	5,879	4,409	10,289	-	36,745
Postage and shipping	7,786	130,493	2,124	4,955	-	145,358
Consulting	10,879	3,956	2,967	6,923	25,542	50,267
Office expense	5,711	2,077	1,558	3,634	-	12,980
Insurance	34,646	12,599	9,449	22,047	-	78,741
Dues and fees	-	-	-	3,443	-	3,443
Professional fees	-	-	-	70,064	-	70,064
Printing	4,633	1,685	1,263	2,948	-	10,529
Caging	-	-	-	43,151	-	43,151
Telemarketing expenses	-	588,870	-	-	1,514,237	2,103,107
Direct mail expenses	-	2,898	-	-	33,332	36,230
Pension	17,615	6,406	4,804	11,210	-	40,035
Interest	20,550	7,473	5,604	13,077	-	46,704
Depreciation and amortization	34,549	12,563	9,422	21,985	-	78,519
Wish fulfillment	690,481	-	-	-	-	690,481
Automotive	4,061	1,477	1,108	2,584	-	9,230
Repairs and maintenance	1,412	513	385	899	-	3,209
Public relations	4,938	1,795	1,347	3,142	-	11,222
Program services and development	-	13,773	-	-	-	13,773
Travel	1,481	539	404	942	-	3,366
Computer expense	16,229	5,902	4,426	10,328	-	36,885
Bank charges and fees	-	-	-	16,433	-	16,433
Donated gifts	-	871,450	-	-	-	871,450
Vehicle donation	-	-	-	-	407,708	407,708
Registration fees	-	-	-	13,155	-	13,155
Miscellaneous	2,374	863	648	2,134	-	6,019
Contributions	1,671	-	-	-	-	1,671
Meetings and seminars	643	234	175	409	-	1,461
Totals	<u>\$ 1,144,833</u>	<u>\$ 1,769,265</u>	<u>\$ 123,458</u>	<u>\$ 434,937</u>	<u>\$ 1,980,819</u>	<u>\$ 5,453,312</u>

See accompanying notes to financial statements.



**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2016

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ (347,436)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	78,519
Loss in disposal of property and equipment	9,180
In-kind inventory donation	69,778
Realized loss on investments	37,376
Unrealized loss on investments	9,011
Noncash stock contribution	(3,345)
Change in promises to give	(16,534)
Change in accounts receivable	1,605
Change in prepaid expenses	(32,214)
Change in accounts payable	<u>121,026</u>
Net cash used in operating activities	<u>(73,034)</u>
<b>Cash flows from investing activities:</b>	
Purchases of equipment	(11,190)
Purchases of investments	(932,465)
Sales of investments	<u>865,255</u>
Net cash used in investing activities	<u>(78,400)</u>
<b>Cash flows from financing activities:</b>	
Borrowings of margin loans	100,736
Payments of margin loans	(10,000)
Payments of mortgage payable	(61,294)
Payments on capital leases	<u>(9,282)</u>
Net cash provided by financing activities	<u>20,160</u>
Decrease in cash	(131,274)
Cash and cash equivalents, beginning of year	<u>220,569</u>
Cash and cash equivalents, end of year	<u>\$ 89,295</u>
<b>Supplemental disclosure of cash flow information:</b>	
Cash paid during the year for interest	<u>\$ 46,704</u>
<b>Noncash financing investment activities:</b>	
Acquisition of new equipment in exchange for a capital lease	<u>\$ 39,179</u>

See accompanying notes to financial statements.

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**1. Organization**

Children's Wish Foundation International, Inc. (the Foundation) is a not-for-profit corporation organized in November 1985 in the State of Georgia. The Foundation was formed to bring joy and hope to seriously ill children and their families by involving the public in putting children first with opportunities to experience the enhanced value and quality of life through the magic of a fulfilled wish.

Contributions are received primarily as a result of direct mail and telemarketing solicitations to individuals throughout the country. Telemarketing contributions are recognized when pledged. All other contributions are recognized as support when received.

**2. Summary of Significant Accounting Policies**

*Uses Of Estimates* - Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

*Financial Statement Presentation* - The Foundation presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

*Unrestricted Net Assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

The Foundation records contributions in accordance with FASB ASC 958. Under FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Foundation reports gifts of cash and other assets as

***CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.***

***NOTES TO FINANCIAL STATEMENTS***

*JUNE 30, 2016*

**2. Summary of Significant Accounting Policies (continued)**

temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor restriction expires in the year the contribution was made, the contribution is reported as unrestricted.

*Donated Services, Materials, and Facilities* - Donated services are recognized as contributions in accordance with FASB ASC 958, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. For the year ended June 30, 2016, there were no donated services.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Total gifts in kind received were \$1,292,525 for the year ended June 30, 2016.

*Functional Expenses* - The costs of providing various program and supporting services have been summarized on a functional basis on the schedule of functional expenses. Certain costs have been allocated among program and supporting services as follows:

*Children's Wishes* - All expenses incurred to fulfill wishes of seriously ill children and their families.

*Family Services* - All expenses incurred to assist families and programs in order to promote a more positive environment for seriously ill children while they are receiving treatment. Also, all expenses incurred to inform the general public to participate in the Foundation's mission of putting children first.

*Education/Public Awareness* - All expenses incurred to educate the general public about the needs and wishes of seriously ill children.

***CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.***

***NOTES TO FINANCIAL STATEMENTS***

*JUNE 30, 2016*

**2. Summary of Significant Accounting Policies (continued)**

*Management and General* - All other operating expenses incurred by the Foundation in the accomplishment of its tax exempt purposes.

*Fundraising* - All expenses incurred with the purpose of raising funds.

*Income Taxes* - The Foundation has received a tax determination letter from the Internal Revenue Service and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not classified as a private foundation by the Internal Revenue Service.

*Accounting for Uncertain Tax Positions* - The Foundation accounts for uncertain tax positions in accordance with FASB ASC 740. FASB ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FASB ASC 740 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing in financial statements tax positions taken or expected to be taken on a tax return, including the position that the Foundation is exempt from income taxes. The Foundation's federal Return of Organization Exempt from Income Tax (Form 990) is open to examination by the IRS generally for three years after they were filed.

*Valuation of Long-Lived Assets* - The Foundation accounts for the valuation of long-lived assets under FASB ASC 360. FASB ASC 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value, less costs to sell.

*Advertising* - Advertising costs are expensed as incurred. For the year ended June 30, 2016, there were no advertising costs.

*Cash And Cash Equivalents* - For purposes of the statement of cash flows, cash consists of demand deposits and money market funds.

***CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.***

***NOTES TO FINANCIAL STATEMENTS***

*JUNE 30, 2016*

**2. Summary of Significant Accounting Policies (continued)**

*Promises to Give* - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management periodically reviews the collectibility of unconditional promises. Management determines the allowance for doubtful promises to give by using the historical experience applied to an aging of unconditional promises. Unconditional promises are written off when considered uncollectible. At June 30, 2016, there was an allowance for doubtful pledges of \$393,755. Conditional promises to give are not included in support until the conditions are substantially met.

*Accounts Receivable* - Accounts receivable are stated at unpaid balances, less any allowance for doubtful accounts, and are unsecured. The Foundation does not require collateral and no interest is charged on outstanding receivables. The provision for doubtful accounts is based on management's estimate on the status of existing receivables. Receivables are considered past due and written off after management has exhausted all collection efforts. At June 30, 2016, there were no receivables outstanding over ninety days. At June 30, 2016, management expects all outstanding receivables to be collectible.

*Inventory* - Inventory consists of in-kind contributions donated to the Foundation and purchased items that have not yet been distributed. Donated inventory is stated at the lower of estimated fair value at the time of receipt or market value. Purchased inventory is stated at the lower of cost or market.

*Investments* - The Foundation reports investment income and gains and losses on investments as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restrict their use.

*Property and Equipment* - Property and equipment are stated at cost, if purchased, and fair market value, if donated, and are depreciated on a straight-line basis over their estimated useful lives of three to twenty-five years. The Foundation capitalizes property and equipment with a cost greater than \$1,000 and an estimated useful life greater than one year. Expenditures for maintenance and repairs are expensed as incurred. Betterments which increase the value or materially extend the life of the related assets are capitalized.

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**3. Unconditional Promises to Give**

At June 30, 2016, unconditional promises to give are as follows.

Pledges receivable before discount	\$ 704,524
Less: Unamortized discount (7.6%)	(161,214)
Less: Allowance for uncollectible promises	<u>(393,755)</u>
Net pledges receivable	<u>\$ 471,983</u>

The pledges receivable, before discount and allowance, are due as follows:

Years ending June 30,

2017	\$ 514,713
2018	-
2019	-
2020	-
2021	-
Thereafter	<u>189,811</u>

Total pledges receivable before discount and allowance \$ 704,524

**4. Investments**

Investments are stated at fair value based on quoted market prices. Investments are comprised of the following at June 30, 2016:

	<u>Cost</u>	<u>Fair Value</u>
Common stock	\$ 13,601	\$ 18,637
Mutual funds	887,350	893,112
Exchange traded funds	<u>276,961</u>	<u>307,394</u>
	<u>\$ 1,177,912</u>	<u>\$ 1,219,143</u>

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**4. Investments (continued)**

Investment income for the year ended June 30, 2016, is comprised of the following in the accompanying statement of activities:

Interest and dividend income	\$	39,934
Net realized loss		(37,376)
Net unrealized loss		<u>(9,011)</u>
	\$	<u>(6,453)</u>

**5. Inventories**

The following are the components included in the inventory on the Statement of financial position as of June 30, 2016:

Beginning inventory	\$	127,725
Gifts in-kind		710,829
Administrative fees		90,843
Distributions		<u>(871,450)</u>
Ending inventory	\$	<u>57,947</u>

**6. Property and Equipment**

Property and equipment is summarized at June 30, 2016, as follows:

Land	\$	165,000
Land improvements		79,367
Building		1,254,814
Furniture and fixtures		313,747
Equipment		297,788
Vehicle		21,132
Website		<u>38,568</u>
		2,170,416
Less accumulated depreciation		<u>(1,727,698)</u>
Property and equipment (net)	\$	<u>442,718</u>

Depreciation expense was \$78,090 for the year ended June 30, 2016.

***CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.***

***NOTES TO FINANCIAL STATEMENTS***

*JUNE 30, 2016*

**7. Split-interest Agreement**

On August 5, 1997, the Foundation was named a beneficiary of 25% of the remainder interest in a charitable remainder trust. At June 30, 2016, the Foundation's portion of the original donation is \$189,811. The present value of the Foundation's interest was calculated in accordance with §7520 of the Internal Revenue Code. At June 30, 2016, the present value of the Foundation's interest amounted to \$28,597 and the related unamortized discount was \$161,215. The Foundation's remainder interest is recorded in the accompanying financial statements as a promise to give. For the year ended June 30, 2016, there was a decrease in value of the trust of \$24,012.

**8. Mortgage Note Payable**

On September 16, 2011, the Foundation entered into a \$1,225,045 mortgage note payable with PNC Bank. The note bears interest at 4.50% per annum and calls for 59 monthly payments of interest and principal of \$8,882 and a balloon payment of \$946,997 at maturity. The note was set to mature on September 19, 2016. On September 9, 2016, the bank agreed to extend the loan's maturity date until December 18, 2016. Again, on December 20, 2016, with an effective date of December 19, 2016, the bank agreed to extend the maturity date until February 28, 2017. During both extension periods, all other loan terms and provisions were unchanged. The Foundation continues to make monthly principle and interest payments up until the amended maturity date, in which a final balloon payment will be due. For the year ended June 30, 2016, interest incurred on this loan was \$45,294. Future principal payments of \$956,450 remain for the year ending June 30, 2017.

**9. Margin Loan**

On October 28, 2015, the Foundation took out a cash advance investment margin loan for \$100,000 with their investment company, which is payable on demand for any debit balance or other obligations owing in any of the accounts held with investment company. All securities, commodities, and other property carried, in possession of, or controlled by the investment company, shall be subject to a general lien and security interest in the investment company's favor for the discharge of the Foundation's indebtedness and other obligations to Pershing. All securities, commodities, and other property now and hereafter held by the investment company may be pledged, re-pledged, hypothecated or re-hypothecated by the investment company without notice. The Foundation must maintain such securities, commodities, and other property in their accounts for margin purposes. At June 30, 2016, the total amount on margin is \$90,736. For the year ended June 30, 2016, total interest expense from the margin loan is \$726.



**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**10. Capital Leases**

The Foundation leases certain equipment under capital leases which expire in October 2021. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over its estimated productive life. Amortization of the assets under capital lease is included in depreciation expense for fiscal year 2016.

Following is a summary of assets held under capital leases:

Equipment	\$ 39,179
Accumulated amortization	<u>(7,836)</u>
	<u>\$ 31,343</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2016:

<u>Years ending June 30,</u>	
2017	\$ 8,400
2018	8,400
2019	8,400
2020	8,400
2021	<u>2,800</u>
Total minimum lease payments	36,400
Less amount representing interest	<u>(2,137)</u>
Present value of minimum lease payments	<u>\$ 34,263</u>

For the year ended June 30, 2016, interest incurred was \$684.

**11. Lines of Credit**

Under the terms of its American Express Credit Card, the Foundation has an unsecured \$50,000 line-of-credit that bears interest at 5.99% for the first nine months of membership and 9.24% thereafter. Minimum monthly payments are required equal to the sum of (a) any amount past due (b) the greatest of 1/50<sup>th</sup> of the LOC, the lesser of current finance charge plus 1% of new balance or 4% of new balance; or \$50, (c) any over limit fee and late fees, (d) 1/24<sup>th</sup> of any over limit amount. At June 30, 2016, there was no outstanding principal balance.

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2016*

**12. Operating Leases**

The Foundation leases vehicles under operating leases. Total rental expense under operating leases with a term in excess of one year was \$6,133 for the year ended June 30, 2016. The future minimum rental payments required under operating leases are as follows:

<u>Years ending June 30,</u>	
2017	\$ 6,132
2018	6,132
2019	<u>1,022</u>
	<u>\$ 13,286</u>

**13. Allocation of Joint Costs**

The Foundation incurred joint costs of \$2,103,107 during the 2016 fiscal year for telemarketing and direct mail materials and activities that included fund-raising appeals. During the 2016 fiscal year, \$588,870 was allocated to family services (program services) and \$1,514,237 was allocated to fund-raising expense.

**14. Expense Allocations**

The Foundation allocates costs between program and supporting services using several methods based on management's best estimate. These methods include how employees spend their time and purpose of services. Total fund-raising expense was \$1,980,819 for the year ended June 30, 2016.

**15. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2016, consist of promises to give in the amount of \$149,555.

**16. Retirement Plan**

The Foundation has a defined contribution retirement plan covering substantially all of its employees. The Foundation contributed \$22,035 to the plan for the year ended June 30, 2016.

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**16. Retirement Plan (continued)**

The Foundation has a Section 457(b) deferred compensation plan that covers all eligible employees. For the year ended June 30, 2016, the Foundation contributed \$18,000 to the deferred compensation plan.

**17. Related Party Transactions**

The Foundation is connected with Children's Wish Foundation International (CWFI-UK), a United Kingdom charity, of which the Foundation's Executive Director is also a Trustee. During the fiscal year ended June 30, 2016, the Foundation paid expenses of \$1,671 on behalf of CWFI-UK for a total contribution of \$1,671.

A summary of CWFI-UK's balance sheet and statement of activities for the fiscal year ended June 30, 2016 is not available.

**18. Agency Funds Held for Others**

The Foundation holds funds as an agent for Children's Wish Foundation International (CWFI-UK). The funds are held in an escrow cash account. At June 30, 2016, the Foundation held \$50,030 on behalf of CWFI-UK.

**19. Gifts In-Kind**

The Foundation receives and disburses both cash and in-kind gifts to individuals and foundations. The Foundation only records in-kind contributions for those items for which it takes possession and controls the distribution or usage. In-kind contributions and the basis for valuation are as follows:

<u>Nature of Donation</u>	<u>Basis of Valuation</u>	
Automobiles	Fair market value	\$ 581,607
Items for public awareness and program services	Wholesale	658,016
Donations for program services	Fair market value	52,813
Donated stock	Fair market value	<u>89</u>
Total in-kind contributions		<u>\$ 1,292,525</u>

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**19. Gifts In-Kind (continued)**

The distribution and use of these in-kind contributions and inventoried in-kind contributions from prior years have been recorded in the financial statements and are included under the following captions:

Program services	\$ 801,671
Automobiles sold	407,708
Inventory distributed	<u>69,779</u>
Total disposition of in-kind contributions	<u>\$ 1,279,158</u>

**20. Fair Value Measurements**

The Foundation follows FASB ASC 820 to disclose fair value measurements of assets and liabilities that are being reported on a fair value basis. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Foundation performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 2 inputs for any assets held by the Foundation at June 30, 2016.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

**CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2016

**20. Fair Value Measurements (continued)**

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Publicly traded mutual funds:				
Equity	\$ 893,112	\$ 893,112	\$ -	\$ -
Equities:				
Domestic	18,637	18,637	-	-
Exchange-traded funds:				
Domestic	227,015	227,015	-	-
International	80,379	80,379	-	-
Promise to give - beneficial interest in Charitable remainder trust	<u>28,597</u>	<u>-</u>	<u>-</u>	<u>28,597</u>
	<u>\$1,247,740</u>	<u>\$1,219,143</u>	<u>\$ -</u>	<u>\$ 28,597</u>

Fair Value Measurements Using  
Significant Unobservable Inputs  
(Level 3)

	<u>Promise to Give Charitable Remainder Trust</u>	<u>Total</u>
July 1, 2015	\$ 52,609	\$ 52,609
Total gains or losses (realized/unrealized)	(24,012)	(24,012)
Purchases, issuances, and settlements	-	-
Transfers in/out of Level 3	<u>-</u>	<u>-</u>
June 30, 2016	<u>\$ 28,597</u>	<u>\$ 28,597</u>
The amount of gains or losses for the year ended June 30, 2016 included in temporarily restricted net assets attributable to the change in unrealized gains or losses relating to assets held at the reporting date	<u>\$ (24,012)</u>	<u>\$ (24,012)</u>

***CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.***

***NOTES TO FINANCIAL STATEMENTS***

*JUNE 30, 2016*

**20. Fair Value Measurements (continued)**

The Foundation holds investments which are publicly traded on the stock exchange and are considered a Level 1 item. Fair value for the promise to give from a beneficial interest in a charitable remainder trust (Level 3) is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and a 7.60% discount rate. For the year ended June 30, 2016, the application of the valuation techniques applied to similar assets has been consistent.

**21. Financial Risks and Concentrations**

The Foundation maintains cash balances that may exceed federally insured limits. The Foundation does not believe that this practice results in any significant credit risk. Money market and securities investments are held at a brokerage firm that is a member of Securities Investor Protection Corporation (SIPC). Under SIPC, a maximum of \$500,000, including a maximum of \$250,000 for cash, per customer, may be recovered in the event of the failure of a member brokerage firm. At June 30, 2016, the amount exceeding the SIPC limit was \$723,319. The Foundation has not experienced any such losses.

The Foundation invests in professionally managed portfolios that contain corporate stock, mutual funds, and other securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statement.

As of June 30, 2016, all the Foundation's accounts receivable were due from one organization.

**22. Subsequent Events**

Management has evaluated subsequent events through January 26, 2017, when the financial statements were available to be issued.

Subsequent to the year ending June 30, 2016, the Foundation borrowed \$50,000 from the Foundation's executive director, a related party.