

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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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, 2017, 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, 2017, 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 8, 2018

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

Assets:

Current assets:

Cash and cash equivalents	\$ 188,638
Promises to give - current, net	77,010
Accounts receivable	21,411
Inventory	87,535
Prepaid expenses	<u>112,105</u>

Total current assets 486,699

Property and equipment, net 369,621

Other assets:

Investments	1,156,278
Beneficial interest in remainder trust	28,597
Deposits	<u>7,498</u>

Total other assets 1,192,373

Total assets \$ 2,048,693

See accompanying notes to financial statements.

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

(Continued)

JUNE 30, 2017

Liabilities and net assets:

Current liabilities:

Accounts payable	\$ 428,597
Mortgage note payable - current	27,370
Capitalized lease - current	7,758
Related party loan	50,000
Margin loan	50,081
Agency funds held for others	<u>50,030</u>

Total current liabilities 613,836

Long-term liabilities:

Capitalized lease - less current portion	18,843
Mortgage note payable - less current portion	<u>880,260</u>

Total long-term liabilities 899,103

Total liabilities 1,512,939

Net assets:

Unrestricted	430,147
Temporarily restricted	<u>105,607</u>

Total net assets 535,754

Total liabilities and net assets \$ 2,048,693

See accompanying notes to financial statements.

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and gains:			
Contributions	\$ 3,082,208	\$ 77,010	\$ 3,159,218
In-kind contributions	1,019,273	-	1,019,273
Interest and other revenue	76,167	-	76,167
Net realized and unrealized gain on investments	62,348	-	62,348
Net assets released from restrictions	<u>120,958</u>	<u>(120,958)</u>	<u>-</u>
Total revenues and gains	<u>4,360,954</u>	<u>(43,948)</u>	<u>4,317,006</u>
Expenses:			
Program services:			
Children's wishes	1,109,716	-	1,109,716
Family services	1,104,625	-	1,104,625
Education/public awareness	<u>131,203</u>	<u>-</u>	<u>131,203</u>
Total program services	<u>2,345,544</u>	<u>-</u>	<u>2,345,544</u>
Supporting services:			
Management and general	390,664	-	390,664
Fundraising	<u>1,833,284</u>	<u>-</u>	<u>1,833,284</u>
Total supporting services	<u>2,223,948</u>	<u>-</u>	<u>2,223,948</u>
Total expenses	<u>4,569,492</u>	<u>-</u>	<u>4,569,492</u>
Change in net assets	(208,538)	(43,948)	(252,486)
Net assets at beginning of year	<u>638,685</u>	<u>149,555</u>	<u>788,240</u>
Net assets at end of year	<u>\$ 430,147</u>	<u>\$ 105,607</u>	<u>\$ 535,754</u>

See accompanying notes to financial statements.

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Services			Supporting Services		Total
	Children's Wishes	Family Services	Education/ Public Awareness	Management and General	Fund-Raising	
Salaries and payroll taxes	\$ 287,222	\$ 100,170	\$ 85,796	\$ 161,882	\$ 3,769	\$ 638,839
Utilities	17,670	6,162	5,278	9,959	232	39,301
Postage and shipping	3,087	94,609	922	1,740	41	100,399
Consulting	2,069	721	618	1,166	27	4,601
Office expense	7,797	2,719	2,329	4,394	102	17,341
Insurance	30,262	10,554	9,039	17,056	397	67,308
Dues and fees	-	-	-	5,528	-	5,528
Professional fees	-	-	-	76,138	-	76,138
Caging	-	-	-	39,148	-	39,148
Telemarketing expenses	-	514,663	-	-	1,323,420	1,838,083
Direct mail expenses	-	1,170	-	-	13,459	14,629
Pension	18,085	6,307	5,402	10,193	237	40,224
Interest	20,715	7,224	6,188	11,675	272	46,074
Depreciation and amortization	33,111	11,548	9,891	18,662	434	73,646
Wish fulfillment	670,480	-	-	-	-	670,480
Automotive	3,894	1,358	1,163	2,195	51	8,661
Repairs and maintenance	2,040	712	609	1,150	27	4,538
Public relations	3,189	1,112	953	1,798	42	7,094
Program services and development	-	11,149	-	-	-	11,149
Travel	1,252	437	374	706	16	2,785
Computer expense	4,322	1,507	1,291	2,436	57	9,613
Bank charges and fees	-	-	-	6,052	-	6,052
Donated gifts	-	330,926	-	-	-	330,926
Vehicle donation	-	-	-	-	490,637	490,637
Registration fees	-	-	-	14,102	-	14,102
Miscellaneous	165	58	49	2,229	7	2,508
Meetings and seminars	4,356	1,519	1,301	2,455	57	9,688
Totals	<u>\$ 1,109,716</u>	<u>\$ 1,104,625</u>	<u>\$ 131,203</u>	<u>\$ 390,664</u>	<u>\$ 1,833,284</u>	<u>\$ 4,569,492</u>

See accompanying notes to financial statements.

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:

Change in net assets	\$ (252,486)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	73,646
Change in in-kind inventory donation	(29,588)
Realized gain on investments	(65,435)
Unrealized loss on investments	3,087
Change in promises to give	43,948
Change in accounts receivable	(10,592)
Change in prepaid expenses	65,665
Change in accounts payable	<u>193,571</u>
Net cash provided by operating activities	<u>21,816</u>

Cash flows from investing activities:

Purchases of equipment	(549)
Purchases of investments	(1,451,862)
Sales of investments	<u>1,577,075</u>
Net cash provided by investing activities	<u>124,664</u>

Cash flows from financing activities:

Borrowings from related party	50,000
Borrowings from margin loan	50,000
Payments of margin loan	(90,655)
Payments of mortgage payable	(48,820)
Payments on capital leases	<u>(7,662)</u>
Net cash used in financing activities	<u>(47,137)</u>

Increase in cash	99,343
Cash and cash equivalents, beginning of year	<u>89,295</u>
Cash and cash equivalents, end of year	<u>\$ 188,638</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	<u>\$ 46,074</u>
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See accompanying notes to financial statements.

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 temporarily or permanently restricted revenue if they are received with donor stipulations that limit the

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2. Summary of Significant Accounting Policies (continued)

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, 2017, 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.

Functional Expenses - The costs of providing various program and supporting services have been summarized on a functional basis on the schedule of functional expenses. 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. 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, 2017

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.

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

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

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2. Summary of Significant Accounting Policies (continued)

give by using the historical experience applied to an aging of unconditional promises. Unconditional promises are written off when considered uncollectible. 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. Management expects all outstanding receivables to be collected.

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 - Investments are reported at fair value. 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 \$500 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.

3. Unconditional Promises to Give

At June 30, 2017, unconditional promises to give are as follows.

Pledges receivable	\$ 326,727
Less: Allowance for uncollectible promises	<u>(249,717)</u>
Net pledges receivable	<u>\$ 77,010</u>

All pledges are due within one year.

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

4. Investments

Investments are stated at fair value based on quoted market prices. Investments are comprised of the following at June 30, 2017:

	<u>Cost</u>	<u>Fair Value</u>
Common stock	\$ 13,601	\$ 28,687
Mutual funds	396,725	396,568
Exchange traded funds	<u>707,784</u>	<u>731,023</u>
	<u>\$ 1,118,110</u>	<u>\$ 1,156,278</u>

Investment income for the year ended June 30, 2017, is comprised of the following in the accompanying statement of activities:

Interest and dividend income	\$ 35,757
Net realized gain	65,435
Net unrealized loss	<u>(3,087)</u>
	<u>\$ 98,105</u>

5. Inventories

The following are the components included in the inventory on the Statement of financial position as of June 30, 2017:

Beginning inventory	\$ 57,947
Gifts in-kind	319,540
Administrative fees	40,974
Distributions	<u>(341,589)</u>
Ending inventory	<u>\$ 76,872</u>

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

6. Property and Equipment

Property and equipment is summarized at June 30, 2017, as follows:

Land	\$	165,000
Land improvements		79,367
Building		1,254,814
Furniture and fixtures		313,747
Equipment		298,337
Vehicle		21,132
Website		<u>38,568</u>
		2,170,965
Less accumulated depreciation		<u>(1,801,344)</u>
Property and equipment (net)	\$	<u>369,621</u>

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. The Foundation values the trust assets at present value of the fair value of the investment assets based on information provided by the trustee. During the year ended June 30, 2017, the Foundation was unable to reach the trustee for valuation of the trust assets. As a result, no change in value was recognized during the year.

8. Mortgage Note Payable

In 2017, the Foundation amended their original mortgage note payable with PNC Bank. The note bears interest at 5.25% per annum and calls for 59 monthly payments of interest and principal of \$6,197 and a balloon payment of \$766,675 at maturity. The note matures on March 19, 2022. Future principal payments are as follows:

<u>Years ending June 30,</u>		
2018	\$	27,370
2019		28,842
2020		30,394
2021		32,028
2022		<u>788,996</u>
	\$	<u>907,630</u>

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

9. Margin Loan

The Foundation has a cash advance investment margin loan 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.

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 2017.

Following is a summary of assets held under capital leases:

Equipment	\$ 39,179
Accumulated amortization	<u>(15,672)</u>
	<u>\$ 23,507</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, 2017:

<u>Years ending June 30,</u>	
2018	\$ 8,400
2019	8,400
2020	8,400
2021	<u>2,800</u>
Total minimum lease payments	28,000
Less amount representing interest	<u>(1,399)</u>
Present value of minimum lease payments	<u>\$ 26,601</u>

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 1/50th 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) 1/24th of any over limit amount. At June 30, 2017, there was no outstanding principal balance.

12. Operating Leases

The Foundation leases a vehicle under an operating lease. Total rental expense under the operating lease with a term in excess of one year was \$6,132 for the year ended June 30, 2017. The future minimum rental payments required under operating leases are as follows:

<u>Years ending June 30,</u>	
2018	\$ 6,132
2019	<u>1,022</u>
	<u>\$ 7,154</u>

13. Allocation of Joint Costs

The Foundation incurred joint costs of \$1,852,712 during the 2017 fiscal year for telemarketing and direct mail materials and activities that included fund-raising appeals. During the 2017 fiscal year, \$515,834 was allocated to family services (program services) and \$1,336,878 was allocated to fund-raising expense.

14. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted due to time and consist of promises to give in the amount of \$77,010 and a beneficial interest in a charitable remainder trust in the amount of \$28,597.

15. Retirement Plan

The Foundation has a defined contribution retirement plan covering substantially all of its employees. The Foundation contributed \$22,224 to the plan for the year ended June 30, 2017.

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

15. Retirement Plan (continued)

The Foundation has a Section 457(b) deferred compensation plan that covers all eligible employees. For the year ended June 30, 2017, the Foundation contributed \$18,000 to the deferred compensation plan.

16. 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. There were no transactions between the Foundation and CWFI-UK during the fiscal year ended June 30, 2017.

During the year, the Foundation entered into a loan agreement with the Executive Director in the amount of \$50,000. The loan does not bear interest and is due in 2018.

17. 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, 2017, the Foundation held \$50,030 on behalf of CWFI-UK.

18. 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	\$ 699,733
Items for public awareness and program services	Wholesale	284,722
Donations for program services	Fair market value	<u>34,818</u>
Total in-kind contributions		<u>\$ 1,019,273</u>

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

18. 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:

Donated gifts	\$ 330,926
Vehicle donation	<u>490,637</u>
Total disposition of in-kind contributions	<u>\$ 821,563</u>

19. 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, 2017.

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, 2017

19. Fair Value Measurements (continued)

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 396,568	\$ 396,568	\$ -	\$ -
Equities:				
Domestic	28,687	28,687	-	-
Exchange-traded funds	731,023	731,023		
Beneficial interest in charitable remainder trust	<u>28,597</u>	<u>-</u>	<u>-</u>	<u>28,597</u>
	<u>\$1,184,875</u>	<u>\$1,156,278</u>	<u>\$ -</u>	<u>\$ 28,597</u>

The changes in Level 3 assets measured at fair value on a recurring basis are as follows:

July 1, 2016	\$ 28,597
Change in value of charitable remainder trust	<u>-</u>
June 30, 2017	<u>\$ 28,597</u>

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, 2017, except for the inability to update the value of the split-interest agreement as disclosed in Note 7, the application of the valuation techniques applied to similar assets has been consistent.

20. 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.

CHILDREN'S WISH FOUNDATION INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

20. Financial Risks and Concentrations (continued)

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, 2017, all the Foundation's accounts receivable were due from one organization.

21. Contingencies

Subsequent to the date of the financial statements, the Foundation received a notice of a potential legal proceeding, and has referred the matter to legal counsel. The case is not perceived, at this early juncture, to create a significant financial exposure, or to have a material adverse effect on the Foundation's financial position.

22. Subsequent Events

Management has evaluated subsequent events through January 8, 2018, when the financial statements were available to be issued.