MAKE-A-WISH FOUNDATION® OF GREATER BAY AREA

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF GREATER BAY AREA

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KPMG LLP
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Sacramento, CA 95814-4754

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation® of Greater Bay Area:

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Greater Bay Area (the Foundation), which comprise the statements of financial position as of August 31, 2013 and 2012, 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 U.S. generally accepted accounting principles; 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 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 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 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.

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 Greater Bay Area as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Sacramento, California
June 30, 2014

MAKE-A-WISH FOUNDATION® OF GREATER BAY AREA

Statements of Financial Position

August 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	154,200	255,660
Investments		2,536,954	1,873,320
Due from related entities		55,166	92,892
Prepaid expenses		28,410	33,858
Contributions receivable, net		243,188	306,377
Other assets		52,370	34,858
Investments held for long-term purposes		591,875	511,610
Property and equipment, net		202,385	228,468
Total assets	$	3,864,548	3,337,043
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	120,570	136,379
Accrued pending wish costs		1,107,989	758,850
Due to related entities		1,124	8,775
Other liabilities		166,499	190,350
Total liabilities		1,396,182	1,094,354
Commitments and contingencies			
Net assets			
Unrestricted		1,519,686	1,416,660
Temporarily restricted		253,668	180,952
Permanently restricted		695,012	645,077
Total net assets		2,468,366	2,242,689
Total liabilities and net assets	$	3,864,548	3,337,043

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER BAY AREA

Statement of Activities

Year ended August 31, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 4,507,046	52,028	49,935	4,609,009
Grants	71,438	—	—	71,438
Total public support	4,578,484	52,028	49,935	4,680,447
Internal Special events	2,070,550	41,000	—	2,111,550
Less costs of direct benefits to donors	(710,777)	—	—	(710,777)
Total special events	1,359,773	41,000	—	1,400,773
Investment income, net	172,914	54,116	—	227,030
Other income	18,883	—	—	18,883
Net assets released from restrictions	74,428	(74,428)	—	—
Total revenues, gains, and other support	6,204,482	72,716	49,935	6,327,133
Expenses:				
Program services:				
Wish granting and program-related support	4,612,836	—	—	4,612,836
Support services:				
Fundraising	1,255,233	—	—	1,255,233
Management and general	233,387	—	—	233,387
Total support services	1,488,620	—	—	1,488,620
Total expenses	6,101,456	—	—	6,101,456
Change in net assets	103,026	72,716	49,935	225,677
Net assets, beginning of the year	1,416,660	180,952	645,077	2,242,689
Net assets, end of the year	$ 1,519,686	253,668	695,012	2,468,366

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER BAY AREA

Statement of Activities

Year ended August 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 4,470,823	41,293	21,855	4,533,971
Grants	109,774	—	—	109,774
Total public support	4,580,597	41,293	21,855	4,643,745
Internal Special events	1,768,729	5,288	—	1,774,017
Less costs of direct benefits to donors	(559,043)	—	—	(559,043)
Total special events	1,209,686	5,288	—	1,214,974
Investment income, net	63,210	27,847	—	91,057
Other income	15,635	—	—	15,635
Net assets released from restrictions	189,756	(189,756)	—	—
Total revenues, gains, and other support	6,058,884	(115,328)	21,855	5,965,411
Expenses:				
Program services:				
Wish granting and program-related support	4,263,679	—	—	4,263,679
Support services:				
Fundraising	1,128,701	—	—	1,128,701
Management and general	161,039	—	—	161,039
Total support services	1,289,740	—	—	1,289,740
Total expenses	5,553,419	—	—	5,553,419
Other losses	—	—	32,500	32,500
Total expenses and losses	5,553,419	—	32,500	5,585,919
Change in net assets	505,465	(115,328)	(10,645)	379,492
Net assets, beginning of the year	911,195	296,280	655,722	1,863,197
Net assets, end of the year	$ 1,416,660	180,952	645,077	2,242,689

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER BAY AREA

Statements of Cash Flows

Years ended August 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	225,677	379,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		49,406	47,176
Contributions restricted for long-term investment		(49,935)	(21,855)
Net realized and unrealized (gains) losses on investments		(171,509)	(48,684)
Loss on sale of property and equipment		13,982	—
Write off of uncollectible pledge receivable		—	32,500
Contributed property and equipment		—	(17,418)
Change in attrition on pending wish liability		(49,234)	—
Changes in operating assets and liabilities:			
Contributions receivable		32,859	(1,306)
Due from related entities		37,726	13,995
Prepaid expenses		5,448	48,471
Other assets		(17,512)	(17,755)
Accounts payable and accrued expenses		(15,809)	(99,858)
Accrued pending wish costs		398,373	33,938
Due to related entities		(7,651)	3,547
Other liabilities		(23,851)	(18,459)
Net cash provided by operating activities		427,970	333,784
Cash flows from investing activities:			
Purchases of investments		(1,885,281)	(1,136,243)
Proceeds from sales of investments		1,312,891	833,394
Purchases of property and equipment		(37,305)	—
Net cash used in investing activities		(609,695)	(302,849)
Cash flows from financing activities:			
Contributions restricted for long-term investment		80,265	54,338
Net cash provided by financing activities		80,265	54,338
Net (decrease) increase in cash and cash equivalents		(101,460)	85,273
Cash and cash equivalents, beginning of year		255,660	170,387
Cash and cash equivalents, end of year	$	154,200	255,660
Supplemental cash flow information:			
Contributed property and equipment	$	—	17,418
Contributed services		23,183	8,619
In-kind contributions		1,747,739	1,746,763

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER BAY AREA

Statement of Functional Expenses

Year ended August 31, 2013

	Program services	Support services			
	Wish granting and program-related support	**Fundraising**	**Management and general**	**Total support services**	**Total**
Direct costs of wishes	$ 2,537,841	—	—	—	2,537,841
Salaries, taxes, and benefits	1,346,531	586,549	129,314	715,863	2,062,394
Printing, subscriptions, and publications	24,240	206,593	1,267	207,860	232,100
Professional fees	17,209	113,673	31,985	145,658	162,867
Rent and utilities	155,221	67,614	14,906	82,520	237,741
Postage and delivery	11,903	92,292	1,153	93,445	105,348
Travel	11,736	19,274	14,667	33,941	45,677
Meetings and conferences	2,813	22,813	6,801	29,614	32,427
Office supplies	15,424	13,157	590	13,747	29,171
Communications	15,118	7,074	1,453	8,527	23,645
Advertising and media	196,959	—	—	—	196,959
Repairs and maintenance	26,375	21,874	2,533	24,407	50,782
Insurance	9,366	4,080	899	4,979	14,345
Membership dues	555	242	53	295	850
National partnership dues	171,388	26,034	19,525	45,559	216,947
Miscellaneous	37,900	59,913	5,143	65,056	102,956
Depreciation and amortization	32,257	14,051	3,098	17,149	49,406
	$ 4,612,836	1,255,233	233,387	1,488,620	6,101,456

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER BAY AREA

Statement of Functional Expenses

Year ended August 31, 2012

	Program services	Support services			
	Wish granting and program-related support	Fundraising	Management and general	Total support services	Total
Direct costs of wishes	$ 2,234,564	—	—	—	2,234,564
Salaries, taxes, and benefits	1,167,470	508,544	112,116	620,660	1,788,130
Printing, subscriptions, and publications	22,836	195,903	1,204	197,107	219,943
Professional fees	57,780	122,672	580	123,252	181,032
Rent and utilities	143,882	62,674	13,817	76,491	220,373
Postage and delivery	22,527	97,459	1,435	98,894	121,421
Travel	22,000	11,747	821	12,568	34,568
Meetings and conferences	17,129	523	34	557	17,686
Office supplies	17,874	16,941	1,535	18,476	36,350
Communications	14,932	6,350	1,391	7,741	22,673
Advertising and media	286,308	—	—	—	286,308
Repairs and maintenance	36,063	11,696	2,579	14,275	50,338
Insurance	7,402	3,224	711	3,935	11,337
Membership dues	1,616	704	155	859	2,475
National partnership dues	138,205	23,333	17,949	41,282	179,487
Miscellaneous	42,290	53,514	3,754	57,268	99,558
Depreciation and amortization	30,801	13,417	2,958	16,375	47,176
	$ 4,263,679	1,128,701	161,039	1,289,740	5,553,419

See accompanying notes to financial statements.

(1) Organization

Make-A-Wish Foundation® of Greater Bay Area (the Foundation) is a California 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 fund raising 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.

(2) Summary of Significant Accounting Policies

(a) 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).

(b) 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, 2013 and 2012 are $154,200 and $255,660, respectively, of certificates of deposit with an initial term of less than three months.

(c) 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.

(d) 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. Contributions are written off when deemed uncollectible.

(e) Property and Equipment, Net

Property and equipment having 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. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 7.5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). 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.

(f) Fair Value Measurements

The Foundation follows the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as 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. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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.

See additional information in note 3.

(g) 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.

(h) Revenue Recognition

Unconditional promises to give are recorded as contributions revenue when the promise is received. 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.

The Foundation received in-kind contributions of assets and services that are included in the accompanying statements of activities as follows:

		2013	2012
Contributions:			
Wish related	$	1,550,780	1,451,836
Professional services		23,183	8,619
Advertising and media		196,959	286,308
Property and equipment		—	17,418
Total	$	1,770,922	1,764,181

An internal special event is a fund raising 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 market value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling $1,770,922 and $1,746,763 in 2013 and 2012, respectively.

Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue when received and fund raising or public information expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and California income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23701d of the California Revenue and Taxation Code. 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.

The Foundation has adopted ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax position requiring accrual or disclosure exists for the Foundation at August 31, 2013 or 2012.

(j) Functional Expenses

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

Wish Granting and Program-Related Support

Wish granting represents activities performed by the Foundation that grant wishes to children with life-threatening medical conditions. Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

Fund Raising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2013 and 2012, 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 fund raising 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.

(Continued)

(k) Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make 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.

(l) Reclassifications

Certain reclassifications have been made to the 2012 financial statement information to conform to the 2013 financial statement presentation. There was no impact on the previously reported change in net assets of the Foundation.

(3) Fair Value Measurements

(a) 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 table as of August 31, 2013 and 2012 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.

The Foundation applies ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis (see note 2).

(b) 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 and nonrecurring basis at August 31, 2013 and 2012:

		Fair value measurements at August 31, 2013 using		
Description	**August 31, 2013**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant other unobservable inputs (Level 3)**
Recurring:				
Investments:				
Mutual funds:				
Domestic equity	$ 525,893	525,893	—	—
International equity	262,766	262,766	—	—
Asset allocation	200,739	200,739	—	—
Bonds	897,686	897,686	—	—
Exchange-traded funds:				
Domestic equity	1,074,776	1,074,776	—	—
International equity	69,229	69,229	—	—
Real estate	86,108	86,108	—	—
Cash and cash equivalents	11,632	11,632	—	—
Total recurring	3,128,829	3,128,829	—	—
Nonrecurring:				
Contributions receivable	243,188	—	—	243,188
Total	$ 3,372,017	3,128,829	—	243,188

		Fair value measurements at August 31, 2012 using		
	August 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Recurring:				
Investments:				
Mutual funds:				
Domestic equity	$ 217,156	217,156	—	—
International equity	334,175	334,175	—	—
Asset allocation	76,508	76,508	—	—
Commodities	58,573	58,573	—	—
Bonds	504,719	504,719	—	—
Exchange-traded funds:				
Domestic equity	398,949	398,949	—	—
International equity	40,868	40,868	—	—
Real estate	71,401	71,401	—	—
Equity securities:				
U.S. corporate equity securities	375,991	375,991	—	—
Foreign equity securities	89,755	89,755	—	—
Debt securities:				
U.S. Treasury	49,877	49,877	—	—
Government	30,288	—	30,288	—
Corporate	119,112	—	119,112	—
Cash and cash equivalents	17,558	17,558	—	—
Total recurring	2,384,930	2,235,530	149,400	—
Nonrecurring:				
Contributions receivable	306,377	—	—	306,377
Total	$ 2,691,307	2,235,530	149,400	306,377

The Foundation held no cash and cash equivalents or investments that required valuation using significant other observable inputs (Level 2) at August 31, 2013 or significant unobservable inputs (Level 3) at August 31, 2013 or 2012.

For the valuation of debt securities at August 31, 2012, the Foundation used significant other observable inputs (Level 2), particularly dealer market prices for comparable investments as of the valuation date.

The Foundation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 3 for the years ended August 31, 2013 or 2012.

Contributions receivable 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. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discount is recorded as additional contribution revenue.

Total investment income, gains, and losses for the years ended August 31, 2013 and 2012 consist of the following:

		2013	2012
Interest and dividend income	$	94,400	63,409
Realized and unrealized gains, net		171,509	48,684
Less investment expenses		(38,879)	(21,036)
Investment income, net	$	227,030	91,057

(4) 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, 2013 and 2012, the Foundation received $921,705 and $698,751, respectively, from these national revenue streams, which amounts are recorded as public support revenue.

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 $216,946 and $179,487 were paid from the Foundation to Make-A-Wish Foundation of America at August 31, 2013 and 2012, respectively.

The Foundation paid to the National Organization the following amounts for the years ended August 31:

		2013	2012
Partnership dues	$	216,946	179,487
Other		5,682	7,585
Total amounts paid	$	222,628	187,072

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 $17,625 and $15,600 for the years ended August 31, 2013 and 2012, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

		2013	2012
Balance at August 31:			
Due from National Organization	$	55,166	56,801
Due from other chapters		—	36,091
Total due from related entities	$	55,166	92,892
Due to National Organization	$	—	—
Due to other chapters		1,124	8,775
Total due to related entities	$	1,124	8,775

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 2013 and 2012, the Foundation received contributions, both cash and in-kind, from board members totaling $193,879 and $159,507, respectively. In 2013 and 2012, amounts due from board members totaled $38,430 and $21,680, respectively, and are included in contributions receivable in the accompanying statements of financial position. In 2013 and 2012, no amounts were paid to related parties for goods and services used in the Foundation’s operations.

(5) Property and Equipment, Net

Property and equipment as of August 31, 2013 and 2012 consist of the following:

		2013	2012
Computer equipment and software	$	170,035	149,706
Office furniture		135,725	139,273
Other equipment		148,019	141,478
Leasehold improvements		226,177	226,177
		679,956	656,634
Less accumulated depreciation and amortization		(477,571)	(428,166)
Property and equipment, net	$	202,385	228,468

Depreciation and amortization expense totaled $49,406 and $47,176 for the years ended August 31, 2013 and 2012, respectively.

(6) Accrued Pending Wish Costs

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is, therefore, not accrued as a pending wish liability. 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
5. The wish is expected to be granted within the next 12 months

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 12 months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2013 and 2012, the Foundation had approximately 145 and 97 reportable pending wishes, respectively.

(7) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through August 31, 2018. Total rent expense for all operating leases for the years ended August 31, 2013 and 2012 totaled $265,550 and $247,164, respectively.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year are as follows:

	Operating leases
Year ending August 31:	
2014	$ 264,298
2015	265,504
2016	273,462
2017	281,420
2018	277,605
Total minimum lease payments	$ 1,362,289

(8) Endowments

The Foundation follows the provisions of ASC 958, Section 205-50 Reporting Endowment Funds. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also require disclosures about endowment funds.

The Foundation's endowment consists of multiple individual funds established for the purpose of wish granting. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

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

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

Endowment net asset composition by type of fund as of August 31, 2013 and 2012 is as follows:

	2013				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	160,640	591,875	752,515
Total funds	$	—	160,640	591,875	752,515

	2012				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	134,371	511,610	645,981
Total funds	$	—	134,371	511,610	645,981

Changes in endowment net assets for the years ended August 31, 2013 and 2012 are as follows:

	2013				
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	—	134,371	511,610	645,981
Investment return:					
Investment income		—	13,459	—	13,459
Net appreciation (realized and unrealized)		—	40,657	—	40,657
Total investment return		—	54,116	—	54,116
Contributions		—	—	80,265	80,265
Appropriation of endowment assets for expenditure		—	(27,847)	—	(27,847)
Endowment net assets, end of year	$	—	160,640	591,875	752,515

		2012		
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$ —	106,524	457,272	563,796
Investment return:				
Investment income	—	13,702	—	13,702
Net appreciation (realized and unrealized)	—	14,145	—	14,145
Total investment return	—	27,847	—	27,847
Contributions	—	—	54,338	54,338
Endowment net assets, end of year	$ —	134,371	511,610	645,981

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

	2013	2012
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 (excludes receivables of $103,137 and $133,467, respectively)	$ 591,875	511,610
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA without purpose restrictions	$ 160,640	134,371

(b) Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature as of August 31, 2013 or 2012.

(c) 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)

(Continued)

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 7% annually. Actual returns in any given year may vary from this amount.

(d) 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.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

Due to the Foundation's small size of its endowment, all earnings are being held and considered to be temporarily restricted until appropriated by the board. The Foundation has a policy of annually appropriating a portion of the earnings from the endowment fund for payment of wish expenses. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the years ended August 31, 2013 and 2012:

	2013	2012
Wish granting	$ 52,028	41,293
Endowment assets	160,640	134,371
Other time restrictions	41,000	5,288
Total temporarily restricted net assets	$ 253,668	180,952

For the years ended August 31, 2013 and 2012, permanently restricted net assets are restricted to:

	2013	2012
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 591,875	511,610
Pledges receivable	103,137	133,467
	$ 695,012	645,077

(10) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2013 and 2012 were $63,565 and $46,669, respectively.

(11) 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 $255,824 and $304,873 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represents 6% and 7%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(12) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through June 30, 2014, the date at which the financial statements were available to be issued.