

**MAKE-A-WISH FOUNDATION® OF THE  
GREATER BAY AREA**

Financial Statements

August 31, 2014

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of the Greater Bay Area  
San Francisco, California

We have audited the accompanying financial statements of Make-A-Wish Foundation® of the Greater Bay Area, which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, cash flows, and functional expenses 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

***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 the Greater Bay Area as of August 31, 2014, 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.

*CliftonLarsonAllen LLP*

Bellevue, Washington  
February 2, 2015

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**

Statement of Financial Position

August 31, 2014

<b>Assets</b>	
Cash and cash equivalents	\$ 977,877
Investments	2,930,803
Due from related entities	82,272
Prepaid expenses	55,510
Contributions receivable, net	237,537
Other assets	59,732
Investments held for long-term purposes	971,321
Property and equipment, net	132,598
Total assets	<u>\$ 5,447,650</u>
<b>Liabilities and Net Assets</b>	
Accounts payable and accrued expenses	\$ 131,722
Accrued pending wish costs	1,993,054
Due to related entities	53,700
Other liabilities	136,525
Total liabilities	<u>2,315,001</u>
Net assets	
Unrestricted	1,888,850
Temporarily restricted	494,397
Permanently restricted	749,402
Total net assets	<u>3,132,649</u>
Total liabilities and net assets	<u>\$ 5,447,650</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**

Statement of Activities  
Year ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 5,781,085	\$ 156,030	\$ 104,492	\$ 6,041,607
Grants	281,745	—	—	281,745
Total public support	<u>6,062,830</u>	<u>156,030</u>	<u>104,492</u>	<u>6,323,352</u>
Internal special events	2,329,910	72,500	—	2,402,410
Less costs of direct benefits to donors	<u>(993,242)</u>	<u>—</u>	<u>—</u>	<u>(993,242)</u>
Total special events	1,336,668	72,500	—	1,409,168
Investment income, net	329,016	105,227	—	434,243
Other income	16,122	—	—	16,122
Net assets released from restrictions	<u>143,130</u>	<u>(93,028)</u>	<u>(50,102)</u>	<u>—</u>
Total revenues, gains, and other support	<u>7,887,766</u>	<u>240,729</u>	<u>54,390</u>	<u>8,182,885</u>
Expenses:				
Program services:				
Wish granting	3,653,885	—	—	3,653,885
Program-related support	1,865,017	—	—	1,865,017
Public information	<u>235,248</u>	<u>—</u>	<u>—</u>	<u>235,248</u>
Total program services	<u>5,754,150</u>	<u>—</u>	<u>—</u>	<u>5,754,150</u>
Support services:				
Fundraising	1,394,823	—	—	1,394,823
Management and general	<u>369,629</u>	<u>—</u>	<u>—</u>	<u>369,629</u>
Total support services	<u>1,764,452</u>	<u>—</u>	<u>—</u>	<u>1,764,452</u>
Total program and support services expenses	<u>7,518,602</u>	<u>—</u>	<u>—</u>	<u>7,518,602</u>
Total expenses and losses	<u>7,518,602</u>	<u>—</u>	<u>—</u>	<u>7,518,602</u>
Change in net assets	369,164	240,729	54,390	664,283
Net assets, beginning of the year	<u>1,519,686</u>	<u>253,668</u>	<u>695,012</u>	<u>2,468,366</u>
Net assets, end of the year	<u>\$ 1,888,850</u>	<u>\$ 494,397</u>	<u>\$ 749,402</u>	<u>\$ 3,132,649</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**

Statement of Cash Flows  
Year ended August 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ 664,283
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	54,220
Bad debt expense	50,102
Net realized and unrealized gains on investments	(346,280)
Loss on sale of property and equipment	16,600
Changes in assets and liabilities:	
Contributions receivable	(44,451)
Due from related entities	(27,106)
Prepaid expenses	(27,100)
Other assets	(7,362)
Accounts payable and accrued expenses	11,152
Accrued pending wish costs	885,065
Due to related entities	52,576
Other liabilities	(29,974)
Net cash provided by operating activities	<u>1,251,725</u>
Cash flows from investing activities:	
Purchases of investments	(2,628,360)
Proceeds from sales of investments	2,201,345
Purchases of property and equipment	(1,033)
Net cash used in investing activities	<u>(428,048)</u>
Net increase in cash and cash equivalents	823,677
Cash and cash equivalents, beginning of year	<u>154,200</u>
Cash and cash equivalents, end of year	<u><u>\$ 977,877</u></u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**

Statement of Functional Expenses

Year ended August 31, 2014

	<u>Program services</u>				<u>Support services</u>			<u>Total</u>
	<u>Wish granting</u>	<u>Program-related support</u>	<u>Public information</u>	<u>Total program services</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total support services</u>	
Direct costs of wishes	\$ 3,649,381	\$ —	\$ —	\$ 3,649,381	\$ —	\$ —	\$ —	\$ 3,649,381
Salaries, taxes, and benefits	—	1,325,700	—	1,325,700	608,058	201,572	809,630	2,135,330
Printing, subscriptions, and publications	—	47,874	13,864	61,738	244,583	1,721	246,304	308,042
Professional fees	—	29,017	9,416	38,433	153,428	8,684	162,112	200,545
Rent and utilities	—	130,508	—	130,508	60,152	20,603	80,755	211,263
Postage and delivery	4,504	14,350	830	19,684	114,084	2,022	116,106	135,790
Travel	—	12,704	89	12,793	17,740	20,358	38,098	50,891
Meetings and conferences	—	8,950	1,023	9,973	23,548	3,367	26,915	36,888
Office supplies	—	13,327	22	13,349	27,419	2,064	29,483	42,832
Communications	—	14,039	—	14,039	7,285	2,064	9,349	23,388
Advertising and media (in-kind)	—	—	210,004	210,004	—	—	—	210,004
Repairs and maintenance	—	36,290	—	36,290	17,510	5,511	23,021	59,311
Insurance	—	8,185	—	8,185	3,739	1,210	4,949	13,134
Bad debt expense	—	—	—	—	—	50,102	50,102	50,102
Membership dues	—	1,024	—	1,024	41	14	55	1,079
Grants and scholarships	—	—	—	—	—	—	—	—
Volunteer training	—	—	—	—	—	—	—	—
National partnership dues	—	133,498	—	133,498	18,827	18,827	37,654	171,152
Miscellaneous	—	55,908	—	55,908	82,972	26,370	109,342	165,250
Depreciation and amortization	—	33,643	—	33,643	15,437	5,140	20,577	54,220
	<u>\$ 3,653,885</u>	<u>\$ 1,865,017</u>	<u>\$ 235,248</u>	<u>\$ 5,754,150</u>	<u>\$ 1,394,823</u>	<u>\$ 369,629</u>	<u>\$ 1,764,452</u>	<u>\$ 7,518,602</u>

See accompanying notes to financial statements.



# MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

### (1) Organization

Make-A-Wish Foundation® of the 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 fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

### (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, 2014 is \$500,803 of money market funds.

#### (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 unit cost greater than \$500 and useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to forty years. 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.

# MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

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***

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

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

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

(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.

# MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

### (h) *Revenue Recognition*

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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 statement of activities as follows:

#### Contributions:

Wish related	\$ 1,166,250
Professional services	29,028
Advertising and media	<u>210,004</u>
Total	<u>\$ 1,405,282</u>

#### Special event revenue:

Internal special events	<u>\$ 423,863</u>
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An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling \$1,806,176 in 2014.

# MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

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

(i) ***Income Taxes***

The Foundation is a not-for-profit organization exempt from federal income and California taxes under the provisions of Internal Revenue Code Section 501(c)(3). However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. The tax returns for the years 2011 through 2013 are open to examination by federal and state authorities.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2014.

(j) ***Functional Expenses***

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

**Wish Granting**

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions.

**Fundraising**

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 2014, the Foundation incurred no significant joint costs for activities that included fundraising appeals.

**Management and General**

All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

# MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

### (k) *Management Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments and contributions receivable, allocation of functional expenses, accrued pending wish costs, net of attrition on pending wish costs and whether an allowance for uncollectible contributions receivable is required. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

### (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, 2014 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.

#### **Overall Investment Objective**

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

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**

Notes to Financial Statements

August 31, 2014

**(b) Fair Value Hierarchy**

The following table presents the placement in the fair value hierarchy of assets that are measured at fair value on a recurring basis at August 31, 2014:

Description	August 31, 2014	Fair value measurements at August 31, 2014 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Investments:				
Mutual funds:				
Domestic equity	\$ 1,390,603	\$ 1,390,603	\$ —	\$ —
International equity	188,615	188,615	—	—
Real estate	118,085	118,085	—	—
Asset allocation	166,074	166,074	—	—
Bonds	1,336,277	1,336,277	—	—
Exchange-traded funds:				
Domestic equity	608,326	608,326	—	—
International equity	42,695	42,695	—	—
Equity securities:				
U.S. corporate equity	51,449	51,449	—	—
Total investments	<u>3,902,124</u>	<u>3,902,124</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 3,902,124</u>	<u>\$ 3,902,124</u>	<u>\$ —</u>	<u>\$ —</u>

Total investment income, gains, and losses for the year ended August 31, 2014 consisted of the following:

Interest and dividend income	\$ 124,539
Realized and unrealized gains, net	346,280
Less investment expenses	<u>(36,576)</u>
Investment income, net	<u>\$ 434,243</u>

# MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

### (4) Contributions Receivable

The following is a summary of the Foundation's contributions receivable at August 31, 2014:

Total amounts due in:

One year	\$	<u>237,537</u>
Contributions receivable, net	\$	<u><u>237,537</u></u>

### (5) Transactions with Related Entities

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the year ended August 31, 2014, the Foundation received \$991,823 from these national revenue streams.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation. Amounts totaling \$171,152 were paid from the Foundation to the National Organization during the year ended August 31, 2014 for partnership dues.

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 \$15,675 for the year ended August 31, 2014, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31:

Due from other chapters	\$	35,944
Due from National		<u>46,328</u>
Total due from related entities	\$	<u><u>82,272</u></u>
Due to other chapters	\$	<u>53,700</u>
Total due to related entities	\$	<u><u>53,700</u></u>

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 2014, the Foundation received contributions, both cash and in-kind, from board members totaling \$208,155.

# MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

### (6) Property and Equipment, Net

Property and equipment as of August 31, 2014 consisted of the following:

Computer equipment and software	\$	34,172
Office furniture		16,010
Other equipment		64,017
Website development costs		11,713
Leasehold improvements		214,088
		<u>340,000</u>
Less accumulated depreciation and amortization		<u>(207,402)</u>
Property and equipment, net	\$	<u><u>132,598</u></u>

Depreciation and amortization expense totaled \$54,220 for the year ended August 31, 2014.

### (7) 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, and
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, 2014, the Foundation had approximately 227 reportable pending wishes.

### (8) Leases

The Foundation is obligated under operating leases for its office in San Francisco, copiers, and a postage meter. The office lease agreement runs through August 31, 2017 with monthly rental payments ranging from \$19,895 - \$21,221. The copier lease runs through June 30, 2016 with monthly rental payments of \$478. The postage meter runs through March 31, 2016 and has monthly payments of \$699. Total rent expense for all operating leases for the year ended August 31, 2014 totaled \$240,064.



# MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

Future minimum lease payments under the operating lease having a remaining term in excess of one year are as follows:

Year ending August 31:	Operating leases
2015	\$ 268,144
2016	273,981
2017	263,755
2018	489
Total minimum lease payments	<u>\$ 806,369</u>

### (9) Endowments

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

The Foundation's endowment consists of two donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets are reflected as investments on the statement of financial position.

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

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation

**MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA**

Notes to Financial Statements

August 31, 2014

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 investment composition by type of fund as of August 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	\$ 265,867	\$ 705,454	\$ 971,321
Total funds	<u>\$ —</u>	<u>\$ 265,867</u>	<u>\$ 705,454</u>	<u>\$ 971,321</u>

Changes in endowment investment for the year ended August 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ —	\$ 160,640	\$ 591,875	\$ 752,515
Investment return:				
Investment income	—	22,692	—	22,692
Net appreciation (realized and unrealized)	—	82,535	—	82,535
Total investment return	—	105,227	—	105,227
Contributions	—	—	113,579	113,579
Appropriation of endowment assets for expenditure	—	—	—	—
Endowment net assets, end of year	<u>\$ —</u>	<u>\$ 265,867</u>	<u>\$ 705,454</u>	<u>\$ 971,321</u>

# MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA

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August 31, 2014

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowments only) is as follows:

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 \$43,947)	\$ 705,454
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Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under UPMIFA without purpose restrictions	\$ 265,867
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**(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. In accordance with GAAP, there were no deficiencies of this nature as of August 31, 2014.

**(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. 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.

# MAKE-A-WISH FOUNDATION® OF THE GREATER BAY AREA

## Notes to Financial Statements

August 31, 2014

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

The Foundation has a policy of appropriating for distribution each year any earnings over the permanently restricted amount over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5% annually. 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.

**(10) Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2014:

Building fund	\$	74,997
Endowment assets		265,867
Other time restrictions		<u>153,533</u>
Total temporarily restricted net assets	\$	<u><u>494,397</u></u>

For the year ended August 31, 2014, permanently restricted net assets are restricted to:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$	705,454
Pledges receivable		<u>43,948</u>
Total permanently restricted net assets	\$	<u><u>749,402</u></u>

**(11) 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 year ended August 31, 2014 were \$65,412.

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE GREATER BAY AREA**

Notes to Financial Statements

August 31, 2014

**(12) 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.

**(13) Subsequent Events**

The Foundation has evaluated subsequent events from the statement of financial position date through February 2, 2015, the date at which the financial statements were available to be issued.