



MAKE-A-WISH FOUNDATION[®] OF SOUTHERN NEVADA

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

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KPMG LLP
Suite 1500
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Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation® of Southern Nevada

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Southern Nevada (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 Southern Nevada as of August 31, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Los Angeles, California

July 11, 2014

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statements of Financial Position

August 31, 2013 and 2012

| Assets | 2013 | 2012 |
|---------------------------------------|---------------------|------------------|
| Cash and cash equivalents | \$ 338,958 | 268,638 |
| Investments | 1,739,328 | 1,683,499 |
| Due from related entities | 99,302 | 75,287 |
| Prepaid expenses | 11,137 | 8,913 |
| Contributions receivable, net | 188,886 | 41,630 |
| Other assets | 21,096 | 15,862 |
| Property and equipment, net | 16,891 | 29,591 |
| Total assets | <u>\$ 2,415,598</u> | <u>2,123,420</u> |
| Liabilities and Net Assets | | |
| Accounts payable and accrued expenses | \$ 49,981 | 53,439 |
| Accrued pending wish costs | 315,095 | 231,638 |
| Due to related entities | 11,029 | — |
| Total liabilities | <u>376,105</u> | <u>285,077</u> |
| Commitments and contingencies | | |
| Net assets: | | |
| Unrestricted | 1,757,516 | 1,783,117 |
| Temporarily restricted | 281,977 | 55,226 |
| Total net assets | <u>2,039,493</u> | <u>1,838,343</u> |
| Total liabilities and net assets | <u>\$ 2,415,598</u> | <u>2,123,420</u> |

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statement of Activities

Year ended August 31, 2013

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|------------------|
| Revenues, gains, and other support: | | | |
| Public support: | | | |
| Contributions | \$ 1,125,074 | 188,886 | 1,313,960 |
| Grants | 6,500 | 15,625 | 22,125 |
| Total public support | <u>1,131,574</u> | <u>204,511</u> | <u>1,336,085</u> |
| Internal Special events | 621,375 | 77,466 | 698,841 |
| Less costs of direct benefits to donors | <u>(167,504)</u> | <u>—</u> | <u>(167,504)</u> |
| Special events, net | 453,871 | 77,466 | 531,337 |
| Investment income, net | 103,141 | — | 103,141 |
| Other income | 14,307 | — | 14,307 |
| Net assets released from restrictions | <u>55,226</u> | <u>(55,226)</u> | <u>—</u> |
| Total revenues, gains, and other support | <u>1,758,119</u> | <u>226,751</u> | <u>1,984,870</u> |
| Expenses: | | | |
| Program services: | | | |
| Wish granting | <u>1,300,935</u> | <u>—</u> | <u>1,300,935</u> |
| Total program services | <u>1,300,935</u> | <u>—</u> | <u>1,300,935</u> |
| Support services: | | | |
| Fundraising | 307,042 | — | 307,042 |
| Management and general | <u>175,743</u> | <u>—</u> | <u>175,743</u> |
| Total support services | <u>482,785</u> | <u>—</u> | <u>482,785</u> |
| Total expenses | <u>1,783,720</u> | <u>—</u> | <u>1,783,720</u> |
| Change in net assets | (25,601) | 226,751 | 201,150 |
| Net assets, beginning of the year | <u>1,783,117</u> | <u>55,226</u> | <u>1,838,343</u> |
| Net assets, end of the year | <u>\$ 1,757,516</u> | <u>281,977</u> | <u>2,039,493</u> |

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statement of Activities

Year ended August 31, 2012

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|------------------|
| Revenues, gains, and other support: | | | |
| Public support: | | | |
| Contributions | \$ 849,310 | 41,630 | 890,940 |
| Grants | 15,000 | — | 15,000 |
| Total public support | <u>864,310</u> | <u>41,630</u> | <u>905,940</u> |
| Internal Special events | 417,828 | 13,596 | 431,424 |
| Less costs of direct benefits to donors | (121,946) | — | (121,946) |
| Special events, net | <u>295,882</u> | <u>13,596</u> | <u>309,478</u> |
| Investment income, net | 120,789 | — | 120,789 |
| Other income | 16,634 | — | 16,634 |
| Net assets released from restrictions | 44,197 | (44,197) | — |
| Total revenues, gains, and other support | <u>1,341,812</u> | <u>11,029</u> | <u>1,352,841</u> |
| Expenses: | | | |
| Program services: | | | |
| Wish granting | 1,047,227 | — | 1,047,227 |
| Total program services | <u>1,047,227</u> | <u>—</u> | <u>1,047,227</u> |
| Support services: | | | |
| Fundraising | 161,654 | — | 161,654 |
| Management and general | 120,267 | — | 120,267 |
| Total support services | <u>281,921</u> | <u>—</u> | <u>281,921</u> |
| Total expenses | <u>1,329,148</u> | <u>—</u> | <u>1,329,148</u> |
| Change in net assets | 12,664 | 11,029 | 23,693 |
| Net assets, beginning of the year | <u>1,770,453</u> | <u>44,197</u> | <u>1,814,650</u> |
| Net assets, end of the year | <u>\$ 1,783,117</u> | <u>55,226</u> | <u>1,838,343</u> |

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statements of Cash Flows

Years ended August 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|--------------------------|-----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 201,150 | 23,693 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 22,280 | 21,747 |
| Bad debt expense | 13,400 | — |
| Net realized and unrealized gains on investments | (66,378) | (79,652) |
| Contributed property and equipment, inventory, and investments | (9,108) | (10,400) |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (160,656) | (7,433) |
| Due from related entities | (24,015) | 170 |
| Prepaid expenses | (2,224) | 6,905 |
| Other assets | (5,234) | (6,790) |
| Accounts payable and accrued expenses | (3,458) | (25,893) |
| Accrued pending wish costs | 83,457 | (40,319) |
| Due to related entities | 11,029 | (6,721) |
| Other liabilities | — | (9,000) |
| Net cash provided by (used in) operating activities | <u>60,243</u> | <u>(133,693)</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (2,384,054) | (789,471) |
| Proceeds from sales of investments | 2,394,603 | 790,597 |
| Purchases of property and equipment | (472) | (7,210) |
| Net cash provided by (used in) investing activities | <u>10,077</u> | <u>(6,084)</u> |
| Net increase (decrease) in cash and cash equivalents | 70,320 | (139,777) |
| Cash and cash equivalents, beginning of year | <u>268,638</u> | <u>408,415</u> |
| Cash and cash equivalents, end of year | \$ <u><u>338,958</u></u> | <u><u>268,638</u></u> |
| Supplemental cash flow information: | | |
| Donated property and equipment, inventory, and investments | \$ 9,108 | 10,400 |
| Contributed services | 1,000 | — |
| In-kind contributions | 417,561 | 307,138 |

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statement of Functional Expenses

Year ended August 31, 2013

| | <u>Program services</u> | <u>Support services</u> | | | |
|---|--------------------------|-------------------------|-----------------------------------|-----------------------------------|------------------|
| | <u>Wish granting</u> | <u>Fundraising</u> | <u>Management and general</u> | <u>Total support services</u> | <u>Total</u> |
| Direct costs of wishes | \$ 890,561 | — | — | — | 890,561 |
| Salaries, taxes, and benefits | 252,791 | 177,622 | 105,796 | 283,418 | 536,209 |
| Printing, subscriptions, and publications | 2,265 | 15,182 | 817 | 15,999 | 18,264 |
| Professional fees | 12,009 | 11,826 | 20,065 | 31,891 | 43,900 |
| Rent and utilities | 43,364 | 27,519 | 16,317 | 43,836 | 87,200 |
| Postage and delivery | 1,505 | 3,916 | 441 | 4,357 | 5,862 |
| Travel | 8,381 | 4,681 | 2,100 | 6,781 | 15,162 |
| Meetings and conferences | 12,846 | 22,344 | 3,621 | 25,965 | 38,811 |
| Office supplies | 18,239 | 4,944 | 1,148 | 6,092 | 24,331 |
| Communications | 5,087 | 2,996 | 1,786 | 4,782 | 9,869 |
| Repairs and maintenance | 1,330 | 1,809 | 485 | 2,294 | 3,624 |
| Insurance | 2,854 | 3,869 | 929 | 4,798 | 7,652 |
| Bad debt expense | — | 13,400 | — | 13,400 | 13,400 |
| Membership dues | 265 | 182 | 108 | 290 | 555 |
| National partnership dues | 30,408 | 4,619 | 3,464 | 8,083 | 38,491 |
| Miscellaneous | 8,403 | 4,825 | 14,321 | 19,146 | 27,549 |
| Depreciation and amortization | 10,627 | 7,308 | 4,345 | 11,653 | 22,280 |
| | <u>\$ 1,300,935</u> | <u>307,042</u> | <u>175,743</u> | <u>482,785</u> | <u>1,783,720</u> |

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statement of Functional Expenses

Year ended August 31, 2012

| | <u>Program services</u> | | <u>Support services</u> | | <u>Total</u> |
|---|--------------------------|--------------------|-----------------------------------|-----------------------------------|------------------|
| | <u>Wish granting</u> | <u>Fundraising</u> | <u>Management and general</u> | <u>Total support services</u> | |
| Direct costs of wishes | \$ 542,572 | — | — | — | 542,572 |
| Salaries, taxes, and benefits | 325,341 | 94,767 | 51,300 | 146,067 | 471,408 |
| Printing, subscriptions, and publications | 1,451 | 13,121 | 1,521 | 14,642 | 16,093 |
| Professional fees | 8,314 | 4,304 | 30,671 | 34,975 | 43,289 |
| Rent and utilities | 56,085 | 16,144 | 9,873 | 26,017 | 82,102 |
| Postage and delivery | 993 | 2,151 | 199 | 2,350 | 3,343 |
| Travel | 4,105 | 1,789 | 1,819 | 3,608 | 7,713 |
| Meetings and conferences | 20,108 | 8,229 | 9,694 | 17,923 | 38,031 |
| Office supplies | 17,182 | 2,475 | 2,454 | 4,929 | 22,111 |
| Communications | 6,112 | 1,549 | 1,630 | 3,179 | 9,291 |
| Repairs and maintenance | 1,930 | 559 | 373 | 932 | 2,862 |
| Membership dues | 135 | 34 | 19 | 53 | 188 |
| National partnership dues | 36,075 | 7,120 | 4,272 | 11,392 | 47,467 |
| Miscellaneous | 11,818 | 5,062 | 4,051 | 9,113 | 20,931 |
| Depreciation and amortization | 15,006 | 4,350 | 2,391 | 6,741 | 21,747 |
| | <u>\$ 1,047,227</u> | <u>161,654</u> | <u>120,267</u> | <u>281,921</u> | <u>1,329,148</u> |

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

August 31, 2013 and 2012

(1) Organization

Make-A-Wish Foundation® of Southern Nevada (the Foundation) is a Nevada 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, 2013 and 2012 are \$197,618 and \$200,474, respectively, of money market accounts.

(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*

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. 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 discounts is recorded as additional contribution revenue.

(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. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to ten years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

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terms of the lease. 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

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

August 31, 2013 and 2012

purposes. The Foundation had no permanently restricted net assets at August 31, 2013 and 2012.

- **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:

| | <u>2013</u> | <u>2012</u> |
|-------------------------|-------------------|----------------|
| Contributions: | | |
| Wish related | \$ 346,802 | 250,406 |
| Professional services | 1,000 | — |
| Property and equipment | 9,108 | 10,400 |
| Other | 11,235 | 4,712 |
| Total | <u>\$ 368,145</u> | <u>265,518</u> |
| Special event revenue: | | |
| Internal special events | \$ 59,524 | 52,020 |

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 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 \$359,037 and \$239,256 in 2013 and 2012, respectively, with the difference recorded as property and equipment, net and direct benefit costs to donors.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

August 31, 2013 and 2012

(i) ***Income Taxes***

The Foundation is a not-for-profit organization exempt from federal income and Nevada taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and the Nevada Revised Statutes. 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 exists requiring accrual or disclosure for the Foundation at August 31, 2013 or 2012.

(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 years ended August 31, 2013 and 2012, 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.

(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

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

August 31, 2013 and 2012

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.

(1) *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 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 tables 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 has adopted 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 (note 2).

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 Audit and Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

August 31, 2013 and 2012

(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 basis at August 31, 2013 and 2012:

| Description | August 31, 2013 | Fair value measurements at August 31, 2013 using | | |
|----------------------------------|--------------------|--|---|--|
| | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Recurring: | | | | |
| Investments: | | | | |
| Mutual funds: | | | | |
| Domestic equities | \$ 309,729 | 309,729 | — | — |
| International equities | 212,226 | 212,226 | — | — |
| Corporate bonds | 372,177 | 372,177 | — | — |
| U.S. government securities | 384,480 | 384,480 | — | — |
| Equity securities: | | | | |
| U.S. corporate equity securities | 375,913 | 375,913 | — | — |
| Foreign equity securities | 84,803 | 84,803 | — | — |
| Total recurring | 1,739,328 | 1,739,328 | — | — |
| Nonrecurring: | | | | |
| Contributions receivable | 188,886 | — | — | 188,886 |
| Total nonrecurring | 188,886 | — | — | 188,886 |
| Total | \$ 1,928,214 | 1,739,328 | — | 188,886 |

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

August 31, 2013 and 2012

| Description | August 31, 2012 | Fair value measurements at August 31, 2012 using | | |
|----------------------------------|--------------------|--|---|--|
| | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Recurring: | | | | |
| Investments: | | | | |
| Mutual funds: | | | | |
| Domestic equities | \$ 86,545 | 86,545 | — | — |
| International equities | 17,775 | 17,775 | — | — |
| Corporate bonds | 66,078 | 66,078 | — | — |
| U.S. government securities | 438,653 | 438,653 | — | — |
| Equity securities: | | | | |
| U.S. corporate equity securities | 860,985 | 860,985 | — | — |
| Foreign equity securities | 195,526 | 195,526 | — | — |
| Debt securities: | | | | |
| U.S. Treasury notes | 17,937 | 17,937 | — | — |
| Total Recurring | 1,683,499 | 1,683,499 | — | — |
| Nonrecurring: | | | | |
| Contributions receivable | 41,630 | — | — | 41,630 |
| Total nonrecurring | 41,630 | — | — | 41,630 |
| Total | \$ 1,725,129 | 1,683,499 | — | 41,630 |

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 | \$ 48,269 | 54,623 |
| Realized and unrealized gains, net | 66,378 | 79,652 |
| Less investment expenses | (11,506) | (13,486) |
| Investment income, net | \$ 103,141 | 120,789 |

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

August 31, 2013 and 2012

(4) Contributions Receivable

Contributions receivable at August 31, 2013 and 2012 were \$188,886 and \$41,630, respectively, and are all due within one year.

(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 years ended August 31, 2013 and 2012, the Foundation received \$251,328 and \$250,175, respectively, 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 \$54,467 and \$56,573 were paid from the Foundation to the National Organization at August 31, 2013 and 2012, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a “fee for service” called the wish assist fee. Under this program, the Foundation received \$10,900 and \$14,100 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:

| | <u>2013</u> | <u>2012</u> |
|---------------------------------|------------------|---------------|
| Balance at August 31: | | |
| Due from National Organization | \$ 93,804 | 72,478 |
| Due from other chapters | 5,498 | 2,809 |
| Total due from related entities | <u>\$ 99,302</u> | <u>75,287</u> |
| Due to National Organization | \$ 7,625 | — |
| Due to other chapters | 3,404 | — |
| Total due to related entities | <u>\$ 11,029</u> | <u>—</u> |

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 and staff members totaling \$49,148 and \$73,594, respectively.

MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Notes to Financial Statements

August 31, 2013 and 2012

(6) Property and Equipment, Net

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

| | <u>2013</u> | <u>2012</u> |
|--|------------------|-----------------|
| Computer equipment and software | \$ 60,101 | 50,521 |
| Office furniture | 35,676 | 35,676 |
| Other equipment | 13,401 | 13,401 |
| Leasehold improvements | 7,210 | 7,210 |
| | <u>116,388</u> | <u>106,808</u> |
| Less accumulated depreciation and amortization | <u>(99,497)</u> | <u>(77,217)</u> |
| Property and equipment, net | <u>\$ 16,891</u> | <u>29,591</u> |

Depreciation and amortization expense totaled \$22,280 and \$21,747 for the years ended August 31, 2013 and 2012, respectively.

(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
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 twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2013 and 2012, the Foundation had approximately 36 and 29 reportable pending wishes, respectively.

(8) Leases

The Foundation is obligated under various operating leases for its office and equipment, which expire at various dates through January 31, 2017. Total rent expense for all operating leases for the years ended August 31, 2013 and 2012 totaled \$87,426 and \$66,628, respectively.

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Notes to Financial Statements

August 31, 2013 and 2012

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

| | <u>Operating leases</u> |
|------------------------------|-----------------------------|
| Year ending August 31: | |
| 2014 | \$ 85,050 |
| 2015 | 79,820 |
| 2016 | 78,775 |
| 2017 | <u>32,399</u> |
| Total minimum lease payments | <u>\$ 276,044</u> |

(9) Temporarily Restricted Net Assets

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

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|---------------|
| Wish granting | \$ 28,777 | 21,430 |
| Other purpose | 15,625 | — |
| Time restrictions | <u>237,575</u> | <u>33,796</u> |
| Total temporarily restricted net assets | <u>\$ 281,977</u> | <u>55,226</u> |

(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 may match employee contributions up to 3% of the employee's salary. The Foundation did not make any contributions to the Plan for the years ended August 31, 2013 and 2012.

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August 31, 2013 and 2012

(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 \$75,410 and \$77,853 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represents 6% and 9%, respectively, of total public support.

(12) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through July 11, 2014, the date at which the financial statements were available to be issued.