KPMG

# MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Financial Statements

August 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

# MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

## Table of Contents

KPMG

**KPMG LLP**
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## Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Make-A-Wish Foundation® of Southern Nevada as of August 31, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the change in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

April 2, 2013

## MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statements of Financial Position

August 31, 2012 and 2011

| **Assets** | | **2012** | **2011** |
|---|---|---|---|
| Cash and cash equivalents | $ | 268,638 | 408,415 |
| Investments | | 1,683,499 | 1,604,974 |
| Due from related entities | | 75,287 | 75,457 |
| Prepaid expenses | | 8,913 | 15,818 |
| Contributions receivable, net | | 41,630 | 34,197 |
| Other assets | | 15,862 | 9,072 |
| Property and equipment, net | | 29,591 | 33,728 |
| Total assets | $ | 2,123,420 | 2,181,661 |
| **Liabilities and Net Assets** | | | |
| Accounts payable and accrued expenses | $ | 53,439 | 79,333 |
| Accrued pending wish costs | | 231,638 | 271,957 |
| Due to related entities | | — | 6,721 |
| Other liabilities | | — | 9,000 |
| Total liabilities | | 285,077 | 367,011 |
| Commitments and contingencies | | | |
| Net assets: | | | |
| Unrestricted | | 1,783,117 | 1,770,453 |
| Temporarily restricted | | 55,226 | 44,197 |
| Total net assets | | 1,838,343 | 1,814,650 |
| Total liabilities and net assets | $ | 2,123,420 | 2,181,661 |

See accompanying notes to financial statements.

## MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statement of Activities

Year ended August 31, 2012

| | Unrestricted | Temporarily restricted | Total |
|---|---|---|---|
| Revenues, gains, and other support: | | | |
| Public support: | | | |
| Contributions | $ 849,310 | 41,630 | 890,940 |
| Grants | 15,000 | — | 15,000 |
| Total public support | 864,310 | 41,630 | 905,940 |
| Special events | 417,828 | 13,596 | 431,424 |
| Less direct benefit costs to donor | (95,942) | — | (95,942) |
| Total special events | 321,886 | 13,596 | 335,482 |
| 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 | 1,367,816 | 11,029 | 1,378,845 |
| Expenses: | | | |
| Program services: | | | |
| Wish granting | 1,048,299 | — | 1,048,299 |
| Total program services | 1,048,299 | — | 1,048,299 |
| Support services: | | | |
| Fundraising | 186,586 | — | 186,586 |
| Management and general | 120,267 | — | 120,267 |
| Total support services | 306,853 | — | 306,853 |
| Total expenses | 1,355,152 | — | 1,355,152 |
| Change in net assets | 12,664 | 11,029 | 23,693 |
| Net assets, beginning of the year | 1,770,453 | 44,197 | 1,814,650 |
| Net assets, end of the year | $ 1,783,117 | 55,226 | 1,838,343 |

See accompanying notes to financial statements.

## MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statement of Activities

Year ended August 31, 2011

| | Unrestricted | Temporarily restricted | Total |
|---|---|---|---|
| Revenues, gains, and other support: | | | |
| Public support: | | | |
| Contributions | $ 1,111,221 | 14,197 | 1,125,418 |
| Grants | 22,477 | 40,000 | 62,477 |
| Total public support | 1,133,698 | 54,197 | 1,187,895 |
| Special events | 583,307 | — | 583,307 |
| Less direct benefit costs to donor | (143,526) | — | (143,526) |
| Total special events | 439,781 | — | 439,781 |
| Investment income, net | 140,400 | — | 140,400 |
| Other income | 13,019 | — | 13,019 |
| Net assets released from restrictions | 33,825 | (33,825) | — |
| Total revenues, gains, and other support | 1,760,723 | 20,372 | 1,781,095 |
| Expenses: | | | |
| Program services: | | | |
| Wish granting | 1,578,775 | — | 1,578,775 |
| Total program services | 1,578,775 | — | 1,578,775 |
| Support services: | | | |
| Fundraising | 167,050 | — | 167,050 |
| Management and general | 141,881 | — | 141,881 |
| Total support services | 308,931 | — | 308,931 |
| Total expenses | 1,887,706 | — | 1,887,706 |
| Change in net assets | (126,983) | 20,372 | (106,611) |
| Net assets, beginning of the year | 1,897,436 | 23,825 | 1,921,261 |
| Net assets, end of the year | $ 1,770,453 | 44,197 | 1,814,650 |

See accompanying notes to financial statements.

## MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statements of Cash Flows

Years ended August 31, 2012 and 2011

| | | 2012 | 2011 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Change in net assets | $ | 23,693 | (106,611) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | | |
| Depreciation and amortization | | 21,747 | 17,779 |
| Net realized and unrealized gains on investments | | (79,652) | (103,841) |
| Contributed property and equipment, inventory, and stock | | (10,400) | — |
| Changes in operating assets and liabilities: | | | |
| Contributions receivable | | (7,433) | (6,872) |
| Due from related entities | | 170 | (9,371) |
| Prepaid expenses | | 6,905 | (1,861) |
| Other assets | | (6,790) | (4,658) |
| Accounts payable and accrued expenses | | (25,893) | 12,495 |
| Accrued pending wish costs | | (40,319) | 67,923 |
| Due to related entities | | (6,721) | 109 |
| Other liabilities | | (9,000) | 2,175 |
| Net cash used in operating activities | | (133,693) | (132,733) |
| Cash flows from investing activities: | | | |
| Purchases of investments | | (789,471) | (850,761) |
| Proceeds from sales of investments | | 790,597 | 672,842 |
| Purchases of property and equipment | | (7,210) | — |
| Net cash used in investing activities | | (6,084) | (177,919) |
| Net decrease in cash and cash equivalents | | (139,777) | (310,652) |
| Cash and cash equivalents, beginning of year | | 408,415 | 719,067 |
| Cash and cash equivalents, end of year | $ | 268,638 | 408,415 |
| Supplemental cash flow information: | | | |
| Contributed property | $ | 10,400 | — |
| In-kind contributions | | 307,138 | 541,201 |

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA**

Statement of Functional Expenses

Year ended August 31, 2012

| | Program services | Support services | | | |
|---|---|---|---|---|---|
| | Wish granting | Fundraising | Management and general | Total support services | Total |
| 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 | 21,180 | 33,161 | 9,694 | 42,855 | 64,035 |
| 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 |
| | $ 1,048,299 | 186,586 | 120,267 | 306,853 | 1,355,152 |

See accompanying notes to financial statements.

## MAKE-A-WISH FOUNDATION® OF SOUTHERN NEVADA

Statement of Functional Expenses

Year ended August 31, 2011

| | Program services | Support services | | | |
|---|---|---|---|---|---|
| | Wish granting | Fundraising | Management and general | Total support services | Total |
| Direct costs of wishes | $ 1,135,588 | — | — | — | 1,135,588 |
| Salaries, taxes, and benefits | 290,529 | 84,102 | 45,920 | 130,022 | 420,551 |
| Printing, subscriptions, and publications | 2,345 | 5,717 | 959 | 6,676 | 9,021 |
| Professional fees | 4,581 | 3,076 | 53,879 | 56,955 | 61,536 |
| Rent and utilities | 31,974 | 7,724 | 5,774 | 13,498 | 45,472 |
| Postage and delivery | 1,538 | 1,592 | 188 | 1,780 | 3,318 |
| Travel | 1,629 | 1,709 | 551 | 2,260 | 3,889 |
| Meetings and conferences | 33,878 | 22,049 | 7,096 | 29,145 | 63,023 |
| Office supplies | 17,030 | 11,688 | 2,732 | 14,420 | 31,450 |
| Communications | 7,663 | 2,171 | 1,217 | 3,388 | 11,051 |
| Advertising and media (in-kind) | — | 12,000 | — | 12,000 | 12,000 |
| Repairs and maintenance | 5,026 | 1,476 | 785 | 2,261 | 7,287 |
| Membership dues | 191 | 55 | 30 | 85 | 276 |
| National partnership dues | 34,500 | 10,000 | 5,500 | 15,500 | 50,000 |
| Miscellaneous | 35 | 135 | 15,295 | 15,430 | 15,465 |
| Depreciation and amortization | 12,268 | 3,556 | 1,955 | 5,511 | 17,779 |
| | $ 1,578,775 | 167,050 | 141,881 | 308,931 | 1,887,706 |

See accompanying notes to financial statements.

## (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 (the 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.

### *(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. Cash and cash equivalents at August 31, 2012 and 2011 include $200,474 and $357,469, respectively, of money market accounts.

### *(c) Investments*

Investments are recorded at fair value. Investment income, including realized and unrealized 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 using fair value rates.

### *(e) Property and Equipment, Net*

Property and equipment having a useful life of more than one year are stated 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. Property and equipment under capital leases are stated at the lesser of the leased assets costs or 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 3 to 10 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining term 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.



(Continued)

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.

*(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 note 3 to the financial statements.

*(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. The Foundation had no permanently restricted net assets at August 31, 2012 and 2011.
- **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. Such in-kind contributions were reported as follows:

| | | 2012 | 2011 |
|---|---|---|---|
| Wish related | $ | 250,406 | 382,718 |
| Advertising and media | | — | 12,000 |
| Internal special events | | 52,020 | 105,053 |
| Property and equipment | | 10,400 | — |
| Other | | 4,712 | 41,430 |
| Total | $ | 317,538 | 541,201 |

Advertising and media are 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 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.

An internal special event is a fund-raising event coordinated and staffed by chapter personnel rather than a separate support group or organization. It is designed to attract donors and involves large numbers of people for the purpose of raising awareness, additional funding, and cultivating 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 $307,138 and $541,201 in 2012 and 2011, respectively, with the difference between in-kind revenue and in-kind expense recorded as donated property and equipment.

*(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 follows ASC Topic 740, *Income Taxes* (ASC 740), 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, 2012 and 2011.

*(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, 2012 and 2011, the Foundation incurred no significant joint costs for activities that include fund-raising 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 record keeping, 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 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, valuation of contributions receivable, accrued pending wish costs, net of attrition on accrued 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.

*(l)* ***Reclassifications***

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 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 tables as of August 31, 2012 and 2011 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, 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. See note 2 to the financial statements.

*(b)* ***Investments***

**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.

### (c) *Fair Value Hierarchy*

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2012 and 2011:

| Description | August 31, 2012 | Fair value measurements at August 31, 2012 using quoted prices in active markets for identical assets (Level 1) |
|---|---|---|
| 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 investments | $ 1,683,499 | 1,683,499 |



(Continued)

| Description | | August 31, 2011 | Fair value measurements at August 31, 2011 using quoted prices in active markets for identical assets (Level 1) |
|---|---|---|---|
| Investments: | | | |
| Mutual funds: | | | |
| Domestic equities | $ | 17,131 | 17,131 |
| International equities | | 96,975 | 96,975 |
| Bonds | | 61,335 | 61,335 |
| U.. Government securities | | 423,100 | 423,100 |
| Equity securities: | | | |
| U.S. corporate equity securities | | 796,950 | 796,950 |
| Foreign equity securities | | 191,513 | 191,513 |
| Debt securities: | | | |
| U.S. Treasury notes | | 17,970 | 17,970 |
| Total investments | $ | 1,604,974 | 1,604,974 |

There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended August 31, 2012 and 2011.

Total investment income, gains, and losses for the years ended August 31, 2012 and 2011 consist of the following:

| | | 2012 | 2011 |
|---|---|---|---|
| Interest and dividend income | $ | 54,623 | 53,170 |
| Realized and unrealized gains, net | | 79,652 | 103,841 |
| Less investment expenses | | (13,486) | (16,611) |
| Investment income, net | $ | 120,789 | 140,400 |



(Continued)

## (4) Contributions Receivable

The following is a summary of the Foundation's contributions receivable at August 31, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| Total amounts due in: | | |
| One year | $ 41,630 | 61,427 |
| Gross contributions receivable | 41,630 | 61,427 |
| Less allowance for doubtful accounts | — | (27,230) |
| Contributions receivable, net | $ 41,630 | 34,197 |

## (5) Transactions with Related Entities

The Foundation pays the National Organization annual dues, which were $47,467 and $50,000 for the years ended August 31, 2012 and 2011, respectively. The National Organization supports the Foundation by providing funding and other support for the granting of wishes.

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. Under these programs, the Foundation received cash contributions totaling $250,175 and $281,190 for the years ended August 31, 2012 and 2011, respectively and in-kind contributions totaling $22,746 and $32,256 for the years ended August 31, 2012 and 2011, 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 $14,100 and $12,825 for the years ended August 31, 2012 and 2011, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

| | 2012 | 2011 |
|---|---|---|
| Balance at August 31: | | |
| Due from National Organization | $ 72,478 | 56,915 |
| Due from other chapters | 2,809 | 18,542 |
| Total due from related entities | $ 75,287 | 75,457 |
| Due to National Organization | $ — | 1,497 |
| Due to other chapters | — | 5,224 |
| Total due to related entities | $ — | 6,721 |

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 2012 and 2011, the Foundation received contributions, both cash and in-kind, from board members totaling $73,594 and $50,294, respectively. In 2012 and 2011, amounts due from board members totaled $0 and $400, respectively, and are included in contributions receivable, net in the accompanying statements of financial position. Amounts paid to related parties for goods and services used in the Foundation's operations totaled $84,136 and $115,755 in 2012 and 2011, respectively.

## (6) Property and Equipment, Net

Property and equipment as of August 31, 2012 and 2011 consist of the following:

| | | 2012 | 2011 |
|---|---|---|---|
| Computer equipment and software | $ | 50,521 | 47,521 |
| Office furniture | | 35,676 | 28,276 |
| Leasehold improvements | | 7,210 | — |
| Other equipment | | 13,401 | 13,401 |
| | | 106,808 | 89,198 |
| Less accumulated depreciation and amortization | | (77,217) | (55,470) |
| Property and equipment, net | $ | 29,591 | 33,728 |

Depreciation and amortization expense totaled $21,747 and $17,779 for the years ended August 31, 2012 and 2011, respectively.

## (7) Accrued Pending Wish Costs

The Foundation accrues for the 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. Receive a referral,
2. Obtain the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determine that the wish falls within the National Organization's wish granting policy, and
5. Verify that 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 but 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, and the delay of a wish without a known date to continue due to the family's circumstances or the child's hospitalization or illness.

The Foundation had 29 reportable pending wishes as of both August 31, 2012 and 2011.

## (8) Leases

The office lease the Foundation operated under in the current year expired. Total rent expense for all operating leases for the years ended August 31, 2012 and 2011 totaled $66,628 and $41,238, respectively. The Foundation became obligated under various operating leases for offices and equipment entered into subsequent to year end, which expire at various dates through January 31, 2017.

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

| | | Operating leases |
|---|---|---|
| Year ending August 31: | | |
| 2013 | $ | 82,249 |
| 2014 | | 84,937 |
| 2015 | | 81,496 |
| 2016 | | 82,508 |
| 2017 | | 34,189 |
| Total minimum lease payments | $ | 365,379 |

## (9) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the years ended August 31, 2012 and 2011:

| | | 2012 | 2011 |
|---|---|---|---|
| Wish granting | $ | 21,430 | — |
| Executive search | | — | 10,000 |
| Time restrictions | | 33,796 | 34,197 |
| Total temporarily restricted net assets | $ | 55,226 | 44,197 |



(Continued)

**(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 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2012 and 2011 were $0 and $8,520, respectively.

**(11) Concentrations of Credit Risk**

In-kind contributions totaling $77,853 and $176,633 were received from a single donor for the years ended August 31, 2012 and 2011, respectively, which represents 9% and 15%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**(12) Litigation and Claims**

The Foundation is involved in litigation and claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

**(13) Subsequent Events**

The Foundation has evaluated subsequent events from the statement of financial position date through April 2, 2013, the date at which the financial statements were available to be issued.