



**MAKE-A-WISH FOUNDATION[®] OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Board of Directors
Make-A-Wish Foundation® of Massachusetts
and Rhode Island:

Report on the Financial Statements

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Massachusetts and Rhode Island (the Foundation), which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows 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 Massachusetts and Rhode Island as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

December 23, 2013

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statements of Financial Position

August 31, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	\$ 2,101,960	1,614,942
Investments	7,165,722	6,579,987
Due from related entities	69,003	103,180
Prepaid expenses and other assets	73,777	32,915
Contributions receivable, net	1,096,712	818,676
Property and equipment, net	31,185	13,644
Total assets	\$ 10,538,359	9,163,344
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 232,651	219,620
Accrued pending wish costs	1,253,670	1,401,082
Due to related entities	30,521	14,581
Total liabilities	1,516,842	1,635,283
Commitments and contingencies		
Net assets		
Unrestricted		
Operating	1,834,184	1,271,606
Board and donor designated	5,577,819	5,257,039
Total unrestricted	7,412,003	6,528,645
Temporarily restricted	1,555,070	944,972
Permanently restricted	54,444	54,444
Total net assets	9,021,517	7,528,061
Total liabilities and net assets	\$ 10,538,359	9,163,344

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statement of Activities
Year ended August 31, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains, and other support:				
Public support:				
Contributions	\$ 4,339,287	379,231	—	4,718,518
In-kind contributions	1,117,038	131,616	—	1,248,654
Grants	76,156	32,500	—	108,656
Total public support	<u>5,532,481</u>	<u>543,347</u>	<u>—</u>	<u>6,075,828</u>
Special events	358,363	—	—	358,363
Less direct benefit costs to donor	(358,363)	—	—	(358,363)
Total special events, net	—	—	—	—
Appropriation of endowment assets for operations	261,000	—	—	261,000
Wish assist fee	7,725	—	—	7,725
Net assets released from restrictions	436,059	(436,059)	—	—
Total operating revenues, gains, and other support	<u>6,237,265</u>	<u>107,288</u>	<u>—</u>	<u>6,344,553</u>
Operating expenses:				
Program services:				
Wish granting	3,296,078	—	—	3,296,078
Program-related support	1,180,442	—	—	1,180,442
Total program services	<u>4,476,520</u>	<u>—</u>	<u>—</u>	<u>4,476,520</u>
Support services:				
Fund raising	617,658	—	—	617,658
Management and general	580,841	—	—	580,841
Total support services	<u>1,198,499</u>	<u>—</u>	<u>—</u>	<u>1,198,499</u>
Total operating expenses	<u>5,675,019</u>	<u>—</u>	<u>—</u>	<u>5,675,019</u>
Change in net assets from operations	<u>562,246</u>	<u>107,288</u>	<u>—</u>	<u>669,534</u>
Nonoperating activities:				
Interest income and investment gains, net	579,482	5,895	—	585,377
Appropriation of endowment assets for operations	(258,370)	(2,630)	—	(261,000)
Major gifts	—	499,503	—	499,503
Other income	—	—	—	—
Change in value of split-interest agreements	—	42	—	42
Change in net assets from nonoperating activities	<u>321,112</u>	<u>502,810</u>	<u>—</u>	<u>823,922</u>
Change in net assets	883,358	610,098	—	1,493,456
Net assets, beginning of the year	<u>6,528,645</u>	<u>944,972</u>	<u>54,444</u>	<u>7,528,061</u>
Net assets, end of the year	<u>\$ 7,412,003</u>	<u>1,555,070</u>	<u>54,444</u>	<u>9,021,517</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statement of Activities
Year ended August 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains, and other support:				
Public support:				
Contributions	\$ 4,254,977	198,018	—	4,452,995
In-kind contributions	982,099	102,671	—	1,084,770
Grants	108,338	—	—	108,338
Total public support	<u>5,345,414</u>	<u>300,689</u>	<u>—</u>	<u>5,646,103</u>
Special events	306,655	—	—	306,655
Less direct benefit costs to donor	<u>(306,655)</u>	<u>—</u>	<u>—</u>	<u>(306,655)</u>
Total special events, net	—	—	—	—
Appropriation of endowment assets for operations	275,900	—	—	275,900
Wish assist fee	8,850	—	—	8,850
Net assets released from restrictions	<u>257,786</u>	<u>(257,786)</u>	<u>—</u>	<u>—</u>
Total operating revenues, gains, and other support	<u>5,887,950</u>	<u>42,903</u>	<u>—</u>	<u>5,930,853</u>
Operating expenses:				
Program services:				
Wish granting	3,250,719	—	—	3,250,719
Program-related support	1,233,953	—	—	1,233,953
Total program services	<u>4,484,672</u>	<u>—</u>	<u>—</u>	<u>4,484,672</u>
Support services:				
Fund raising	532,352	—	—	532,352
Management and general	623,575	—	—	623,575
Total support services	<u>1,155,927</u>	<u>—</u>	<u>—</u>	<u>1,155,927</u>
Total operating expenses	<u>5,640,599</u>	<u>—</u>	<u>—</u>	<u>5,640,599</u>
Change in net assets from operations	<u>247,351</u>	<u>42,903</u>	<u>—</u>	<u>290,254</u>
Nonoperating activities:				
Interest income and investment gains, net	406,317	4,304	—	410,621
Appropriation of endowment assets for operations	(272,047)	(3,853)	—	(275,900)
Major gifts	—	565,862	—	565,862
Other income	565	5,000	—	5,565
Change in value of split-interest agreements	—	(69)	—	(69)
Change in net assets from nonoperating activities	<u>134,835</u>	<u>571,244</u>	<u>—</u>	<u>706,079</u>
Change in net assets	382,186	614,147	—	996,333
Net assets, beginning of the year	<u>6,146,459</u>	<u>330,825</u>	<u>54,444</u>	<u>6,531,728</u>
Net assets, end of the year	<u>\$ 6,528,645</u>	<u>944,972</u>	<u>54,444</u>	<u>7,528,061</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statement of Functional Expenses

Year ended August 31, 2013

	Program services			Support services			Total
	Wish granting	Program-related support	Total program services	Fund raising	Management and general	Total support services	
Direct costs of wishes	\$ 3,296,078	—	3,296,078	—	—	—	3,296,078
Salaries, taxes, and benefits	—	740,160	740,160	349,164	423,627	772,791	1,512,951
Printing, subscriptions, and publications	—	7,988	7,988	19,427	2,574	22,001	29,989
Professional fees	—	68,407	68,407	130,583	40,323	170,906	239,313
Rent and utilities	—	89,011	89,011	42,914	51,972	94,886	183,897
Postage and delivery	—	10,884	10,884	11,060	3,434	14,494	25,378
Travel	—	13,085	13,085	2,950	8,345	11,295	24,380
Meetings and conferences	—	2,734	2,734	1,520	1,452	2,972	5,706
Office supplies	—	6,860	6,860	13,483	3,384	16,867	23,727
Communications	—	11,268	11,268	5,594	6,596	12,190	23,458
Repairs and maintenance	—	16,359	16,359	7,703	9,017	16,720	33,079
Membership dues	—	—	—	99	—	99	99
Volunteer training	—	529	529	—	—	—	529
National partnership dues	—	145,706	145,706	22,133	16,600	38,733	184,439
Miscellaneous	—	63,230	63,230	9,097	11,124	20,221	83,451
Depreciation and amortization	—	4,221	4,221	1,931	2,393	4,324	8,545
	<u>\$ 3,296,078</u>	<u>1,180,442</u>	<u>4,476,520</u>	<u>617,658</u>	<u>580,841</u>	<u>1,198,499</u>	<u>5,675,019</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statement of Functional Expenses

Year ended August 31, 2012

	Program services			Support services			Total
	Wish granting	Program-related support	Total program services	Fund raising	Management and general	Total support services	
Direct costs of wishes	\$ 3,250,719	—	3,250,719	—	—	—	3,250,719
Salaries, taxes, and benefits	—	787,375	787,375	324,213	432,485	756,698	1,544,073
Printing, subscriptions, and publications	—	7,567	7,567	30,007	2,158	32,165	39,732
Professional fees	—	90,957	90,957	66,804	67,725	134,529	225,486
Rent and utilities	—	108,089	108,089	45,077	60,104	105,181	213,270
Postage and delivery	—	7,907	7,907	6,548	2,774	9,322	17,229
Travel	—	4,238	4,238	1,775	10,587	12,362	16,600
Meetings and conferences	—	4,283	4,283	4,141	3,787	7,928	12,211
Office supplies	—	5,374	5,374	15,020	3,222	18,242	23,616
Communications	—	10,713	10,713	4,482	6,013	10,495	21,208
Repairs and maintenance	—	14,082	14,082	5,745	7,652	13,397	27,479
Membership dues	—	—	—	—	13	13	13
Volunteer training	—	165	165	—	—	—	165
National partnership dues	—	130,438	130,438	22,022	16,940	38,962	169,400
Miscellaneous	—	58,414	58,414	4,727	7,727	12,454	70,868
Depreciation and amortization	—	4,351	4,351	1,791	2,388	4,179	8,530
	<u>\$ 3,250,719</u>	<u>1,233,953</u>	<u>4,484,672</u>	<u>532,352</u>	<u>623,575</u>	<u>1,155,927</u>	<u>5,640,599</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statements of Cash Flows

Years ended August 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 1,493,456	996,333
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,545	8,530
Net realized and unrealized gains on investments	(408,442)	(270,332)
Contributed stock	49,023	50,000
Change in value of split-interest agreements	(42)	69
Change in discount to present value of contributions receivable	5,497	14,138
Changes in assets and liabilities:		
Contributions receivable	(283,533)	(585,310)
Due from related entities	34,219	103,086
Prepaid expenses and other assets	(40,862)	(10,010)
Accounts payable and accrued expenses	13,031	40,170
Accrued pending wish costs	(147,412)	73,324
Due to related entities	15,940	10,862
Net cash provided by operating activities	739,420	430,860
Cash flows from investing activities:		
Purchases of investments	(2,130,291)	(1,663,451)
Proceeds from sales of investments	1,903,975	1,473,843
Purchases of property and equipment	(26,086)	(7,500)
Net cash used in investing activities	(252,402)	(197,108)
Net increase in cash and cash equivalents	487,018	233,752
Cash and cash equivalents, beginning of year	1,614,942	1,381,190
Cash and cash equivalents, end of year	\$ 2,101,960	1,614,942
Supplemental cash flow information:		
Contributed services	119,022	89,516
In-kind contributions	1,129,632	995,254
Write-off of property and equipment	106,529	—

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Notes to Financial Statements

August 31, 2013 and 2012

(1) Organization

Make-A-Wish® Foundation of Massachusetts and Rhode Island, Inc. (the Foundation) is a Massachusetts 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® America (the National organization), which operates to develop and implement national programs in public relations and fund raising for the benefit of chapters.

The Foundation (Make-A-Wish Massachusetts and Rhode Island) raises funds locally to support its mission and operations in Massachusetts and Rhode Island. In addition, the Foundation is obligated to comply with an agreement with the National organization (Make-A-Wish America) and such guidelines, resolutions and policies as may be adopted by its 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 is \$517,212 and \$516,587, respectively, of money market mutual 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. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. Contributions are written off when deemed uncollectible.

(e) Property and Equipment, Net

Property and equipment having a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt 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 5 to 10 years.

**MAKE-A-WISH FOUNDATION[®] OF MASSACHUSETTS
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Notes to Financial Statements

August 31, 2013 and 2012

(f) 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.

(g) Net Assets

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

(h) Operations

The statements of activities report the change in net assets from operating and nonoperating activities. Operating activities consist of those items attributed to public support, special events less direct benefit costs, and related expenses for program services and support services for the purpose of granting wishes to children with life-threatening medical conditions.

Income and realized and unrealized gains and losses from investments, major gifts intended to support future years and other items not related to the Foundation's operations are reported as nonoperating activities.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
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Notes to Financial Statements

August 31, 2013 and 2012

(i) Revenue Recognition

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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

	2013	2012
Contributions:		
Wish related	\$ 1,129,632	989,074
Professional services	119,022	89,516
Property and equipment	—	6,180
Total	\$ 1,248,654	1,084,770

The Foundation considers as contributions that portion of the revenue received from special events and other fundraising events in excess of the fair value received by the participant. Accordingly, \$358,363 and \$306,655 of special events revenues and direct benefit costs to donors reflects the fair value of goods or services for which the participant paid and received, respectively, and contributions include \$1,279,873 and \$1,143,150 representing the excess of the payment over that fair value in 2013 and 2012, respectively.

(j) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and state income taxes of the Massachusetts Department of Revenue Taxation Code and State of Rhode Island Division of Taxation. 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

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
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Notes to Financial Statements

August 31, 2013 and 2012

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 for the Foundation at August 31, 2013 or 2012.

(k) Functional Expenses

The Foundation performs four functions: wish granting, program-related support, fund raising, 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.

Program-Related Support

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

Fund Raising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2013 and 2012, the Foundation incurred joint costs for activities that include fund raising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	2013	2012
Fund raising	\$ 13,582	5,636
Public information	13,582	5,636
Total	\$ 27,164	11,272

Management and General

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

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

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Notes to Financial Statements

August 31, 2013 and 2012

(l) 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 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.

(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(s) 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.

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).

(b) Fair Value Hierarchy

All securities are designated as Level 1 securities with the fair value hierarchy and are measured at fair value on a recurring basis at August 31, 2013 and 2012:

Description	August 31	
	2013	2012
Mutual funds:		
Domestic equity	\$ 3,926,896	2,582,638
International equity	184,852	186,263
Money market	144,234	142,962
Real estate	59,809	2,816
Commodities	179,118	44,866
Bonds	2,030,274	2,193,479
Equity securities:		
U.S. corporate equity securities	335,315	1,122,430
Certificates of deposit	305,224	304,533
Total	\$ 7,165,722	6,579,987

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Notes to Financial Statements

August 31, 2013 and 2012

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	\$ 195,744	156,047
Realized and unrealized gains, net	408,442	270,332
Less investment expenses	(19,392)	(16,439)
Investment income, net	\$ 584,794	409,940

The interest income and investment return, net, of \$585,377 and \$410,621 on the statements of activities includes \$583 and \$681 of operating cash interest in 2013 and 2012, respectively.

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at rates ranging from 3.25% to 4.06% in August 31, 2013 and 2012. The following is a summary of the Foundation's contributions receivable at August 31, 2013 and 2012:

	2013	2012
Total amounts due in:		
One year	\$ 576,347	397,814
Two to five years	540,000	435,000
Gross contributions receivable	1,116,347	832,814
Less discount to present value	(19,635)	(14,138)
Contributions receivable, net	\$ 1,096,712	818,676

(5) Split-Interest Agreements

The Foundation is a named income beneficiary on various perpetual trusts, the corpus of which is not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying statements of activities as a component of permanently restricted realized and unrealized gains and losses on investments.

The Foundation's beneficial interest in the trust is \$1,736 and \$1,694 as of August 31, 2013 and 2012, respectively, and is included in due from related entities in the statements of financial position.

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(6) 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, and other miscellaneous revenues. During the years ended August 31, 2013 and 2012, the Foundation received \$1,101,226 and \$1,113,808, 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 Make-A-Wish Foundation of America pays on behalf of the Foundation. Amounts totaling \$206,308 and \$225,740 were paid from the Foundation to Make-A-Wish Foundation of America 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 \$7,725 and \$8,850 for the years ended August 31, 2013 and 2012, respectively.

Amounts due from and to related entities are as follows:

	<u>2013</u>	<u>2012</u>
Balance at August 31:		
Due from National Organization	\$ 61,776	101,097
Due from other chapters	7,227	2,083
Total due from related entities	<u>\$ 69,003</u>	<u>103,180</u>
Due to National Organization	\$ —	1,419
Due to other chapters	30,521	13,162
Total due to related entities	<u>\$ 30,521</u>	<u>14,581</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 totaling \$616,600 and \$936,250, respectively. In 2013 and 2012, amounts due from board members totaled \$443,500 and \$502,500, respectively, and are included in contributions receivable in the accompanying statements of financial position. Additionally, the Foundation did not pay any amount for goods or services to companies owned by board members or related parties.

As part of the Make-A-Wish Foundation® of America’s Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs or wishes. Under this program, the

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Foundation supported three other chapters with contributions during the years ended August 31, 2013 and 2012 totaling \$200,000 and \$150,000, respectively, which is recorded under wish granting expense.

(7) Property and Equipment, Net

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

	2013	2012
Computer equipment and software	\$ 50,919	130,337
Other equipment	40,558	41,583
	91,477	171,920
Less accumulated depreciation and amortization	(60,292)	(158,276)
Property and equipment, net	\$ 31,185	13,644

Depreciation and amortization expense totaled \$8,545 and \$8,530 for the years ended August 31, 2013 and 2012, respectively.

During the year ended August 31, 2013, the Foundation wrote-off \$106,529 of property and equipment with a net book value of \$0. The Foundation did not write-off any property and equipment during the year ended August 31, 2012.

(8) 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 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 139 and 162 reportable pending wishes, respectively.

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(9) Leases

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through May 31, 2018. Total rent expense for all operating leases for the years ended August 31, 2013 and 2012 totaled \$192,537 and \$190,070, respectively.

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

	Operating leases
Year ending August 31:	
2014	\$ 180,158
2015	44,244
2016	32,910
2017	32,910
2018	2,711
Total minimum lease payments	\$ 292,933

(10) Endowments

The Foundation's endowment consists of several individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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, both donor-restricted and board-designated, are reflected as investments held for long term purposes on the statements of financial position.

(a) Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Massachusetts 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

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

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

		2013			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	3,716	54,444	58,160
Board-designated endowment funds		5,577,819	—	—	5,577,819
Total funds	\$	<u>5,577,819</u>	<u>3,716</u>	<u>54,444</u>	<u>5,635,979</u>
		2012			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	451	54,444	54,895
Board-designated endowment funds		5,257,039	—	—	5,257,039
Total funds	\$	<u>5,257,039</u>	<u>451</u>	<u>54,444</u>	<u>5,311,934</u>

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

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 5,257,039	451	54,444	5,311,934
Investment return:				
Investment income	173,891	1,770	—	175,661
Net appreciation (realized and unrealized)	405,259	4,125	—	409,384
Total investment return	579,150	5,895	—	585,045
Appropriation of endowment assets for expenditure	(258,370)	(2,630)	—	(261,000)
Endowment net assets, end of year	<u>\$ 5,577,819</u>	<u>3,716</u>	<u>54,444</u>	<u>5,635,979</u>
	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 5,126,543	—	54,444	5,180,987
Investment return:				
Investment income	135,140	1,375	—	136,515
Net appreciation (realized and unrealized)	267,403	2,929	—	270,332
Total investment return	402,543	4,304	—	406,847
Appropriation of endowment assets for expenditure	(272,047)	(3,853)	—	(275,900)
Endowment net assets, end of year	<u>\$ 5,257,039</u>	<u>451</u>	<u>54,444</u>	<u>5,311,934</u>

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

	2013	2012
Permanently restricted net assets:		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ <u>54,444</u>	<u>54,444</u>
Temporarily restricted net assets:		
(1) Term endowment funds	\$ —	—
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	3,716	451
With purpose restrictions	<u>—</u>	<u>—</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>3,716</u>	<u>451</u>

(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, deficiencies of this nature are reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors. There were no such deficiencies as of August 31, 2013 and 2012.

(c) Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return greater than 4% 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.

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

The Foundation has a policy of appropriating for distribution each year within a range of 4% to 6% of its endowment fund's average fair value 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 rate greater than 4% annually, prior to the 4% to 6% appropriation for distribution previously noted. 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.

(11) Temporarily and Permanently Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Wish granting	\$ 586,258	228,517
Unappropriated endowment gains	3,716	451
Time restrictions	<u>965,096</u>	<u>716,004</u>
Total temporarily restricted net assets	<u>\$ 1,555,070</u>	<u>944,972</u>

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

	<u>2013</u>	<u>2012</u>
Investments in perpetuity, the income from which is expendable to support any activities of the Foundation	\$ 54,444	54,444
	<u>\$ 54,444</u>	<u>54,444</u>

(12) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan as of their date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. Full-time employees who have been employed with the Foundation for one year or more are eligible to receive an employer contribution to their 403(b) account. The Foundation matches employee contributions up to 3% of the employee's salary, per board discretion. Foundation contributions to the Plan for the years ended August 31, 2013 and 2012 were \$30,858 and \$30,038, respectively.

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(13) 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 \$668,531 and \$598,269 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represents 11% of total public support in both years. Should these contribution levels decrease, the Foundation may be adversely affected.

(14) 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.

(15) Subsequent Events

The Foundation has evaluated events from the statement of financial position date through December 23, 2013, the date at which the financial statements were available to be issued.