



MAKE-A-WISH FOUNDATION[®] OF EASTERN NORTH CAROLINA

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

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KPMG LLP
Duke Energy Center
Suite 3200
550 South Tryon Street
Charlotte, NC 28202-4214

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation[®] of Eastern North Carolina, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Make-A-Wish Foundation of Eastern North Carolina (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 Eastern North Carolina 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

Charlotte, North Carolina
December 13, 2013

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Statements of Financial Position

August 31, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	\$ 326,963	217,986
Investments	251,908	249,794
Due from related entities	64,530	43,370
Prepaid expenses	24,686	21,721
Contributions receivable, net	321,595	202,274
Other assets	16,575	16,539
Property and equipment, net	15,615	20,584
Total assets	<u>\$ 1,021,872</u>	<u>772,268</u>
Liabilities and Net Assets (Deficit)		
Accounts payable and accrued expenses	\$ 62,574	61,844
Accrued pending wish costs	760,236	605,013
Due to related entities	1,807	4,715
Other liabilities	27,582	28,994
Total liabilities	<u>852,199</u>	<u>700,566</u>
Commitments and contingencies		
Net assets (deficit):		
Unrestricted	(8,265)	(112,383)
Temporarily restricted	177,938	184,085
Total net assets	<u>169,673</u>	<u>71,702</u>
Total liabilities and net assets	<u>\$ 1,021,872</u>	<u>772,268</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

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	\$ 1,734,932	177,938	1,912,870
Grants	252,545	—	252,545
Total public support	<u>1,987,477</u>	<u>177,938</u>	<u>2,165,415</u>
Internal special events	380,842	—	380,842
Less costs of direct benefits to donor	<u>(94,611)</u>	<u>—</u>	<u>(94,611)</u>
Total special events	286,231	—	286,231
Investment income, net	2,267	—	2,267
Other income	2,600	—	2,600
Net assets released from restrictions	<u>184,085</u>	<u>(184,085)</u>	<u>—</u>
Total revenues, gains, and other support	<u>2,462,660</u>	<u>(6,147)</u>	<u>2,456,513</u>
Expenses:			
Program services:			
Wish granting	1,323,043	—	1,323,043
Program-related support	<u>289,897</u>	<u>—</u>	<u>289,897</u>
Total program services	<u>1,612,940</u>	<u>—</u>	<u>1,612,940</u>
Support services:			
Fundraising	455,113	—	455,113
Management and general	<u>290,489</u>	<u>—</u>	<u>290,489</u>
Total support services	<u>745,602</u>	<u>—</u>	<u>745,602</u>
Total expenses and losses	<u>2,358,542</u>	<u>—</u>	<u>2,358,542</u>
Change in net assets	104,118	(6,147)	97,971
Net assets (deficit), beginning of the year	<u>(112,383)</u>	<u>184,085</u>	<u>71,702</u>
Net assets (deficit), end of the year	<u>\$ (8,265)</u>	<u>177,938</u>	<u>169,673</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

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	\$ 1,352,690	184,085	1,536,775
Grants	337,547	—	337,547
Total public support	<u>1,690,237</u>	<u>184,085</u>	<u>1,874,322</u>
Internal special events	281,441	—	281,441
Less costs of direct benefits to donor	<u>(88,707)</u>	<u>—</u>	<u>(88,707)</u>
Total special events	192,734	—	192,734
Investment income, net	4,155	—	4,155
Other income	8,957	—	8,957
Net assets released from restrictions	<u>250,606</u>	<u>(250,606)</u>	<u>—</u>
Total revenues, gains, and other support	<u>2,146,689</u>	<u>(66,521)</u>	<u>2,080,168</u>
Expenses:			
Program services:			
Wish granting	1,149,789	—	1,149,789
Program-related support	<u>317,275</u>	<u>—</u>	<u>317,275</u>
Total program services	<u>1,467,064</u>	<u>—</u>	<u>1,467,064</u>
Support services:			
Fundraising	350,261	—	350,261
Management and general	<u>232,687</u>	<u>—</u>	<u>232,687</u>
Total support services	<u>582,948</u>	<u>—</u>	<u>582,948</u>
Total expenses and losses	<u>2,050,012</u>	<u>—</u>	<u>2,050,012</u>
Change in net assets	96,677	(66,521)	30,156
Net assets (deficit), beginning of the year	<u>(209,060)</u>	<u>250,606</u>	<u>41,546</u>
Net assets (deficit), end of the year	<u>\$ (112,383)</u>	<u>184,085</u>	<u>71,702</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

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	\$ 97,971	30,156
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,927	13,305
Net realized and unrealized gains on investments	(2,114)	(4,155)
Change in discount to present value of contributions receivable	1,514	2,000
Change in attrition on pending wish liability	84,857	(44,845)
Contributions restricted for property and equipment	(5,049)	—
Changes in assets and liabilities:		
Contributions receivable	(120,835)	68,802
Due from related entities	(21,160)	(10,381)
Prepaid expenses	(2,965)	6,888
Other assets	(36)	(8,362)
Accounts payable and accrued expenses	730	17,807
Accrued pending wish costs	70,366	58,671
Due to related entities	(2,908)	(4,411)
Other liabilities	(1,412)	332
Net cash provided by operating activities	<u>109,886</u>	<u>125,807</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(909)</u>	<u>(7,915)</u>
Net cash used in investing activities	<u>(909)</u>	<u>(7,915)</u>
Net increase in cash and cash equivalents	108,977	117,892
Cash and cash equivalents, beginning of year	<u>217,986</u>	<u>100,094</u>
Cash and cash equivalents, end of year	\$ <u><u>326,963</u></u>	\$ <u><u>217,986</u></u>
Supplemental cash flow information:		
In-kind contributions	\$ 596,839	491,703
Contributed property and equipment	5,049	—

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Statement of Functional Expenses

Year ended August 31, 2013

	Program services			Support services			Total
	Wish granting	Program-related support	Total program services	Fundraising	Management and general	Total support services	
Direct costs of wishes	\$ 1,323,043	—	1,323,043	—	—	—	1,323,043
Salaries, taxes, and benefits	—	205,152	205,152	329,147	229,651	558,798	763,950
Professional fees	—	2,638	2,638	3,804	17,502	21,306	23,944
Rent and utilities	—	20,279	20,279	22,429	18,742	41,171	61,450
Postage and delivery	—	2,047	2,047	8,481	2,063	10,544	12,591
Travel	—	2,291	2,291	9,892	1,851	11,743	14,034
Meetings and conferences	—	252	252	3,884	3,132	7,016	7,268
Office supplies	—	1,194	1,194	6,009	3,011	9,020	10,214
Communications	—	2,648	2,648	3,397	2,021	5,418	8,066
Advertising and media (cash)	—	1,388	1,388	43,167	773	43,940	45,328
Repairs and maintenance	—	2,136	2,136	2,548	1,812	4,360	6,496
Membership dues	—	—	—	1,318	—	1,318	1,318
National partnership dues	—	44,287	44,287	6,727	5,046	11,773	56,060
Miscellaneous	—	1,985	1,985	10,331	1,537	11,868	13,853
Depreciation and amortization	—	3,600	3,600	3,979	3,348	7,327	10,927
	<u>\$ 1,323,043</u>	<u>289,897</u>	<u>1,612,940</u>	<u>455,113</u>	<u>290,489</u>	<u>745,602</u>	<u>2,358,542</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Statement of Functional Expenses

Year ended August 31, 2012

	Program services			Support services			Total
	Wish granting	Program-related support	Total program services	Fundraising	Management and general	Total support services	
Direct costs of wishes	\$ 1,149,789	—	1,149,789	—	—	—	1,149,789
Salaries, taxes, and benefits	—	224,049	224,049	243,297	172,838	416,135	640,184
Professional fees	—	11,958	11,958	3,552	14,293	17,845	29,803
Rent and utilities	—	27,038	27,038	20,893	13,519	34,412	61,450
Postage and delivery	—	2,173	2,173	3,563	1,298	4,861	7,034
Travel	—	1,014	1,014	9,813	10,836	20,649	21,663
Meetings and conferences	—	276	276	5,151	2,377	7,528	7,804
Office supplies	—	1,268	1,268	4,153	5,152	9,305	10,573
Communications	—	3,133	3,133	2,584	1,489	4,073	7,206
Advertising and media (cash)	—	1,828	1,828	32,303	20	32,323	34,151
Repairs and maintenance	—	2,578	2,578	1,992	1,289	3,281	5,859
Membership dues	—	—	—	1,035	—	1,035	1,035
National partnership dues	—	34,739	34,739	5,875	4,507	10,382	45,121
Miscellaneous	—	1,367	1,367	11,526	2,142	13,668	15,035
Depreciation and amortization	—	5,854	5,854	4,524	2,927	7,451	13,305
	<u>\$ 1,149,789</u>	<u>317,275</u>	<u>1,467,064</u>	<u>350,261</u>	<u>232,687</u>	<u>582,948</u>	<u>2,050,012</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Notes to Financial Statements

August 31, 2013 and 2012

(1) Organization

Make-A-Wish Foundation® of Eastern North Carolina (the Foundation) is a North Carolina not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fund raising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

(b) *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2013 and 2012 include money market mutual funds of \$272,448 and \$187,294, respectively.

(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. 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 five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Notes to Financial Statements

August 31, 2013 and 2012

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 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.
- 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.

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Notes to Financial Statements

August 31, 2013 and 2012

- 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>
Wish related items	\$ 446,074	296,586
Wish related services, including theme park tickets, lodging, transportation	144,046	140,519
Internal special events	1,038	49,312
Office supplies and marketing items	555	51
Property and equipment	5,049	—
Professional services and other donations	5,126	5,235
	<u>\$ 601,888</u>	<u>491,703</u>

An internal special event is a fund raising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair 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 \$595,801 and \$442,391 in 2013 and 2012, respectively.

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and North Carolina franchise or income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Chapter 55A of the General Statutes of North Carolina. 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

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Notes to Financial Statements

August 31, 2013 and 2012

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 for the Foundation at August 31, 2013 or 2012.

(j) ***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 no significant joint costs for activities that include fund raising appeals.

Management and General

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

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

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Notes to Financial Statements

August 31, 2013 and 2012

(k) *Management Estimates*

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

(3) *Fair Value Measurements*

(a) *Fair Value of Financial Instruments*

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments shown in the following 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 (see note 2).

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

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 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:				
Cash and cash equivalents	\$ 272,448	272,448	—	—
Investments:				
Mutual domestic equity funds	4,933	4,933	—	—
Certificates of deposit	246,975	—	246,975	—
Total investments	251,908	4,933	246,975	—
Total recurring	524,356	277,381	246,975	—
Nonrecurring:				
Contributions receivable	321,595	—	—	321,595
Total	\$ 845,951	277,381	246,975	321,595
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:				
Cash and cash equivalents	\$ 187,294	187,294	—	—
Investments:				
Mutual domestic equity funds	4,094	4,094	—	—
Certificates of deposit	245,700	—	245,700	—
Total investments	249,794	4,094	245,700	—
Total recurring	437,088	191,388	245,700	—
Nonrecurring:				
Contributions receivable	202,274	—	—	202,274
Total	\$ 639,362	191,388	245,700	202,274

MAKE-A-WISH FOUNDATION® OF EASTERN NORTH CAROLINA

Notes to Financial Statements

August 31, 2013 and 2012

For the valuation of certificates of deposit at August 31, 2013 and 2012, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

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

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 1,377	4,015
Realized and unrealized gains (losses), net	737	140
Investment income, net	<u>\$ 2,114</u>	<u>4,155</u>

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at a rate of 1.01% at August 31, 2012. The following is a summary of the Foundation's contributions receivable at August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Total amounts due in:		
One year	\$ 324,095	204,827
Two to five years	—	—
Gross contributions receivable	324,095	204,827
Less allowance for doubtful accounts	(2,500)	(1,039)
Less discount to present value	—	(1,514)
Contributions receivable, net	<u>\$ 321,595</u>	<u>202,274</u>

(5) Transactions with Related Entities

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2013 and 2012, the Foundation received \$530,623 and \$579,584 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 \$56,060 and \$45,121 were paid from the Foundation to Make-A-Wish Foundation of America during the years ending August 31, 2013 and 2012, respectively.

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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 \$2,325 and \$3,375 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	\$ 57,030	42,128
Due from other chapters	<u>7,500</u>	<u>1,242</u>
Total due from related entities	<u>\$ 64,530</u>	<u>43,370</u>
Due to other chapters	\$ 1,807	4,715

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 \$91,613 and \$47,590, respectively. In 2013 and 2012, amounts due from board members totaled \$40 and \$60, respectively, and are included in contributions receivable, net in the accompanying statements of financial position.

(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	\$ 40,278	55,249
Office furniture and equipment	33,368	33,368
Leasehold improvements	<u>3,800</u>	<u>3,800</u>
	77,446	92,417
Less accumulated depreciation and amortization	<u>(61,831)</u>	<u>(71,833)</u>
Property and equipment, net	<u>\$ 15,615</u>	<u>20,584</u>

Depreciation and amortization expense totaled \$10,927 and \$13,305 for the years ended August 31, 2013 and 2012, respectively.

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(7) Accrued Pending Wish Costs

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past 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 113 and 113 reportable pending wishes, respectively.

(8) Leases

The Foundation is obligated under an operating lease for office rent, which expires November 30, 2018. Total rent expense for the years ended August 31, 2013 and 2012 totaled \$61,450 for each year. The Foundation has no capital leases.

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

	Operating leases
Year ending August:	
2014	\$ 64,742
2015	66,698
2016	68,704
2017	70,777
2018	17,825
	<hr/>
Total minimum lease payments	\$ <u>288,746</u>

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(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	\$ —	6,250
Time restrictions	177,938	177,835
Total temporarily restricted net assets	<u>\$ 177,938</u>	<u>184,085</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 matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2013 and 2012 were \$13,724 and \$11,405, respectively.

(11) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling \$377,885 and \$296,998 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represents 17% and 16%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(12) Litigation and Claims

The Foundation is not involved in any litigation and claims.

(13) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through December 13, 2013, the date at which the financial statements were available to be issued. There were no additional matters requiring disclosures as of this date.