KPMG

MAKE-A-WISH FOUNDATION® OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF ORANGE COUNTY
AND THE INLAND EMPIRE, INC.

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation® of Orange County and the Inland Empire, Inc.:

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Orange County and the Inland Empire, Inc. (the Foundation), which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of Orange County and the Inland Empire, Inc. 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

Irvine, California
December 16, 2013

MAKE-A-WISH FOUNDATION® OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.

Statements of Financial Position

August 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	306,118	258,358
Investments		1,072,267	939,051
Due from related entities		109,119	119,567
Prepaid expenses		28,590	33,912
Contributions receivable, net		52,539	79,561
Other assets		27,933	17,479
Investments held for long-term purposes		94,818	88,547
Property and equipment, net		904,708	917,369
Total assets	$	2,596,092	2,453,844
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	88,256	222,865
Accrued pending wish costs		1,053,558	1,163,460
Due to related entities		15,947	3,599
Notes payable		250,000	—
Total liabilities		1,407,761	1,389,924
Commitments and contingencies			
Net assets:			
Unrestricted		801,960	781,219
Temporarily restricted		303,871	200,201
Permanently restricted		82,500	82,500
Total net assets		1,188,331	1,063,920
Total liabilities and net assets	$	2,596,092	2,453,844

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.

Statement of Activities

Year ended August 31, 2013

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:					
Public support:					
Contributions	$	3,222,733	373,546	—	3,596,279
Grants		107,671	—	—	107,671
Total public support		3,330,404	373,546	—	3,703,950
Internal special events		432,818	53,363	—	486,181
Less costs of direct benefits to donor		(122,240)	—	—	(122,240)
Total special events		310,578	53,363	—	363,941
Investment income, net		71,864	7,123	—	78,987
Other income		188,213	—	—	188,213
Net assets released from restrictions		330,362	(330,362)	—	—
Total revenues, gains, and other support		4,231,421	103,670	—	4,335,091
Expenses:					
Program services:					
Wish granting		3,386,390	—	—	3,386,390
Total program services		3,386,390	—	—	3,386,390
Support services:					
Fundraising		501,898	—	—	501,898
Management and general		322,392	—	—	322,392
Total support services		824,290	—	—	824,290
Total expenses		4,210,680	—	—	4,210,680
Increase in net assets		20,741	103,670	—	124,411
Net assets, beginning of year		781,219	200,201	82,500	1,063,920
Net assets, end of year	$	801,960	303,871	82,500	1,188,331

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.

Statement of Activities

Year ended August 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 2,554,048	172,154	—	2,726,202
Grants	161,778	—	—	161,778
Total public support	2,715,826	172,154	—	2,887,980
Internal special events	466,457	22,000	—	488,457
Less costs of direct benefits to donors	(131,769)	—	—	(131,769)
Total special events	334,688	22,000	—	356,688
Investment income, net	66,679	6,047	—	72,726
Other income	131,579	—	—	131,579
Net assets released from restrictions	72,748	(72,748)	—	—
Total revenues, gains, and other support	3,321,520	127,453	—	3,448,973
Expenses:				
Program services:				
Wish granting	2,753,547	—	—	2,753,547
Total program services	2,753,547	—	—	2,753,547
Support services:				
Fundraising	489,334	—	—	489,334
Management and general	502,937	—	—	502,937
Total support services	992,271	—	—	992,271
Total expenses	3,745,818	—	—	3,745,818
Decrease in net assets	(424,298)	127,453	—	(296,845)
Net assets, beginning of year	1,205,517	72,748	82,500	1,360,765
Net assets, end of year	$ 781,219	200,201	82,500	1,063,920

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.

Statements of Cash Flows

Years ended August 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Increase (decrease) in net assets	$	124,411	(296,845)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Depreciation and amortization		34,286	33,907
Net realized and unrealized gains on investments		(64,811)	(55,088)
Contributed property and equipment		(16,880)	—
Change in pending wish liability due to attrition		(44,625)	(127,876)
Changes in assets and liabilities:			
Contributions receivable		27,022	(24,428)
Due from related entities		10,448	22,382
Prepaid expenses		5,322	2,314
Other assets		(10,454)	(6,774)
Accounts payable and accrued expenses		(134,609)	16,239
Accrued pending wish costs		(65,276)	41,802
Due to related entities		12,347	(4,512)
Net cash used in operating activities		(122,819)	(398,879)
Cash flows from investing activities:			
Purchases of investments		(2,704,364)	(92,911)
Proceeds from sales of investments		2,629,688	374,453
Purchases of property and equipment		(4,745)	(7,762)
Net cash (used in) provided by investing activities		(79,421)	273,780
Cash flow from financing activities:			
Proceeds from notes payable		350,000	—
Payments on notes payable		(100,000)	—
Net cash flow provided by financing activities		250,000	—
Net increase (decrease) in cash and cash equivalents		47,760	(125,099)
Cash and cash equivalents, beginning of year		258,358	383,457
Cash and cash equivalents, end of year	$	306,118	258,358
Supplemental cash flow information:			
In-kind contributions	$	896,888	620,925
Donated property and equipment		16,880	—
Contributed services		1,410	—

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.

Statement of Functional Expenses

Year ended August 31, 2013

	Program services	Support services			
	Wish granting	Fundraising	Management and general	Total support services	Total
Direct costs of wishes	$ 2,453,694	—	—	—	2,453,694
Salaries, taxes, and benefits	655,593	325,145	253,924	579,069	1,234,662
Printing, subscriptions, and publications	10,454	9,357	1,993	11,350	21,804
Professional fees	28,768	45,385	7,098	52,483	81,251
Rent and utilities	28,997	13,683	7,583	21,266	50,263
Postage and delivery	4,836	3,540	514	4,054	8,890
Travel	14,051	12,502	2,292	14,794	28,845
Meetings and conferences	25,626	14,487	3,176	17,663	43,289
Office supplies	7,259	3,341	1,335	4,676	11,935
Communications	15,733	5,904	3,733	9,637	25,370
Advertising and media (cash)	4,880	18,831	97	18,928	23,808
Advertising and media (in kind)	—	1,410	—	1,410	1,410
Repairs and maintenance	13,304	6,353	3,495	9,848	23,152
Insurance	6,814	3,587	1,914	5,501	12,315
Membership dues	2,355	1,519	182	1,701	4,056
National partnership dues	69,261	10,521	7,890	18,411	87,672
Miscellaneous	28,508	14,195	21,275	35,470	63,978
Depreciation and amortization	16,257	12,138	5,891	18,029	34,286
	$ 3,386,390	501,898	322,392	824,290	4,210,680

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.

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	$ 2,022,030	—	—	—	2,022,030
Salaries, taxes, and benefits	469,887	344,678	353,357	698,035	1,167,922
Printing, subscriptions, and publications	5,002	3,133	2,079	5,212	10,214
Professional fees	54,998	47,513	57,118	104,631	159,629
Rent and utilities	26,546	12,980	10,552	23,532	50,078
Postage and delivery	3,282	1,978	1,320	3,298	6,580
Travel	11,668	7,628	7,336	14,964	26,632
Meetings and conferences	26,587	15,120	11,176	26,296	52,883
Office supplies	6,313	3,534	3,328	6,862	13,175
Communications	11,927	5,771	5,369	11,140	23,067
Advertising and media (cash)	4,532	11,320	125	11,445	15,977
Repairs and maintenance	10,311	5,513	4,713	10,226	20,537
Insurance	4,597	2,847	1,877	4,724	9,321
Membership dues	863	1,449	183	1,632	2,495
National partnership dues	68,312	11,533	8,872	20,405	88,717
Miscellaneous	8,736	5,850	28,068	33,918	42,654
Depreciation and amortization	17,956	8,487	7,464	15,951	33,907
	$ 2,753,547	489,334	502,937	992,271	3,745,818

See accompanying notes to financial statements.

(1) Organization

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2013 and 2012 are $296,395 and $122,552, 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 an increase or decrease in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

(d) Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates. Contributions are written off when deemed uncollectible.

(e) Property and Equipment, Net

Property and equipment having a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 40 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

(f) Fair Value Measurements

The Foundation follows the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets, financial liabilities, and 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 Foundation 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, either directly or indirectly. If the asset has a specified term, a Level 2 input must be observable for substantially the full term of the asset.
- 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 the measurement date.

See additional information in note 3.

(g) Net Assets

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

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions or law 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) 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:

		2013	2012
Contributions:			
Wish related	$	861,312	593,920
Advertising and media		1,410	—
Property and equipment		16,880	—
Other		35,576	—
Total	$	915,178	593,920
Special event revenue:			
Internal special events	$	—	27,005

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a separate support group or organization. It is designed to attract and involve 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 are recorded at fair value totaling $898,298 and $593,920 in 2013 and 2012, with the difference representing donated property and special events direct donor benefit costs.

Advertising and media is 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 when received and fund raising or public information expense when received. 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.

Wish related in-kind contributions consisted of the following:

		2013	2012
Computer equipment, games, and toys	$	295	20,352
Cruises		13,681	1,925
Lodging		322,451	81,530
Theme parks		223,142	191,763
Transportation		34,119	39,927
Other wish-related donations		267,624	258,423
Total	$	861,312	593,920

(i) ***Income Taxes***

The Foundation is a not-for-profit organization exempt from federal income and California taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701d of the California Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The Foundation has adopted ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions exist for the Foundation at August 31, 2013 or 2012.

(j) ***Functional Expenses***

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

Wish Granting

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

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2013 and 2012, the Foundation incurred no significant joint costs for activities that include fundraising appeals.

Management and General

All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general 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, investments, valuation of contributions receivable, accrued pending wish costs, and whether an allowance for uncollectible contributions receivable is required.

(l) Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 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, 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.

(Continued)

The Foundation follows 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.

(b) 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, 2013 and 2012:

	Fair value measurements at August 31, 2013, using			
Description	**August 31, 2013**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:				
Recurring:				
Cash equivalents	$ 296,395	296,395	—	—
Investments and investments held for long-term purposes:				
Mutual funds:				
Domestic equity	$ 22,372	22,372	—	—
International equity	9,259	9,259	—	—
Global	12,570	12,570	—	—
Real estate	2,826	2,826	—	—
Bonds	8,985	8,985	—	—
Exchange-traded funds:				
Domestic equity	740,846	740,846	—	—
International equity	272,775	272,775	—	—
Bonds	97,452	97,452	—	—
Total investments and investments held for long-term purposes	1,167,085	1,167,085	—	—
Total recurring	$ 1,463,480	1,463,480	—	—
Nonrecurring:				
Contributions receivable	$ 52,539	—	—	52,539

Description		August 31, 2012	Fair value measurements at August 31, 2012, using: Quoted prices in active markets for identical assets (Level 1)	Significant other inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Recurring:					
Cash equivalents	$	122,552	122,552	—	—
Investments and investments held for long-term purposes:					
Mutual funds:					
Bonds		59,949	59,949	—	—
Exchange-traded funds:					
Commodities		23,942	23,942	—	—
Domestic equity		78,689	78,689	—	—
International equity		174,885	174,885	—	—
Equity securities:					
U.S. corporate equity securities		373,280	373,280	—	—
Debt securities:					
Corporate		316,853	—	316,853	—
Total investments and investments held for long-term purposes		1,027,598	710,745	316,853	—
Total recurring	$	1,150,150	833,297	316,853	—
Nonrecurring:					
Contributions receivable	$	79,561	—	—	79,561

For the valuation of investments categorized as Level 1 at August 31, 2013 and 2012, the Foundation used unadjusted market prices for identical assets.

For the valuation of corporate debt securities at August 31, 2012, the Foundation used significant other observable inputs, particularly dealer market prices for similar investments as of the valuation date (Level 2).

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. These

(Continued)

inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

The Foundation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended August 31, 2013.

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	$	27,948	31,268
Realized and unrealized gains, net		64,811	55,088
Less investment expenses		(13,772)	(13,630)
Investment income, net	$	78,987	72,726

(4) Contributions Receivable

Contributions receivable include pledges at 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	$	52,539	79,561
Gross contributions receivable		52,539	79,561
Less allowance for doubtful accounts		—	—
Contributions receivable, net	$	52,539	79,561

(5) Notes Payable

On August 14, 2013, the Foundation entered into a note payable with a financial institution totaling $350,000. Notes payable are recorded at carrying value on the statement of financial position. Carrying value approximates fair value. The note bears interest at 3.25%, requires payment in full at maturity on August 14, 2014. The remaining principal payments subsequent to August 31, 2013 are as follows:

Fiscal year:		
2014	$	250,000
2015		—
2016		—
2017		—
2018		—
2019 and thereafter		—
Total	$	250,000

(6) Transactions with Related Entities

The Foundation received the following distributions from the National Organization for the years ended August 31:

		2013	2012
Corporate, online, white mail, and general contributions	$	1,011,674	727,634
Gifts and travel reimbursements		781	1,298
Grants		522	11,147
Scholarships		—	600
Wish fulfillment fund		38,349	67,289
Other		5,800	6,842
Total distributions received	$	1,057,126	814,810

These amounts are recorded in the statement of activities as public support revenue.

The Foundation paid the National Organization the following amounts for the years ended August 31:

		2012	2011
Partnership dues	$	87,672	88,717

Chapters that 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 $187,125 and $131,769 for the years ended August 31, 2013 and 2012, respectively, which is recorded in the accompanying statements of activities as other income.

(Continued)

Amounts due from and due to related entities are as follows:

		2013	2012
Balance at August 31:			
Due from National Organization	$	53,208	48,438
Due from other chapters		55,911	71,129
Total due from related entities	$	109,119	119,567
Due to other chapters	$	15,947	3,599

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 $36,380 and $58,622, respectively.

(7) Property and Equipment, Net

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

		2013	2012
Land	$	353,147	353,147
Buildings and building improvements		688,385	689,166
Computer equipment and software		98,772	79,536
Office furniture		173,074	169,904
Leasehold improvements		23,834	23,834
		1,337,212	1,315,587
Less accumulated depreciation and amortization		(432,504)	(398,218)
Property and equipment, net	$	904,708	917,369

Depreciation and amortization expense totaled $34,286 and $33,907 for the years ended August 31, 2013 and 2012, respectively.

(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
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 completed within the past 12 months due to factors outside of the control of the Foundation, such as the death of a child, the move of the family out of the Foundation's territory or loss of contact with the family. As of August 31, 2013 and 2012, the Foundation had 146 and 184 reportable pending wishes, respectively.

(9) Leases

The Foundation is obligated under an operating lease for its office in the Inland Empire, which expires August 1, 2015 with an option to renew for another five years, and a lease on its copier. Total rent expense for all operating leases for the years ended August 31, 2013 and 2012 totaled $33,052 and $31,674, respectively.

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

		Operating leases
Year ending August 31:		
2014	$	37,275
2015		32,789
Total minimum lease payments	$	70,064

(10) Endowments

The Foundation follows the provisions of ASC 958, Section 205-45, *Reporting Endowment Funds*. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also require disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of one individual fund 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 California UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

(Continued)

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	$ —	13,170	82,500	95,670
Board-designated endowment funds	12,566	—	—	12,566
Total funds	$ 12,566	13,170	82,500	108,236

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	6,047	82,500	88,547
Board-designated endowment funds	11,613	—	—	11,613
Total funds	$ 11,613	6,047	82,500	100,160

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	$ 11,613	6,047	82,500	100,160
Investment return:				
Investment income	238	1,780	—	2,018
Net appreciation	715	5,343	—	6,058
	953	7,123	—	8,076
Endowment net assets, end of year	$ 12,566	13,170	82,500	108,236

(Continued)

		2012			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	10,818	—	82,500	93,318
Investment return:					
Investment income		197	1,487	—	1,684
Net appreciation		598	4,560	—	5,158
		795	6,047	—	6,842
Endowment net assets, end of year	$	11,613	6,047	82,500	100,160

The following is a description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

		2013	2012
Permanently restricted net assets:			
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$	82,500	82,500
Temporarily restricted net assets:			
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:			
Without purpose restrictions	$	13,170	6,047

(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. There are no fund deficiencies as of August 31, 2013 and 2012, respectively.

(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. 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 principal while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

(Continued)

(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.

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

The Foundation has a policy of not appropriating any funds until the endowment reaches $105,000 at which time the endowment can be drawn down $5,000. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(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:

		2013	2012
Wish granting	$	197,669	98,640
Time restrictions		106,202	101,561
Total temporarily restricted net assets	$	303,871	200,201

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

		2013	2012
Investments in perpetuity, the income from which is expendable to support activities of the Foundation	$	82,500	82,500

(12) Retirement Plan

The Foundation has a defined-contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 4% of the employee's salary. The Foundation contributions to the Plan for the years ended August 31, 2013 and 2012 were $28,474 and $32,579, respectively.

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(13) Concentrations of Credit Risk

In-kind contributions totaling $186,120 and $162,510 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represent 5.0% and 5.6%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(14) Subsequent Events

The Foundation has evaluated subsequent events from the statements of financial position date through December 16, 2013 the date at which the financial statements were available to be issued.