KPMG

MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation® of New Jersey, Inc.:

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

KPMG LLP

December 13, 2013

MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.

Statements of Financial Position

August 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	998,960	1,299,689
Investments		3,672,920	3,362,541
Due from related entities		140,360	256,920
Prepaid expenses		11,481	96,046
Contributions receivable, net		2,256,153	2,397,947
Other assets		32,024	340,390
Property and equipment, net		8,644,808	8,810,418
Investments held for long-term purposes		933,457	869,495
Split-interest agreements		131,703	114,926
Total assets	$	16,821,866	17,548,372
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	116,193	392,237
Accrued pending wish costs		1,905,778	1,707,220
Notes payable		3,939,317	4,576,488
Capital lease obligations		12,165	22,952
Total liabilities		5,973,453	6,698,897
Commitments and contingencies			
Net assets:			
Unrestricted		9,613,155	9,786,417
Temporarily restricted		487,258	315,058
Permanently restricted		748,000	748,000
Total net assets		10,848,413	10,849,475
Total liabilities and net assets	$	16,821,866	17,548,372

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.

Statement of Activities

Year ended August 31, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 4,612,889	170,098	—	4,782,987
Grants	778,290	—	—	778,290
Total public support	5,391,179	170,098	—	5,561,277
Special events	860,954	—	—	860,954
Less direct benefit costs to donor	(336,305)	—	—	(336,305)
Special events, net	524,649	—	—	524,649
Investment income, net	312,735	81,553	—	394,288
Other income	23,990	—	—	23,990
Change in value of split-interest agreements	—	16,778	—	16,778
Net assets released from restrictions	96,229	(96,229)	—	—
Total revenues, gains, and other support	6,348,782	172,200	—	6,520,982
Expenses:				
Program services:				
Wish granting	5,158,666	—	—	5,158,666
Total program services	5,158,666	—	—	5,158,666
Support services:				
Fundraising	1,097,936	—	—	1,097,936
Management and general	265,442	—	—	265,442
Total support services	1,363,378	—	—	1,363,378
Total expenses	6,522,044	—	—	6,522,044
Change in net assets	(173,262)	172,200	—	(1,062)
Net assets, beginning of year	9,786,417	315,058	748,000	10,849,475
Net assets, end of year	$ 9,613,155	487,258	748,000	10,848,413

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.

Statement of Activities

Year ended August 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 4,401,065	894,289	—	5,295,354
Grants	588,328	—	—	588,328
Total public support	4,989,393	894,289	—	5,883,682
Special events	604,650	—	—	604,650
Less direct benefit costs to donor	(230,193)	—	—	(230,193)
Special events, net	374,457	—	—	374,457
Investment income, net	244,196	56,678	—	300,874
Other income	5,834	—	—	5,834
Gain on sale of property	235,841	—	—	235,841
Change in value of split-interest agreements	—	8,150	—	8,150
Net assets released from restrictions and reclassifications, net	7,184,160	(7,184,160)	—	—
Total revenues, gains, and other support	13,033,881	(6,225,043)	—	6,808,838
Expenses:				
Program services:				
Wish granting	5,520,168	—	—	5,520,168
Total program services	5,520,168	—	—	5,520,168
Support services:				
Fundraising	1,136,547	—	—	1,136,547
Management and general	279,807	—	—	279,807
Total support services	1,416,354	—	—	1,416,354
Total expenses	6,936,522	—	—	6,936,522
Change in net assets	6,097,359	(6,225,043)	—	(127,684)
Net assets, beginning of year	3,689,058	6,540,101	748,000	10,977,159
Net assets, end of year	$ 9,786,417	315,058	748,000	10,849,475

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.

Statements of Cash Flows

Years ended August 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	(1,062)	(127,684)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		288,830	185,344
Net realized and unrealized gains on investments		(284,504)	(204,877)
Gain on sale of property		—	(235,841)
Change in value of split-interest agreements		(16,778)	(8,150)
Change in discount to present value of contributions		(117,129)	(54,233)
Changes in assets and liabilities:			
Contributions receivable		258,923	(179,463)
Due from related entities		115,618	(142,303)
Prepaid expenses		84,566	54,289
Other assets		309,308	28,947
Accounts payable and accrued expenses		(276,044)	(58,879)
Accrued pending wish costs		198,558	76,600
Net cash provided by (used in) operating activities		560,286	(666,250)
Cash flows from investing activities:			
Purchases of investments		(1,118,295)	(206,188)
Proceeds from sales of investments		1,028,458	819,768
Purchases of property and equipment		(123,220)	(2,853,766)
Proceeds from sale of property and equipment		—	419,009
Net cash used in investing activities		(213,057)	(1,821,177)
Cash flows from financing activities:			
Proceeds from debt		—	2,400,486
Principal payments on capital lease obligations		(10,787)	(10,118)
Principal payments on notes payable		(637,171)	(23,512)
Net cash provided by financing activities		(647,958)	2,366,856
Net decrease in cash and cash equivalents		(300,729)	(120,571)
Cash and cash equivalents, beginning of year		1,299,689	1,420,260
Cash and cash equivalents, end of year	$	998,960	1,299,689
Supplemental cash flow information:			
Cash paid for interest	$	193,444	150,648
Donated property and equipment, stock, and inventory		33,775	—
Contributed services		5,250	20,000
In-kind contributions		1,111,647	974,641

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.

Statement of Functional Expenses

Year ended August 31, 2013

	Program service	Support services		
	Wish granting	Fundraising	Management and general	Total
Direct costs of wishes	$ 3,707,602	—	—	3,707,602
Salaries, taxes, and benefits	768,770	668,834	203,187	1,640,791
Printing, subscriptions, and publications	11,093	97,629	2,603	111,325
Professional fees	9,093	15,701	7,546	32,340
Rent and utilities	93,158	28,244	4,573	125,975
Postage and delivery	14,433	33,781	3,546	51,760
Travel	12,677	19,020	1,461	33,158
Meetings and conferences	4,160	14,390	2,793	21,343
Office supplies	23,439	52,938	1,108	77,485
Communications	29,318	7,947	2,377	39,642
Repairs and maintenance	18,030	5,467	885	24,382
Insurance	3,080	600	400	4,080
Membership dues	—	3,191	770	3,961
National partnership dues	79,058	12,009	9,007	100,074
Miscellaneous	28,113	30,059	7,680	65,852
Interest	143,052	43,370	7,022	193,444
Depreciation and amortization	213,590	64,756	10,484	288,830
	$ 5,158,666	1,097,936	265,442	6,522,044

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF NEW JERSEY, INC.

Statement of Functional Expenses

Year ended August 31, 2012

	Program service	Support services		
	Wish granting	Fundraising	Management and general	Total
Direct costs of wishes	$ 4,055,849	—	—	4,055,849
Salaries, taxes, and benefits	957,886	634,878	165,761	1,758,525
Printing, subscriptions, and publications	7,602	88,358	1,843	97,803
Professional fees	31,330	126,054	7,832	165,216
Rent and utilities	61,647	19,796	13,419	94,862
Postage and delivery	15,859	13,616	3,881	33,356
Travel	2,867	18,216	136	21,219
Meetings and conferences	5,182	30,249	556	35,987
Office supplies	20,778	66,428	15,191	102,397
Communications	31,676	16,526	7,103	55,305
Repairs and maintenance	12,280	5,633	1,390	19,303
Insurance	3,081	600	400	4,081
Membership dues	—	2,252	55	2,307
National partnership dues	118,120	19,942	15,341	153,403
Miscellaneous	52,339	38,898	10,655	101,892
Interest	32,464	9,093	8,116	49,673
Depreciation and amortization	111,208	46,008	28,128	185,344
	$ 5,520,168	1,136,547	279,807	6,936,522

See accompanying notes to financial statements.

(1) Organization

Make-A-Wish Foundation® of New Jersey, Inc. (the Foundation) is a New Jersey 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 $300,119 and $1,235,760, 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. Risk-free rates are used to discount pledges received prior to September 1, 2008. For pledges received beginning September 1, 2008, pledges are discounted using fair value rates. At August 31, 2013 and 2012, the carrying amount of the Foundation's contributions receivable approximates fair value. The estimated fair value involves unobservable inputs considered to be level 3 in the fair value hierarchy (see note 2(f)).

(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 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 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 that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs: Prices for a similar asset, 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 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 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 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, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributions of long-lived assets (or other assets restricted to the purchase of long-lived assets) with no donor-imposed time restrictions are reported as unrestricted support. Contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as temporarily restricted support; those restrictions expire when the long-lived assets are placed into service.

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

		2013	2012
Wish-related donations	$	1,108,597	974,641
Donated property and inventory		33,775	—
Professional services and other donations		5,250	20,000
Internal special events		3,050	—
Total	$	1,150,672	994,641

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair market value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

(i) Income Taxes

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

The Foundation follows ASC Topic 740, *Income Taxes*, 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 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 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.

(Continued)

(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.

(l) Reclassifications

Certain reclassifications have been made to the 2012 financial statement information to conform to the 2013 financial statement presentation. There was no impact on the previously reported change in net assets of the Foundation.

(3) Fair Value Measurements

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.

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board’s Investment committee, which oversees the Foundation’s investment program in accordance with established guidelines.

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, 2012 using	
Description	**August 31, 2013**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**
Money market mutual funds, included in cash and cash equivalents	$ 300,119	300,119	—
Investments:			
Mutual funds:			
Domestic equity	$ 1,488,087	1,488,087	—
International equity	225,986	225,986	—
Money market funds	130,318	130,318	—
Equity securities:			
U.S. corporate equity securities	1,272,101	1,272,101	—
Foreign equity securities	410,492	410,492	—
Debt securities:			
U.S. Treasury	474,160	—	474,160
U.S. agency	146,897	—	146,897
Corporate	458,336	—	458,336
Total investments	$ 4,606,377	3,526,984	1,079,393
Split-interest agreements	$ 131,703	—	131,703

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)
Money market mutual funds, included in cash and cash equivalents	$	1,235,760	1,235,760	—
Investments:				
Mutual funds:				
Domestic equity	$	1,279,223	1,279,223	—
International equity		197,235	197,235	—
Money market funds		126,282	126,282	—
Commodities		10,329	10,329	—
Equity securities:				
U.S. corporate equity securities		1,127,836	1,127,836	—
Foreign equity securities		377,776	377,776	—
Debt securities:				
U.S. Treasury		494,340	—	494,340
U.S. agency		113,553	—	113,553
Corporate		505,462	—	505,462
Total investments	$	4,232,036	3,118,681	1,113,355
Split-interest agreements	$	114,926	—	114,926

For the valuation of U.S. treasury and agency debt securities as well as split-interest agreements 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).

(Continued)

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 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	$	153,835	142,015
Realized and unrealized gains, net		284,504	204,877
Less investment expenses		(44,051)	(46,018)
Investment income, net	$	394,288	300,874

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at rates ranging from 0.84% to 2.15% and from 0.84% to 2.25% at August 31, 2013 and 2012, respectively. 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	$	1,103,492	813,414
Two to five years		1,345,368	1,844,368
More than five years		—	50,000
Gross contributions receivable		2,448,860	2,707,782
Less:			
Allowance for doubtful accounts		(51,043)	(51,043)
Discount to present value		(141,664)	(258,792)
Contributions receivable, net	$	2,256,153	2,397,947

For contributions receivable at August 31, 2013 and 2012, there was one donor who has a contribution outstanding of approximately $1,192,417 and $1,290,000, respectively. Three other donors have contributions that approximated $299,859, $150,000 and $110,000 at August 31, 2013 and $350,000, $200,000, and $175,000 at August 31, 2012. Combined, these represent approximately 72% and 74% of gross receivables at August 31, 2013 and 2012, respectively.

(5) Split-Interest Agreements

Donors have contributed assets to the National Organization in exchange for a promise by the National Organization to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the National Organization. The National Organization records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The Foundation is named as a beneficiary in two of these agreements. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation received notice that the agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statement of activities as the change in value of split-interest agreements.

The Foundation's beneficial interest under split-interest agreements totaled $131,703 and $114,926 as of August 31, 2013 and 2012, respectively.

(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 whitemail 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 $1,843,506 and $1,598,492, 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 $100,074 and $153,403 were paid from the Foundation to Make-A-Wish Foundation of America during the years ended August 31, 2013 and 2012, respectively.

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 $23,975 and $5,623 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:

		2013	2012
Balance at August 31:			
Due from National Organization	$	131,905	255,977
Due from other chapters		8,455	943

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.

During 2013 and 2012, the Foundation received contributions, both cash and in-kind, from board members totaling $180,595 and $280,705, respectively. In 2013 and 2012, amounts due from board members totaled $450,000 and $623,750, respectively, and are included in contributions receivable in the accompanying statements of financial position.

(7) Property and Equipment, Net

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

		2013	2012
Land	$	807,000	807,000
Land improvements		1,621,760	1,594,338
Buildings and building improvements		6,416,073	6,357,494
Computer equipment and software		119,686	309,108
Office furniture		67,581	60,000
Other equipment		199,717	185,322
		9,231,817	9,313,262
Less accumulated depreciation and amortization		(587,009)	(502,844)
Property and equipment, net	$	8,644,808	8,810,418

Depreciation and amortization expense totaled $288,830 and $185,344 for the years ended August 31, 2013 and 2012, respectively.

In January 2010, the Foundation received title to a parcel of land in Monroe Township, New Jersey, which was used for construction of the Foundation’s headquarters building. This land parcel was independently appraised at $807,000 and is reflected as land in the table above. In December 2011, the Foundation completed construction and opened the facility. Construction costs are included in land improvements, building, and other equipment.

The previous headquarters building in Union, New Jersey was sold in June 2012. There was a gain on the sale of property of $235,841 recognized in the 2012 statement of activities.

(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.

As of August 31, 2013 and 2012, the Foundation had approximately 246 and 241 reportable pending wishes, respectively.

(9) Notes Payable

On October 14, 2010, the Foundation entered into an agreement with The Provident Bank for a $4,600,000 nonrevolving construction and permanent mortgage loan. The proceeds of this loan were used by the Foundation to fund construction of the new headquarters building in Monroe Township, New Jersey.

On May 31, 2012, the loan converted to a permanent mortgage loan with interest payable for five years at the fixed rate of 4.50% per annum and for the remaining years at the floating rate of 2.50% in excess of the average yield on U.S. Treasury securities adjusted to a constant maturity of 5 years, subject to a minimum rate of 4.50%. In February 2013, the Foundation made a lump sum principal payment of $500,000 from pledge payments received and the loan was re-amortized resulting in lower principal and interest payments. The note requires equal monthly payments of principal and interest of $26,019 according to a 20-year amortization schedule and matures on June 1, 2022.

The remaining principal payments subsequent to August 31, 2013 are as follows:

Fiscal year:		
2014	$	135,301
2015		141,604
2016		147,745
2017		155,085
2018		162,311
2019 and thereafter		3,197,271
Total	$	3,939,317

(10) Leases

The Foundation is obligated under various capital and operating leases for offices, equipment and outside storage space, which expire at various dates through September 2014. As of August 31, 2013 and 2012, the cost of leased property and equipment under capital leases was $60,060 and accumulated depreciation was $49,148, and $38,623, respectively. Rent expense for all operating leases for the years ended August 31, 2013 and 2012 totaled $3,023 and $17,624, respectively. When the Foundation's new office headquarters opened in December 2011, the rented office location was closed and the operating lease was terminated.

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

2014	$	11,460
2015		955
Total minimum lease payments		12,415
Less amounts representing interest		(250)
Present value of net minimum lease payments	$	12,165

(11) Endowments

The Foundation follows the provisions of ASC 958 Section 205-50, *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 approximately four individual funds established for a variety of purposes. Net assets associated with endowment funds 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 New Jersey 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
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	$	—	185,457	748,000	933,457
Total funds	$	—	185,457	748,000	933,457

		2012			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$	—	121,495	748,000	869,495
Total funds	$	—	121,495	748,000	869,495

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

		2013			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$	—	121,495	748,000	869,495
Investment income, net		—	38,927	—	38,927
Net appreciation (realized and unrealized)		—	42,626	—	42,626
Appropriation of endowment assets for expenditure		—	(17,591)	—	(17,591)
Endowment net assets, end of year	$	—	185,457	748,000	933,457

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

		2012		
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$ —	80,535	748,000	828,535
Investment income, net	—	19,838	—	19,838
Net appreciation (realized and unrealized)	—	39,109	—	39,109
Appropriation of endowment assets for expenditure	—	(17,987)	—	(17,987)
Endowment net assets, end of year	$ —	121,495	748,000	869,495

(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. The Foundation had no deficiencies of this nature 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. 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 of approximately 6.5% 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.

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

The Foundation does not have a spending policy and spends the investment on the endowment when the need arises.

(12) 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
Time restrictions	$	301,801	193,563
Appreciation on endowment not yet appropriated		185,457	121,495
Total temporarily restricted net assets	$	487,258	315,058

As previously discussed in note 7, the Foundation completed construction of its new headquarters building in December 2011 and placed the building into service. The construction of the new headquarters had been funded primarily through capital campaign contributions and a bank loan. As the building was placed in service, the Foundation released the remaining balance of the temporarily restricted capital campaign net assets from restriction in 2012.

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 any activities of the Foundation	$	748,000	748,000
	$	748,000	748,000

(13) 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 employment. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation does not make any matching contributions.

(14) 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 $619,187 and $678,267 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represents 11.1% and 11.5%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(Continued)

(15) Litigation and Claims

The Foundation is not involved in any claims or legal actions arising in the ordinary course of business.

(16) Subsequent Events

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