

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

Financial Statements

August 31, 2014

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7

Independent Auditors' Report

Board of Directors
Make-A-Wish Foundation of New Jersey, Inc.
Monroe Township, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Make-A-Wish Foundation of New Jersey, Inc. (the Foundation), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, cash flows, and functional expenses for the year 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 accounting principles generally accepted in the United States of America; 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 audit. We conducted our audit 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, Inc. as of August 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 10, 2014

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

Statement of Financial Position

August 31, 2014

Assets	2014
Cash and cash equivalents	\$ 972,518
Investments	4,193,428
Due from related entities	389,581
Prepaid expenses	11,089
Contributions receivable, net	1,733,280
Other assets	21,133
Split-interest agreements	163,464
Investments held for long-term purposes	1,036,621
Property and equipment, net	8,386,317
Total assets	\$ <u>16,907,431</u>
Liabilities and Net Assets	
Accounts payable and accrued expenses	\$ 187,598
Accrued pending wish costs	2,556,260
Due to related entities	32,544
Deferred Revenue	119,170
Capital lease obligations	835
Notes payable	2,914,847
Total liabilities	<u>5,811,254</u>
Net assets	
Unrestricted	9,541,332
Temporarily restricted	806,845
Permanently restricted	748,000
Total net assets	<u>11,096,177</u>
Total liabilities and net assets	\$ <u>16,907,431</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year Ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 5,443,838	354,760	–	5,798,598
Grants	<u>683,917</u>	<u>–</u>	<u>–</u>	<u>683,917</u>
Total public support	<u>6,127,755</u>	<u>354,760</u>	<u>–</u>	<u>6,482,515</u>
Internal Special events	1,706,991	–	–	1,706,991
Less costs of direct benefits to donors	<u>(568,197)</u>	<u>–</u>	<u>–</u>	<u>(568,197)</u>
Total special events	<u>1,138,794</u>	<u>–</u>	<u>–</u>	<u>1,138,794</u>
Investment income, net	525,307	131,172	–	656,479
Other income	8,548	–	–	8,548
Change in value of split-interest agreements	–	31,761	–	31,761
Net assets released from restrictions	<u>198,106</u>	<u>(198,106)</u>	<u>–</u>	<u>–</u>
Total revenues, gains, and other support	<u>7,998,510</u>	<u>319,587</u>	<u>–</u>	<u>8,318,097</u>
Expenses:				
Program services:				
Wish granting	<u>6,491,478</u>	<u>–</u>	<u>–</u>	<u>6,491,478</u>
Total program services	<u>6,491,478</u>	<u>–</u>	<u>–</u>	<u>6,491,478</u>
Support services:				
Fundraising	1,125,622	–	–	1,125,622
Management and general	<u>453,233</u>	<u>–</u>	<u>–</u>	<u>453,233</u>
Total support services	<u>1,578,855</u>	<u>–</u>	<u>–</u>	<u>1,578,855</u>
Total expenses	<u>8,070,333</u>	<u>–</u>	<u>–</u>	<u>8,070,333</u>
Change in net assets	(71,823)	319,587	–	247,764
Net assets, beginning of the year	<u>9,613,155</u>	<u>487,258</u>	<u>748,000</u>	<u>10,848,413</u>
Net assets, end of the year	<u>\$ 9,541,332</u>	<u>806,845</u>	<u>748,000</u>	<u>11,096,177</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year Ended August 31, 2014

	<u>2014</u>
Cash flows from operating activities:	
Change in net assets	\$ 247,764
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	292,917
Net realized and unrealized gains on investments	(526,294)
Contributed property and equipment, inventory, and stock	(500,054)
Change in value of split-interest agreements	(31,761)
Change in discount to present value of contributions receivable and allowance for doubtful accounts	(54,980)
Changes in assets and liabilities:	
Contributions receivable	577,853
Due from related entities	(249,221)
Prepaid expenses	392
Other assets	10,891
Accounts payable and accrued expenses	71,405
Accrued pending wish costs	650,482
Due to related entities	32,544
Deferred revenue	119,170
Net cash provided by operating activities	<u>641,108</u>
Cash flows from investing activities:	
Purchases of investments	(1,301,773)
Proceeds from sales of investments	1,704,449
Purchases of property and equipment	<u>(34,426)</u>
Net cash provided by investing activities	<u>368,250</u>
Cash flows from financing activities:	
Principal payments on capital lease obligations	(11,330)
Principal payments on notes payable	<u>(1,024,470)</u>
Net cash used in financing activities	<u>(1,035,800)</u>
Net decrease in cash and cash equivalents	(26,442)
Cash and cash equivalents, beginning of year	<u>998,960</u>
Cash and cash equivalents, end of year	\$ <u><u>972,518</u></u>
Supplemental cash flow information:	
Cash paid for interest	\$ 163,761
Donated property and equipment, stock, and inventory	12,082
Contributed services	27,974
In-kind contributions	1,596,502

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year Ended August 31, 2014

	<u>Program services</u>	<u>Support services</u>		
	<u>Wish granting</u>	<u>Fundraising</u>	<u>Management and general</u>	<u>Total</u>
Direct costs of wishes	\$ 4,880,228	—	—	4,880,228
Salaries, taxes, and benefits	747,015	710,490	334,112	1,791,617
Printing, subscriptions, and publications	12,275	76,543	4,359	93,177
Professional fees	5,791	27,307	11,545	44,643
Occupancy	101,884	27,069	7,527	136,480
Postage and delivery	18,284	20,322	4,191	42,797
Travel	23,149	26,182	3,026	52,357
Meetings and conferences	22,326	16,670	687	39,683
Office supplies	41,002	41,695	19,641	102,338
Communications	17,392	16,354	7,704	41,450
Advertising and media (cash)	—	13,875	—	13,875
Equipment lease, repairs and maintenance	2,259	600	167	3,026
Information technology	14,051	13,212	6,224	33,487
Membership dues	375	2,801	892	4,068
Grants and scholarships	100,000	—	—	100,000
Volunteer training	3,341	—	—	3,341
National partnership dues	122,802	17,318	17,318	157,438
Miscellaneous	40,695	25,369	10,976	77,040
Interest	119,943	31,718	8,710	160,371
Depreciation and amortization	218,666	58,097	16,154	292,917
Total Expenses	\$ <u>6,491,478</u>	<u>1,125,622</u>	<u>453,233</u>	<u>8,070,333</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

August 31, 2014

(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 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.

(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. 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 3 to 40 years. Land improvements are amortized over the estimated useful life of the asset. 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

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

Notes to Financial Statements

August 31, 2014

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*

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is 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.

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 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 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 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.

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

Notes to Financial Statements

August 31, 2014

Amortization of the discounts is recorded as additional contribution revenue. 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:

Contributions:	
Wish related	\$ 1,595,310
Donated property and inventory	12,082
Professional services	<u>27,974</u>
Total	<u>\$ 1,635,366</u>
Special event revenue:	
Internal special events	<u>\$ 1,192</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.

Deferred revenue of \$119,170 represents revenues collected but not earned as of August 31, 2014. This is comprised of revenue for a special internal event scheduled for November 2014, for which conditions were not yet substantially met.

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and New Jersey taxes under the provisions of Internal Revenue Code 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. Management believes that no uncertain tax positions exist for the Foundation at August 31, 2014.

The Foundation's tax returns are subject to review and examination by the Federal and State authorities. The Foundation is not aware of any activities that would jeopardize its tax-exempt status. The Foundation is not aware of any activities that are subject to tax on unrelated business income or

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

Notes to Financial Statements

August 31, 2014

excise taxes. The tax returns for the fiscal years ending 2010 to 2013 are open to examination by Federal and State authorities.

(j) *Functional Expenses*

The Foundation performs three functions: wish granting, 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.

Fund Raising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 2014, the Foundation incurred no significant joint costs for activities that included 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.

(k) *Management Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of 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 table as of August 31, 2014 represent the amounts that would be received to sell those assets or that would be paid to transfer

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

Notes to Financial Statements

August 31, 2014

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.

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.

(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 on a recurring basis at August 31, 2014:

Description	August 31, 2014	Fair value measurements at August 31, 2014 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Investments:				
Mutual funds:				
Domestic equity	\$ 1,747,163	1,747,163	—	—
International equity	252,637	252,637	—	—
Money market funds	139,177	139,177	—	—
Equity securities:				
U.S. corporate equity securities	1,463,706	1,463,706	—	—
Foreign equity securities	487,060	487,060	—	—
Debt securities:				
U.S. Treasury	573,184	—	573,184	—
U.S. agency	100,947	—	100,947	—
Corporate	466,175	—	466,175	—
Total investments	\$ 5,230,049	4,089,743	1,140,306	—
Split-interest agreements	\$ 163,464	—	163,464	—

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

Notes to Financial Statements

August 31, 2014

For the valuation of U.S. Treasury and agency debt securities, as well as split-interest agreements at August 31, 2014, 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 year ended August 31, 2014 consist of the following:

Interest and dividend income	\$	180,161
Realized and unrealized gains, net		526,294
Less investment expenses		<u>(49,976)</u>
Investment income, net	\$	<u><u>656,479</u></u>

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at rates ranging from 0.84% to 2.15% at August 31, 2014. The following is a summary of the Foundation's contributions receivable at August 31, 2014:

Total amounts due in:		
One year	\$	848,546
Two to five years		<u>1,022,462</u>
Gross contributions receivable		1,871,008
Less allowance for doubtful accounts		(91,216)
Less discount to present value		<u>(46,512)</u>
Contributions receivable, net	\$	<u><u>1,733,280</u></u>

For contributions receivable at August 31, 2014, there was one donor who has a contribution outstanding of approximately \$692,363. Two other donors have contributions receivable that approximated \$249,859 and \$200,000 at August 31, 2014. Combined, these represent approximately 61% of gross receivables at August 31, 2014.

(5) Split-Interest Agreements

(a) Charitable Gift Annuities

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

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

Notes to Financial Statements

August 31, 2014

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 \$163,464 at August 31, 2014.

(6) Transactions with Related Entities

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the year ended August 31, 2014, the Foundation received \$1,749,903 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 \$208,095 were paid from the Foundation to Make-A-Wish Foundation of America during the year ended August 31, 2014.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$7,650 for the year ended August 31, 2014, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31:		
Due from National Organization	\$	378,566
Due from other chapters		<u>11,015</u>
Total due from related entities	\$	<u><u>389,581</u></u>
Due to National Organization	\$	433
Due to other chapters		<u>32,111</u>
Total due to related entities	\$	<u><u>32,544</u></u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation, and are included in accrued pending wish costs.

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

Notes to Financial Statements

August 31, 2014

The Foundation has also contributed to the Wish Fulfillment Fund, a program of the National Organization which subsidizes wish granting needs at chapters with financial need to help them realize the vision of granting every eligible child's wish. In 2014 the Foundation contributed \$100,000 to this program, which provided funding to grant wishes for an additional 19 children. This donation is recorded as grants and scholarships under wish granting.

During 2014 the Foundation received contributions, both cash and in-kind, from board members totaling \$472,628. In 2014, amounts due from board members totaled \$435,000, 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, 2014 consist of the following:

Land	\$	807,000
Land improvements		1,632,420
Buildings and building improvements		6,418,330
Computer equipment and software		127,693
Office furniture		68,088
Other equipment		152,652
Leasehold improvements		13,970
		<hr/>
		9,220,153
Less accumulated depreciation and amortization		<hr/>
		(833,836)
Property and equipment, net	\$	<hr/> <hr/>
		8,386,317

Depreciation and amortization expense totaled \$292,917 for the year ended August 31, 2014.

(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.

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

Notes to Financial Statements

August 31, 2014

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, 2014, the Foundation had 442 reportable pending wishes.

(9) Notes Payable

On May 31, 2012, the Foundation entered into a mortgage note payable with a financial institution totaling \$4,600,000, secured by the Foundation's building and land in Monroe Township, New Jersey. The note bears interest for five years at the fixed rate of 4.5% per annum and for the remaining years at the floating rate of 2.5% in excess of the average yield on U.S. Treasury securities adjusted to a constant maturity of five years, subject to a minimum rate of 4.5%. During 2014, the Foundation made lump sum payments of \$900,000 from pledge payments received and the loan was re-amortized to lower principal and interest payments. The note requires principal and interest payments in equal monthly installments of \$19,996, according to a 20-year amortization schedule and matures on May 31, 2022. The remaining principal payments subsequent to August 31, 2014 are as follows:

Fiscal year:		
2015	\$	108,048
2016		113,906
2017		119,563
2018		125,133
2019		130,963
2020 and thereafter		<u>2,317,234</u>
Total	\$	<u><u>2,914,847</u></u>

(10) Endowments

The Foundation is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and is required to make 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

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

Notes to Financial Statements

August 31, 2014

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, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	288,621	748,000	1,036,621
Total funds	\$ —	288,621	748,000	1,036,621

Changes in endowment net assets for the year ended August 31, 2014 are as follows:

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

Notes to Financial Statements

August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ –	185,457	748,000	933,457
Investment return:				
Investment income, net	–	52,840	–	52,840
Net appreciation (realized and unrealized)	–	78,332	–	78,332
Total investment return	–	131,172	–	131,172
Contributions:				–
Appropriation of endowment assets for expenditure	–	(28,008)	–	(28,008)
Endowment net assets, end of year	\$ <u>–</u>	<u>288,621</u>	<u>748,000</u>	<u>1,036,621</u>

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

Permanently restricted net assets:

(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 748,000
--	------------

Temporarily restricted net assets:

(1) Term endowment funds	\$ –
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:	
Without purpose restrictions	–
With purpose restrictions	<u>288,621</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>288,621</u>

(b) Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation had no deficiencies of this nature as of August 31, 2014.

(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

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

Notes to Financial Statements

August 31, 2014

donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return 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 return on the endowment when the need arises, as defined by the donor restrictions.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2014:

Wish granting	\$	229,760
Naming rights to be determined		125,000
Appreciation on endowment not yet appropriated		288,621
Other time restrictions		<u>163,464</u>
Total temporarily restricted net assets	\$	<u><u>806,845</u></u>

For the year ended August 31, 2014, permanently restricted net assets are restricted to:

Investments in perpetuity, the income from which is expendable to support program services activities of the Foundation	\$	<u>748,000</u>
	\$	<u><u>748,000</u></u>

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

Notes to Financial Statements

August 31, 2014

(12) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan as of their date of 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.

(13) Concentrations of Credit Risk

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

In-kind contributions totaling \$867,989 were received from a single donor for the year ended August 31, 2014, which represents 13.9% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

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

Notes to Financial Statements

August 31, 2014

(14) Litigation and Claims

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

(15) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through December 10, 2014, the date at which the financial statements were available to be issued. There were no additional disclosures required.