KPMG

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF MICHIGAN

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KPMG LLP
Suite 1900
150 West Jefferson
Detroit, MI 48226

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation of Michigan

We have audited the accompanying financial statements of Make-A-Wish Foundation of Michigan (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 Michigan 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

Detroit, Michigan
December 13, 2013

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statements of Financial Position

August 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	1,110,355	1,230,871
Investments		2,517,116	2,291,094
Due from related entities		58,861	72,669
Prepaid expenses		15,447	11,656
Contributions receivable		198,944	108,855
Other assets		38,081	31,872
Investments held for long-term purposes		104,224	104,224
Property and equipment, net		48,941	73,494
Total assets	$	4,091,969	3,924,735
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	522,860	510,362
Accrued pending wish costs		1,693,367	1,589,507
Due to related entities		45,284	—
Capital lease obligations		1,917	7,668
Total liabilities		2,263,428	2,107,537
Net assets:			
Unrestricted		1,545,102	1,540,760
Temporarily restricted		179,215	172,214
Permanently restricted		104,224	104,224
Total net assets		1,828,541	1,817,198
Total liabilities and net assets	$	4,091,969	3,924,735

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statement of Activities

Year ended August 31, 2013

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:					
Public support:					
Contributions	$	3,776,607	179,215	—	3,955,822
Grants		357,534			357,534
Total public support		4,134,141	179,215	—	4,313,356
Internal special events		2,984,323	—	—	2,984,323
Less cost of direct benefit to donor		617,384	—	—	617,384
Total special events		2,366,939	—	—	2,366,939
Investment income, net		283,084	—	—	283,084
Other income		2,841	—	—	2,841
Net assets released from restrictions		172,214	(172,214)	—	—
Total revenues, gains, and other support		6,959,219	7,001	—	6,966,220
Expenses:					
Program services:					
Wish granting and program-related support		5,693,329	—	—	5,693,329
Total program services		5,693,329	—	—	5,693,329
Support services:					
Fundraising		701,624	—	—	701,624
Management and general		559,924	—	—	559,924
Total support services		1,261,548	—	—	1,261,548
Total expenses		6,954,877	—	—	6,954,877
Change in net assets		4,342	7,001	—	11,343
Net assets, beginning of the year		1,540,760	172,214	104,224	1,817,198
Net assets, end of the year	$	1,545,102	179,215	104,224	1,828,541

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statement of Activities

Year ended August 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 3,506,316	101,355	—	3,607,671
Grants	468,690	—	—	468,690
Total public support	3,975,006	101,355	—	4,076,361
Internal special events	2,909,552	—	—	2,909,552
Less cost of direct benefit to donor	553,432	—	—	553,432
Total special events	2,356,120	—	—	2,356,120
Investment income, net	174,143	39,373	—	213,516
Other income	9,445	—	—	9,445
Net assets released from restrictions	142,310	(142,310)	—	—
Total revenues, gains, and other support	6,657,024	(1,582)	—	6,655,442
Expenses:				
Program services:				
Wish granting and program-related support	4,894,985	—	—	4,894,985
Total program services	4,894,985	—	—	4,894,985
Support services:				
Fundraising	834,999	—	—	834,999
Management and general	660,306	—	—	660,306
Total support services	1,495,305	—	—	1,495,305
Total expenses	6,390,290	—	—	6,390,290
Change in net assets	266,734	(1,582)	—	265,152
Net assets, beginning of the year	1,274,026	173,796	104,224	1,552,046
Net assets, end of the year	$ 1,540,760	172,214	104,224	1,817,198

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statements of Cash Flows

Years ended August 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	11,343	265,152
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		31,581	43,821
Net realized and unrealized gains on investments		(211,452)	(152,032)
Contributed property and equipment, inventory, and stock		(30,983)	(22,443)
Changes in assets and liabilities:			
Contributions receivable		(90,089)	162,324
Due from related entities		13,808	56,961
Prepaid expenses		(3,791)	55,441
Other assets		(6,209)	8,621
Accounts payable and accrued expenses		12,498	142,265
Accrued pending wish costs		103,860	95,992
Due to related entities		45,284	(2,919)
Other liabilities		—	(50,778)
Net cash provided by (used in) operating activities		(124,150)	602,405
Cash flows from investing activities:			
Purchases of investments		(55,010)	(189,279)
Proceeds from sales of investments		71,423	136,443
Purchases of property and equipment		(7,028)	(24,242)
Net cash provided by (used in) investing activities		9,385	(77,078)
Cash flows from financing activities:			
Principal payments on capital lease obligations		(5,751)	(6,198)
Net cash used in financing activities		(5,751)	(6,198)
Net increase (decrease) in cash and cash equivalents		(120,516)	519,129
Cash and cash equivalents, beginning of year		1,230,871	711,742
Cash and cash equivalents, end of year	$	1,110,355	1,230,871
Supplemental cash flow information:			
Donated property and equipment, stock, and inventory	$	30,983	22,436
In-kind contributions		1,666,197	1,428,984

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statement of Functional Expenses

Year ended August 31, 2013

	Program services	Support services		
	Wish granting and program-related support	**Fundraising**	**Management and general**	**Total**
Direct costs of wishes	$ 4,064,353	—	—	4,064,353
Salaries, taxes, and benefits	1,067,453	366,684	406,300	1,840,437
Printing, subscriptions, and publications	21,257	66,124	6,251	93,632
Professional fees	62,243	65,206	22,342	149,791
Rent and utilities	81,468	26,715	32,293	140,476
Postage and delivery	26,800	15,329	10,492	52,621
Travel	26,460	28,638	6,039	61,137
Meetings and conferences	31,252	25,948	7,661	64,861
Office supplies	20,220	8,502	7,366	36,088
Communications	22,572	7,402	8,947	38,921
Advertising and media (in-kind)	21,000	33,900	—	54,900
Equipment lease, repairs and maintenance	55,076	18,599	21,833	95,508
Insurance	437	143	173	753
Membership dues	1,042	1,091	413	2,546
National partnership dues	163,898	24,896	18,672	207,466
Miscellaneous	9,481	6,447	3,878	19,806
Depreciation and amortization	18,317	6,000	7,264	31,581
	$ 5,693,329	701,624	559,924	6,954,877

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statement of Functional Expenses

Year ended August 31, 2012

	Program services	Support services		
	Wish granting and program-related support	Fundraising	Management and general	Total
Direct costs of wishes	$ 3,250,858	—	—	3,250,858
Salaries, taxes, and benefits	1,118,550	368,786	468,539	1,955,875
Printing, subscriptions, and publications	23,071	86,155	5,133	114,359
Professional fees	66,850	55,376	56,071	178,297
Rent and utilities	74,208	25,362	29,248	128,818
Postage and delivery	34,249	18,466	9,388	62,103
Travel	23,874	45,581	8,338	77,793
Meetings and conferences	22,283	22,365	7,727	52,375
Office supplies	23,338	10,824	9,430	43,592
Communications	21,436	7,022	8,630	37,088
Advertising and media (in-kind)	—	55,000	—	55,000
Equipment lease, repairs and maintenance	15,322	5,203	6,168	26,693
Insurance	179	2,410	71	2,660
Information technology	42,736	14,528	16,323	73,587
Membership dues	—	—	50	50
National partnership dues	139,633	23,574	18,134	181,341
Miscellaneous	12,982	86,021	6,977	105,980
Depreciation and amortization	25,416	8,326	10,079	43,821
	$ 4,894,985	834,999	660,306	6,390,290

See accompanying notes to financial statements.

(1) Organization

Make-A-Wish Foundation® of Michigan (the Foundation) is a Michigan 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 $32,317 and $22,834, 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. Contributions are written off when deemed uncollectible.

(e) Property and Equipment, Net

Property and equipment having a unit cost greater than $500 and 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 over time in an amount equivalent to annual depreciation. 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 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

(Continued)

Long-lived assets, such as property, plant, 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 require a long-lived asset be tested for possible impairment, the Foundation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, 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 (or liability) 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 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	$	1,474,494	1,219,824
Advertising and media		54,900	55,000
Investments		30,983	22,436
Total	$	1,560,377	1,297,260
Special event revenue:			
Internal special events	$	136,803	154,160

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 donors and involves a large number of 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.

Program or supporting services expenses were recorded at fair value totaling $1,462,088 and $1,426,405 in 2013 and 2012, respectively, with the difference recorded as investments, contributions receivable, and other assets received and not yet used.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising 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 fundraising or public information expense when received and 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.

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and Michigan taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 208.1207 of the State of Michigan. 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 position exists for the Foundation at August 31, 2013 or 2012.

(j) Functional Expenses

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

Program-Related Support

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

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. 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 the 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, available observable and unobservable inputs.

The Foundation has adopted ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. See note 2 to the financial statements.

(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 observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Money market mutual funds	$ 32,317	32,317	—	—
Investments:				
Mutual funds:				
Domestic equity	$ 1,441,802	1,441,802	—	—
International equity	449,589	449,589	—	—
Bonds	598,903	598,903	—	—
Debt securities:				
U.S. Treasury	25,358	—	25,358	—
Certificates of deposit	105,688	—	105,688	—
Total investments	$ 2,621,340	2,490,294	131,046	—
Contributions receivable	$ 198,944	—	—	198,944

Description		August 31, 2012	Fair value measurements at August 31, 2012 using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money market mutual funds	$	22,834	22,834	—	—
Investments:					
Mutual funds:					
Domestic equity	$	1,263,653	1,263,653	—	—
International equity		388,798	388,798	—	—
Bonds		608,641	608,641	—	—
Debt securities:					
U.S. Treasury		27,687	—	27,687	—
Certificates of deposit		106,539	—	106,539	—
Total investments	$	2,395,318	2,261,092	134,226	—
Contributions receivable	$	108,855	—	—	108,855

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

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

		2013	2012
Interest and dividend income	$	71,632	61,484
Realized and unrealized gains, net		211,452	152,032
Investment income, net	$	283,084	213,516

(4) Contributions Receivable

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	$	198,944	108,855
Contributions receivable	$	198,944	108,855

(5) Transactions with Related Entities

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with, distributions from national partners, individual donation amounts collected via online and white-mail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues.

During the years ended August 31, 2013 and 2012, the Foundation received $1,061,531 and $1,035,230, respectively, from these national revenue streams. Conversely, the Foundation pays amounts to the Make-A-Wish Foundation of America for partnership dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation. Amounts totaling $207,466 and $181,341 were paid from the Foundation to Make-A-Wish Foundation of America during the years ended August 31, 2013 and 2012, respectively.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received $2,841 and $1,950 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	$	51,800	72,669
Due from other chapters		7,061	—
Total due from related entities	$	58,861	72,669
Due to other chapters	$	45,284	—
Total due to related entities	$	45,284	—

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 $198,412 and $198,398, respectively. In 2013 and 2012, amounts due from board members totaled $5,000 and $7,500, respectively, and are included in contributions receivable in the accompanying statements of financial position.

(6) Property and Equipment, Net

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

		2013	2012
Computer equipment and software	$	235,511	229,893
Office furniture		23,028	23,028
Other equipment		56,496	56,496
Leasehold improvements		48,606	47,196
		363,641	356,613
Less accumulated depreciation and amortization		(314,700)	(283,119)
Property and equipment, net	$	48,941	73,494

Depreciation and amortization expense totaled $31,581 and $43,821 for the years ended August 31, 2013 and 2012, respectively.

(7) Accrued Pending Wish Costs

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

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

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter’s territory, or loss of contact with the family. As of August 31, 2013 and 2012, the Foundation had approximately 215 and 186 reportable pending wishes, respectively.

(8) Notes Payable

The Foundation has an unsecured line of credit with a financial institution totaling $500,000, bearing interest at 5% and expires on September 20, 2013. As of August 31, 2013 and 2012, the Foundation had no amounts outstanding.

(Continued)

(9) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through April 2020. As of August 31, 2013 and 2012, the cost of leased property and equipment under capital lease was $28,755 and $28,755, respectively, and accumulated depreciation was $28,755 and $23,136, respectively. Rent expense for all operating leases for the years ended August 31, 2013 and 2012 totaled $140,011 and $128,849, respectively.

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

	Operating leases	Capital leases
Year ending August 31:		
2014	$ 138,230	1,917
2015	159,541	—
2016	158,935	—
2017	162,585	—
2018	154,441	—
2019–2020	65,693	—
Total minimum lease payments	$ 839,425	1,917
Less amounts representing interest		—
Present value of net minimum lease payments		$ 1,917

(10) Endowments

The Foundation follows the provisions of ASC Topic 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 two individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment assets, both donor-restricted and board-designated, are reflected as investments held for long-term purposes on the statements of financial position.

(a) Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Michigan 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	$ —	—	104,224	104,224
Total funds	$ —	—	104,224	104,224

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ —	39,373	104,224	143,597
Total funds	$ —	39,373	104,224	143,597

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	$ —	39,373	104,224	143,597
Investment return:				
Investment income	—	3,301	—	3,301
Net appreciation (realized and unrealized)	—	11,442	—	11,442
Total investment return	—	14,743	—	14,743
Appropriation of endowment assets for expenditure	—	(54,116)	—	(54,116)
Endowment net assets, end of year	$ —	—	104,224	104,224

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ —	31,486	104,224	135,710
Investment return:				
Investment income	—	3,153	—	3,153
Net appreciation (realized and unrealized)	—	8,507	—	8,507
Total investment return	—	11,660	—	11,660
Appropriation of endowment assets for expenditure	—	(3,773)	—	(3,773)
Endowment net assets, end of year	$ —	39,373	104,224	143,597

(Continued)

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

		2013	2012
Permanently restricted net assets:			
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$	104,224	104,224
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		—	39,373
With purpose restrictions		—	—
Total endowment funds classified as temporarily restricted net assets	$	—	39,373

(b) Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Balanced Market 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 5% annually. Actual returns in any given year may vary from this amount.

(c) 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.

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

The Foundation has a policy of appropriating for distribution each year 3% of its endowment fund's ending balance. 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 a rate of return that would meet or exceed the Balanced Market Index. This is consistent with the Foundation's objective to maintain the purchasing power of

(Continued)

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 at August 31, 2013 and 2012:

		2013	2012
Wish granting	$	24,943	83,843
Time restrictions		154,272	88,371
Total temporarily restricted net assets	$	179,215	172,214

At 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	$	104,224	104,224
	$	104,224	104,224

(12) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan on the first day of the month coinciding with or immediately following their date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code limitations. Upon completion of two years for full-time employees or upon completion of 1,000 hours annually for two years for part-time employees, the Foundation contributes 5% of the employee’s salary into their account. Foundation contributions to the Plan for the years ended August 31, 2013 and 2012 were $57,325 and $57,310, respectively.

(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 $844,026 and $764,477 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represents 20% and 24%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(14) Litigation and Claims

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

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(15) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through December 13, 2013, the date at which the financial statements were available to be issued.

On September 3, 2013, the Foundation signed a new unsecured line of credit with a financial institution totaling $500,000 with a variable interest rate and a maturity date of September 20, 2014.