



MAKE-A-WISH FOUNDATION[®] OF GREATER LOS ANGELES

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Table of Contents

	Page
Independent Auditors' Report	1
Statements of Financial Position as of August 31, 2013 and 2012	3
Statement of Activities for the year ended August 31, 2013	4
Statement of Activities for the year ended August 31, 2012	5
Statements of Cash Flows for the years ended August 31, 2013 and 2012	6
Statement of Functional Expenses for the year ended August 31, 2013	7
Statement of Functional Expenses for the year ended August 31, 2012	8
Notes to Financial Statements	9



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation[®] of Greater Los Angeles:

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

KPMG LLP

January 16, 2014

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statements of Financial Position

August 31, 2013 and 2012

Assets	2013	2012
Cash and cash equivalents	\$ 395,171	1,237,301
Investments	1,283,430	1,399,291
Due from related entities	225,327	121,749
Prepaid expenses	7,081	6,910
Contributions receivable, net	228,886	65,528
Other assets	29,351	26,388
Property and equipment, net	18,685	24,084
Total assets	<u>\$ 2,187,931</u>	<u>2,881,251</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 257,880	198,979
Accrued pending wish costs	1,016,481	994,190
Due to related entities	14,174	17,318
Other liabilities	34,987	45,468
Total liabilities	<u>1,323,522</u>	<u>1,255,955</u>
Commitments and contingencies		
Net assets:		
Unrestricted	635,523	1,559,768
Temporarily restricted	228,886	65,528
Total net assets	<u>864,409</u>	<u>1,625,296</u>
Total liabilities and net assets	<u>\$ 2,187,931</u>	<u>2,881,251</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statement of Activities

Year ended August 31, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Public support:			
Contributions	\$ 3,438,862	209,545	3,648,407
Grants	342,488	—	342,488
Total public support	<u>3,781,350</u>	<u>209,545</u>	<u>3,990,895</u>
Internal special events	228,100	175,500	403,600
Less costs of direct benefits to donors	<u>(64,848)</u>	<u>—</u>	<u>(64,848)</u>
Total special events	163,252	175,500	338,752
Investment income, net	141,818	—	141,818
Other income	86,636	—	86,636
Net assets released from restrictions	221,687	(221,687)	—
Total revenues, gains, and other support	<u>4,394,743</u>	<u>163,358</u>	<u>4,558,101</u>
Expenses:			
Program services:			
Wish granting	3,848,897	—	3,848,897
Total program services	<u>3,848,897</u>	<u>—</u>	<u>3,848,897</u>
Support services:			
Fundraising	907,050	—	907,050
Management and general	563,041	—	563,041
Total support services	<u>1,470,091</u>	<u>—</u>	<u>1,470,091</u>
Total expenses	<u>5,318,988</u>	<u>—</u>	<u>5,318,988</u>
(Decrease) increase in net assets	(924,245)	163,358	(760,887)
Net assets, beginning of the year	<u>1,559,768</u>	<u>65,528</u>	<u>1,625,296</u>
Net assets, end of the year	<u>\$ 635,523</u>	<u>228,886</u>	<u>864,409</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statement of Activities

Year ended August 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Public support:			
Contributions	\$ 3,775,142	56,614	3,831,756
Grants	1,375,499	16,668	1,392,167
Total public support	<u>5,150,641</u>	<u>73,282</u>	<u>5,223,923</u>
Internal special events	526,890	—	526,890
Less costs of direct benefits to donors	<u>(89,408)</u>	<u>—</u>	<u>(89,408)</u>
Total special events	437,482	—	437,482
Investment income, net	106,435	—	106,435
Other income	73,020	—	73,020
Net assets released from restrictions	65,111	(65,111)	—
Total revenues, gains, and other support	<u>5,832,689</u>	<u>8,171</u>	<u>5,840,860</u>
Expenses:			
Program services:			
Wish granting	3,695,853	—	3,695,853
Total program services	<u>3,695,853</u>	<u>—</u>	<u>3,695,853</u>
Support services:			
Fundraising	785,867	—	785,867
Management and general	617,655	—	617,655
Total support services	<u>1,403,522</u>	<u>—</u>	<u>1,403,522</u>
Total expenses	<u>5,099,375</u>	<u>—</u>	<u>5,099,375</u>
Increase in net assets	733,314	8,171	741,485
Net assets, beginning of the year	<u>826,454</u>	<u>57,357</u>	<u>883,811</u>
Net assets, end of the year	<u>\$ 1,559,768</u>	<u>65,528</u>	<u>1,625,296</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statements of Cash Flows

Years ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (760,887)	741,485
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	13,325	18,285
Net realized and unrealized gains on investments	(116,373)	(77,750)
Change in discount to present value of contributions receivable	4,747	—
Changes in operating assets and liabilities:		
Contributions receivable	(168,105)	(8,004)
Due from related entities	(103,578)	29,118
Prepaid expenses	(171)	11,537
Other assets	(2,963)	(6,757)
Accounts payable and accrued expenses	58,901	(2,213)
Accrued pending wish costs	22,291	(142,758)
Due to related entities	(3,144)	7,580
Other liabilities	(10,481)	(6,053)
Net cash (used in) provided by operating activities	<u>(1,066,438)</u>	<u>564,470</u>
Cash flows from investing activities:		
Purchases of investments	(765,471)	(635,595)
Proceeds from sales of investments	997,705	782,547
Purchases of property and equipment	(7,926)	(7,415)
Net cash provided by investing activities	<u>224,308</u>	<u>139,537</u>
Net (decrease) increase in cash and cash equivalents	(842,130)	704,007
Cash and cash equivalents, beginning of year	<u>1,237,301</u>	<u>533,294</u>
Cash and cash equivalents, end of year	\$ <u><u>395,171</u></u>	<u><u>1,237,301</u></u>
Supplemental cash flow information:		
In-kind contributions	\$ 1,008,869	1,012,836
Contributed services	30,990	7,980

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statement of Functional Expenses

Year ended August 31, 2013

	Program services	Support services		Total
	Wish granting	Fundraising	Management and general	
Direct costs of wishes	\$ 2,735,795	—	—	2,735,795
Salaries, taxes, and benefits	761,806	638,564	404,350	1,804,720
Printing, subscriptions, and publications	17,295	25,272	2,333	44,900
Professional fees	7,171	49,281	29,057	85,509
Rent and utilities	105,723	65,661	41,918	213,302
Postage and delivery	6,697	14,098	1,240	22,035
Travel	14,936	8,473	12,220	35,629
Meetings and conferences	15,620	17,489	17,645	50,754
Office supplies	19,299	9,125	5,723	34,147
Communications	8,833	5,047	3,972	17,852
Advertising and media (cash)	6,438	12,579	25	19,042
Advertising and media (in-kind)	8,720	7,280	—	16,000
Repairs and maintenance	39,956	23,677	16,020	79,653
Insurance	4,624	3,013	1,849	9,486
Bad debt expense	—	—	4,747	4,747
Membership dues	—	300	825	1,125
National partnership dues	89,415	15,096	11,612	116,123
Miscellaneous	—	8,083	6,761	14,844
Depreciation and amortization	6,569	4,012	2,744	13,325
	<u>\$ 3,848,897</u>	<u>907,050</u>	<u>563,041</u>	<u>5,318,988</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statement of Functional Expenses

Year ended August 31, 2012

	Program services	Support services		Total
	Wish granting	Fundraising	Management and general	
Direct costs of wishes	\$ 2,728,263	—	—	2,728,263
Salaries, taxes, and benefits	663,779	498,088	483,895	1,645,762
Printing, subscriptions, and publications	21,923	36,209	790	58,922
Professional fees	4,716	60,052	12,918	77,686
Rent and utilities	104,965	57,512	45,591	208,068
Postage and delivery	13,389	13,125	1,767	28,281
Travel	3,984	7,508	13,915	25,407
Meetings and conferences	10,413	22,511	13,354	46,278
Office supplies	10,277	5,125	2,790	18,192
Communications	6,657	3,672	2,878	13,207
Advertising and media (cash)	5,311	2,342	—	7,653
Advertising and media (in-kind)	—	21,031	—	21,031
Repairs and maintenance	41,044	22,309	18,238	81,591
Insurance	4,956	2,728	2,228	9,912
Membership dues	—	250	—	250
National partnership dues	67,033	11,317	8,706	87,056
Miscellaneous	—	17,151	6,380	23,531
Depreciation and amortization	9,143	4,937	4,205	18,285
	<u>\$ 3,695,853</u>	<u>785,867</u>	<u>617,655</u>	<u>5,099,375</u>

See accompanying notes to financial statements.

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

(1) Organization

Make-A-Wish Foundation® of Greater Los Angeles (the Foundation) is a California not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. While the Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), pursuant to the Chapter Agreement, in November 2010 the Foundation was moved from Inactive Status to Provisional Status, with only one National Organization representative remaining as a nonvoting advisory board member. The National Organization 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. As of August 2013, the Foundation has a 20-member board to govern its affairs.

(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. Cash and cash equivalents include \$101,634 and \$92,689 of certificates of deposit and other liquid investments with an initial term of less than three months at August 31, 2013 and 2012.

(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 useful life of more than one year are stated at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 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

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

(f) ***Fair Value Measurements***

The Foundation follows the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs: Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).
- Level 3 Inputs: Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

(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. As of the years ended August 31, 2013 and 2012, the Chapter had zero permanently restricted net assets.
- **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.

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

(h) *Revenue Recognition*

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received in-kind contributions of assets and services that are included in the accompanying statements of activities as a component of both in-kind contribution and special events revenue. Such in-kind contributions were reported as follows:

	<u>2013</u>	<u>2012</u>
Contributions:		
Wish related	\$ 978,276	969,745
Professional services	30,990	7,980
Advertising and media	8,720	21,031
Internal special events	7,280	5,057
Other	14,593	17,003
Total	<u>\$ 1,039,859</u>	<u>1,020,816</u>

Included in wish-related expenses are lodging expenses, admission to theme parks, ground transportation, and airfare for the wish child and guests.

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.

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.

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

(i) ***Income Taxes***

The Foundation is a not-for-profit organization exempt from federal income and California taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Sections 12586 and 12587 of the California Government Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The Foundation has adopted ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on 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 and 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. Total wishes granted in 2013 and 2012 were 400 and 403, respectively.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations.

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.

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

(k) Management Estimates

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

(l) Reclassification

Certain reclassifications have been made to the 2012 financial statement information to conform to the 2013 financial presentation.

(3) Fair Value Measurements

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 the 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 Audit and Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

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 and nonrecurring basis at August 31, 2013 and 2012:

Description	August 31, 2013	Fair value measurements at August 31, 2013 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Recurring:				
Investments:				
Mutual funds:				
Domestic equity	\$ 196,733	196,733	—	—
Exchange-traded funds:				
Domestic equity	867,344	867,344	—	—
Debt securities:				
Asset backed	81,491	—	81,491	—
Government	137,368	—	137,368	—
Money market funds	494	494	—	—
Cash equivalents	101,634	101,634	—	—
Total recurring	<u>1,385,064</u>	<u>1,166,205</u>	<u>218,859</u>	<u>—</u>
Nonrecurring:				
Contributions receivable, net	228,886	—	—	228,886
Total nonrecurring	<u>228,886</u>	<u>—</u>	<u>—</u>	<u>228,886</u>
Total	<u>\$ 1,613,950</u>	<u>1,166,205</u>	<u>218,859</u>	<u>228,886</u>

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

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 other unobservable inputs (Level 3)
Recurring:				
Investments:				
Mutual funds:				
Domestic equity	\$ 309,918	309,918	—	—
Exchange-traded funds:				
Domestic equity	749,498	749,498	—	—
Real estate	2,092	2,092	—	—
Commodities	3,323	3,323	—	—
Debt securities:				
Asset backed	210,189	—	210,189	—
Government	120,825	—	120,825	—
Corporate	2,471	—	2,471	—
Money market funds	975	975	—	—
Cash equivalents	92,689	92,689	—	—
Total recurring	<u>1,491,980</u>	<u>1,158,495</u>	<u>333,485</u>	<u>—</u>
Nonrecurring				
Contributions receivable, net	<u>65,528</u>	<u>—</u>	<u>—</u>	<u>65,528</u>
Total nonrecurring	<u>65,528</u>	<u>—</u>	<u>—</u>	<u>65,528</u>
Total	<u>\$ 1,557,508</u>	<u>1,158,495</u>	<u>333,485</u>	<u>65,528</u>

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

For the valuation of debt securities and residential mortgage-backed 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).

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

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 42,851	44,783
Realized and unrealized gains (losses), net	116,373	77,750
Less investment expenses	<u>(17,406)</u>	<u>(16,098)</u>
Investment income, net	\$ <u>141,818</u>	<u>106,435</u>

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at 1.62% on August 31, 2013. The following is a summary of the Foundation's contributions receivable at August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Total amounts due in:		
One year	\$ 143,633	65,528
Two to five years	90,000	—
Gross contributions receivable	<u>233,633</u>	<u>65,528</u>
Less discount to present value	<u>(4,747)</u>	—
Contributions receivable, net	\$ <u>228,886</u>	<u>65,528</u>

(5) Transactions with Related Entities

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with: distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2013 and 2012, the Foundation received \$1,083,780 and \$1,101,880 from these national revenue streams.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation received support from the Wish Fulfillment Fund with receipts during the years ended August 31, 2013 and 2012, totaling \$225,509 and \$100,044, respectively, which is recorded as contributions. In addition, the Foundation received \$118,255 and \$1,225,886 from the National Organization in 2013 and 2012. These contributions represent 9% and 26% of the Foundation's total public support for 2013 and 2012, respectively.

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 \$116,124 and \$87,056 were paid from the Foundation to Make-A-Wish Foundation of America for the years ended August 31, 2013 and 2012, respectively.

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

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 \$71,400 and \$61,200 for the years ended August 31, 2013 and 2012, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	<u>2013</u>	<u>2012</u>
Balance at August 31:		
Due from National Organization	\$ 137,486	62,985
Due from other chapters	<u>87,841</u>	<u>58,764</u>
Total due from related entities	<u>\$ 225,327</u>	<u>121,749</u>
Due to other chapters	<u>\$ 14,174</u>	<u>17,318</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.

During 2013 and 2012, the Foundation received contributions, both cash and in-kind, from board members totaling \$142,500 and \$95,800, respectively. Amounts paid to related parties for goods and services used in the Foundation’s operations totaled \$103,241 and \$120,475 in 2013 and 2012, respectively.

(6) Property and Equipment, Net

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

	<u>2013</u>	<u>2012</u>
Computer equipment and software	\$ 115,209	110,226
Office furniture	44,958	44,598
Other equipment	36,911	34,328
Leasehold improvements	<u>15,041</u>	<u>15,041</u>
	212,119	204,193
Less accumulated depreciation and amortization	<u>(193,434)</u>	<u>(180,109)</u>
Property and equipment, net	<u>\$ 18,685</u>	<u>24,084</u>

Depreciation and amortization expense totaled \$13,325 and \$18,285 for the years ended August 31, 2013 and 2012, respectively.

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

(7) Accrued Pending Wish Costs

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

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

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

As of August 31, 2013 and 2012, the Foundation had approximately 141 and 145 reportable pending wishes, respectively.

(8) Leases

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through May 2016. Total rent expense for all operating leases for the years ended August 31, 2013 and 2012 totaled \$180,151 and \$174,945, respectively.

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

	Operating leases
Year ending August 31:	
2014	\$ 187,561
2015	192,728
2016	12,649
	<hr/>
Total minimum lease payments	\$ <u>392,938</u>

MAKE A WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2013 and 2012

(9) 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:

	<u>2013</u>	<u>2012</u>
Wish granting	\$ 79,133	43,440
Time restrictions	149,753	22,088
Total temporarily restricted net assets	<u>\$ 228,886</u>	<u>65,528</u>

For the years ended August 31, 2013 and 2012, the Foundation did not have any permanently restricted net assets.

(10) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 6% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2013 and 2012 were \$14,921 and \$13,899, respectively.

(11) Concentrations of Credit Risk

In-kind contributions totaling \$239,968 and \$417,051 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represents 6% and 8%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

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.

(12) Litigation and Claims

The Foundation is not involved in litigation and claims at the present time. In the opinion of management, there are no circumstances that will have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

(13) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through January 16, 2014, the date at which the financial statements were available to be issued.