



**MAKE-A-WISH FOUNDATION<sup>®</sup> OF MIDDLE TENNESSEE, INC.**

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

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KPMG LLP  
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## Independent Auditors' Report

The Board of Directors  
Make-A-Wish Foundation® of Middle Tennessee, Inc.:

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Make-A-Wish Foundation® of Middle Tennessee, Inc. as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

Jackson, Mississippi  
February 14, 2014

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

Statements of Financial Position

August 31, 2013 and 2012

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 151,899	398,796
Due from related entities	106,689	34,236
Prepaid expenses and other assets	11,448	1,835
Contributions receivable, net	75,589	150,855
Property and equipment, net	12,462	15,933
Total assets	<u>\$ 358,087</u>	<u>601,655</u>
<b>Liabilities and Net Assets (Deficit)</b>		
Accounts payable and accrued expenses	\$ 63,126	64,608
Accrued pending wish costs	443,051	493,004
Deferred rent	5,941	5,740
Total liabilities	<u>512,118</u>	<u>563,352</u>
Commitments and contingencies		
Net assets (deficit):		
Unrestricted	(229,620)	(75,852)
Temporarily restricted	75,589	114,155
Total net assets (deficit)	<u>(154,031)</u>	<u>38,303</u>
Total liabilities and net assets (deficit)	<u>\$ 358,087</u>	<u>601,655</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

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	\$ 1,090,795	57,589	1,148,384
Grants	168,591	18,000	186,591
Total public support	<u>1,259,386</u>	<u>75,589</u>	<u>1,334,975</u>
Internal special events	296,813	—	296,813
Less costs of direct benefits to donors	<u>(142,224)</u>	<u>—</u>	<u>(142,224)</u>
Total special events	<u>154,589</u>	<u>—</u>	<u>154,589</u>
Investment income, net	2,731	—	2,731
Other income	6,075	—	6,075
Net assets released from restrictions	114,155	(114,155)	—
Total revenues, gains, and other support	<u>1,536,936</u>	<u>(38,566)</u>	<u>1,498,370</u>
Expenses:			
Program services:			
Wish granting	1,343,845	—	1,343,845
Total program services	<u>1,343,845</u>	<u>—</u>	<u>1,343,845</u>
Support services:			
Fundraising	163,810	—	163,810
Management and general	183,049	—	183,049
Total support services	<u>346,859</u>	<u>—</u>	<u>346,859</u>
Total expenses	<u>1,690,704</u>	<u>—</u>	<u>1,690,704</u>
Change in net assets (deficit)	(153,768)	(38,566)	(192,334)
Net assets (deficit), beginning of year	<u>(75,852)</u>	114,155	38,303
Net assets (deficit), end of year	<u>\$ (229,620)</u>	<u>75,589</u>	<u>(154,031)</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

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	\$ 1,144,384	114,155	1,258,539
Grants	117,814	—	117,814
Total public support	<u>1,262,198</u>	<u>114,155</u>	<u>1,376,353</u>
Internal special events	100,462	—	100,462
Less costs of direct benefits to donors	<u>(9,126)</u>	<u>—</u>	<u>(9,126)</u>
Total special events	<u>91,336</u>	<u>—</u>	<u>91,336</u>
Investment income, net	4,090	—	4,090
Other income	5,100	—	5,100
Net assets released from restrictions	<u>98,098</u>	<u>(98,098)</u>	<u>—</u>
Total revenues, gains, and other support	<u>1,460,822</u>	<u>16,057</u>	<u>1,476,879</u>
Expenses:			
Program services:			
Wish granting	<u>1,489,488</u>	<u>—</u>	<u>1,489,488</u>
Total program services	<u>1,489,488</u>	<u>—</u>	<u>1,489,488</u>
Support services:			
Fundraising	189,914	—	189,914
Management and general	<u>161,808</u>	<u>—</u>	<u>161,808</u>
Total support services	<u>351,722</u>	<u>—</u>	<u>351,722</u>
Total expenses	<u>1,841,210</u>	<u>—</u>	<u>1,841,210</u>
Change in net assets (deficit)	<u>(380,388)</u>	<u>16,057</u>	<u>(364,331)</u>
Net assets, beginning of year	<u>304,536</u>	<u>98,098</u>	<u>402,634</u>
Net assets (deficit), end of year	<u>\$ (75,852)</u>	<u>114,155</u>	<u>38,303</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

Statements of Cash Flows

Years ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets (deficit)	\$ (192,334)	(364,331)
Adjustments to reconcile change in net assets (deficit) to net cash used in operating activities:		
Depreciation and amortization	7,091	6,057
Bad debt expense	—	2,600
Contributed property and equipment, inventory, and stock	(11,448)	(3,718)
Change in attrition on pending wish liability	(14,363)	—
Changes in assets and liabilities:		
Contributions receivable	75,266	(78,856)
Due from related entities	(72,453)	(453)
Prepaid expenses and other assets	1,835	(56)
Accounts payable and accrued expenses	(1,482)	30,588
Accrued pending wish costs	(35,590)	333,345
Deferred rent	201	1,525
Net cash used in operating activities	<u>(243,277)</u>	<u>(73,299)</u>
Cash flows from investing activity:		
Purchases of property and equipment	<u>(3,620)</u>	<u>(5,526)</u>
Net cash used in investing activity	<u>(3,620)</u>	<u>(5,526)</u>
Cash flows from financing activity:		
Principal payments on capital lease obligations	<u>—</u>	<u>(845)</u>
Net cash used in financing activity	<u>—</u>	<u>(845)</u>
Net decrease in cash and cash equivalents	(246,897)	(79,670)
Cash and cash equivalents, beginning of year	398,796	478,466
Cash and cash equivalents, end of year	\$ <u><u>151,899</u></u>	<u><u>398,796</u></u>
Supplemental cash flow information:		
Cash paid for interest	\$ —	151
Donated property and equipment, stock, and inventory	11,448	3,718
Contributed services	16,760	10,510
In-kind contributions	330,661	365,380

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

Statement of Functional Expenses

Year ended August 31, 2013

	<b>Program services</b>	<b>Support services</b>			
	<b>Wish granting</b>	<b>Fund- raising</b>	<b>Management and general</b>	<b>Total support services</b>	<b>Total</b>
Direct costs of wishes	\$ 1,069,487	—	—	—	1,069,487
Salaries, taxes, and benefits	184,547	125,957	118,358	244,315	428,862
Printing, subscriptions, and publications	1,896	2,175	1,126	3,301	5,197
Professional fees	2,347	333	12,578	12,911	15,258
Rent and utilities	27,900	9,300	9,300	18,600	46,500
Postage and delivery	810	1,173	442	1,615	2,425
Travel	3,336	2,794	4,213	7,007	10,343
Meetings and conferences	5,614	3,226	11,334	14,560	20,174
Office supplies	1,176	1,404	3,226	4,630	5,806
Communications	4,784	2,645	1,824	4,469	9,253
Advertising and media (cash)	2,681	6,568	—	6,568	9,249
Repairs and maintenance	1,782	1,148	1,088	2,236	4,018
Insurance	592	382	342	724	1,316
Membership dues	408	102	91	193	601
National partnership dues	34,081	5,177	3,882	9,059	43,140
Miscellaneous	2,404	1,426	8,154	9,580	11,984
Depreciation and amortization	—	—	7,091	7,091	7,091
	<u>\$ 1,343,845</u>	<u>163,810</u>	<u>183,049</u>	<u>346,859</u>	<u>1,690,704</u>

See accompanying notes to financial statements.



**MAKE-A-WISH FOUNDATION<sup>®</sup> OF MIDDLE TENNESSEE, INC.**

Statement of Functional Expenses

Year ended August 31, 2012

	<b>Program services</b>	<b>Support services</b>			<b>Total</b>
	<b>Wish granting</b>	<b>Fund- raising</b>	<b>Management and general</b>	<b>Total support services</b>	
Direct costs of wishes	\$ 1,226,299	—	—	—	1,226,299
Salaries, taxes, and benefits	161,320	122,583	106,215	228,798	390,118
Printing, subscriptions, and publications	3,125	5,253	869	6,122	9,247
Professional fees	3,281	425	24,268	24,693	27,974
Rent and utilities	27,592	9,398	9,469	18,867	46,459
Postage and delivery	1,031	1,765	674	2,439	3,470
Travel	4,584	5,901	1,728	7,629	12,213
Meetings and conferences	4,461	14,876	4,446	19,322	23,783
Office supplies	1,032	393	442	835	1,867
Communications	4,366	2,097	1,411	3,508	7,874
Advertising and media (cash)	5,250	5,250	—	5,250	10,500
Advertising and media (in-kind)	8,467	8,467	—	8,467	16,934
Repairs and maintenance	1,713	954	1,037	1,991	3,704
Insurance	508	314	310	624	1,132
Bad debt expense	—	2,600	—	2,600	2,600
Membership dues	544	180	181	361	905
National partnership dues	30,690	6,057	3,634	9,691	40,381
Miscellaneous	2,499	1,644	5,550	7,194	9,693
Depreciation and amortization	2,726	1,757	1,574	3,331	6,057
	<u>\$ 1,489,488</u>	<u>189,914</u>	<u>161,808</u>	<u>351,722</u>	<u>1,841,210</u>

See accompanying notes to financial statements.

# MAKE-A-WISH FOUNDATION<sup>®</sup> OF MIDDLE TENNESSEE, INC.

## Notes to Financial Statements

August 31, 2013 and 2012

### (1) Organization

Make-A-Wish Foundation<sup>®</sup> of Middle Tennessee, Inc. (the Foundation) is a Tennessee not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating local chapter of Make-A-Wish Foundation<sup>®</sup> of America (the 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.

#### (b) *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Included in cash and cash equivalents at August 31, 2013 and 2012 are \$127,110 and \$372,661, 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. The Foundation did not hold any investments at August 31, 2013 or 2012.

#### (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 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 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 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining term of the underlying lease. 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.

## MAKE-A-WISH FOUNDATION<sup>®</sup> OF MIDDLE TENNESSEE, INC.

### Notes to Financial Statements

August 31, 2013 and 2012

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 indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

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

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

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

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities 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 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 the measurement date.

Financial instruments recognized at fair value at August 31, 2013 and 2012 consist of cash and cash equivalents, which the Foundation categorizes as Level 1 within the fair value hierarchy described above.

#### (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 stipulating 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. The Foundation currently has no permanently restricted net assets.

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

Notes to Financial Statements

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- **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 contribution 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 net assets. 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:

	<u>2013</u>	<u>2012</u>
Contributions:		
Wish related	\$ 328,434	348,534
Other	25,371	27,356
Total	<u>\$ 353,805</u>	<u>375,890</u>
Special event revenues:		
Internal special events	\$ 5,064	—

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 and involve a large number of people for the purpose of raising awareness, additional funding, and cultivating future donors. Internal special event in-kind amounts are donated items recorded at fair market value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling \$328,434 and \$348,534 in 2013 and 2012, respectively.

Advertising and media is used to communicate the Foundation's message or mission and includes fund-raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue and fund-raising expense when received and the reporting of such contributions is

# MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.

## Notes to Financial Statements

August 31, 2013 and 2012

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 and state income 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 during 2013 or 2012 as the net income, if any, from any unrelated trade or business, is not material to the financial statements taken as a whole.

ASC Topic 740, *Income Taxes*, 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 there are no such uncertain tax positions requiring accrual or disclosure at August 31, 2013 and 2012.

(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.

**Fundraising**

Activities performed by the Foundation to operate 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 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 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

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

Notes to Financial Statements

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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 contributions receivable and property and equipment, and recognition and valuation of accrued pending wish costs, including the estimate for attrition of pending wishes. The current economic environment has increased the degree of uncertainty inherent in many of those estimates and assumptions.

**(3) Contributions Receivable**

The Foundation's contributions receivable totaling \$75,589 and \$150,855 at August 31, 2013 and 2012, respectively, were all due within one year of the financial reporting date. The Foundation incurred \$0 and \$2,600 of bad debt expense related to contributions receivable during 2013 and 2012, respectively. The Foundation had \$0 allowance for bad debt on contributions receivable at August 31, 2013 and 2012.

**(4) 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 \$276,269 and \$214,032, respectively, from these national revenue streams.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation. Amounts totaling \$43,140 and \$40,381 were paid from the Foundation to Make-A-Wish Foundation of America for 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 \$6,075 and \$5,100 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 related entities as of August 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Balance at August 31:		
Due from National Organization	\$ 99,723	33,132
Due from other chapters	6,966	1,104
Total due from related entities	<u>\$ 106,689</u>	<u>34,236</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.

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

Notes to Financial Statements

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Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting.

During 2013 and 2012, the Foundation received contributions, both cash and in-kind, from board members totaling approximately \$71,735 and \$34,068, respectively.

**(5) 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	\$ 34,655	32,939
Office furniture	5,579	5,579
Other equipment	7,960	7,960
	<u>48,194</u>	<u>46,478</u>
Less accumulated depreciation and amortization	<u>(35,732)</u>	<u>(30,545)</u>
Property and equipment, net	<u>\$ 12,462</u>	<u>15,933</u>

Depreciation expense totaled \$7,091 and \$6,057 for the years ended August 31, 2013 and 2012, respectively.

**(6) 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 the ultimate granting of the wish 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 58 and 61 reportable pending wishes, respectively.

**MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE, INC.**

Notes to Financial Statements

August 31, 2013 and 2012

**(7) Leases**

The Foundation is obligated under various operating leases for office space and equipment, which expire at various dates through 2016. Total rent expense for all operating leases for the years ended August 31, 2013 and 2012 totaled \$46,389 and \$43,198, respectively.

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

	<u>Operating leases</u>
Year ending August 31:	
2014	\$ 45,796
2015	47,180
2016	<u>32,070</u>
Total minimum lease payments	<u>\$ 125,046</u>

**(8) Temporarily Restricted Net Assets**

Temporarily restricted net assets totaling \$75,589 and \$114,155, respectively, are time restricted for the years ended August 31, 2013 and 2012.

**(9) Retirement Plan**

The Foundation has a defined contribution retirement plan (the Plan) that became effective January 1, 2010. Employees are eligible for participation in the Plan after reaching 21 years of age and earning \$5,000 of compensation. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2013 and 2012 totaled \$10,416 and \$7,011, respectively.

**(10) Concentrations of Credit Risk**

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents. The Foundation places its cash and cash equivalents with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the Federal Deposit Insurance Corporation 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 \$103,903 and \$215,072 were received from a single donor for the years ended August 31, 2013 and 2012, respectively, which represents 8% and 16%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.



**MAKE-A-WISH FOUNDATION<sup>®</sup> OF MIDDLE TENNESSEE, INC.**

Notes to Financial Statements

August 31, 2013 and 2012

**(11) Litigation and Claims**

The Foundation is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

**(12) Subsequent Events**

The Foundation has evaluated subsequent events from the statement of financial position date through February 14, 2014, the date at which the financial statements were available to be issued.