



MAKE-A-WISH FOUNDATION[®] OF CENTRAL & NORTHERN FLORIDA

Financial Statements

August 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

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KPMG LLP
Suite 750
450 East Las Olas Boulevard
Fort Lauderdale, FL 33301

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation[®] of Central & Northern Florida:

We have audited the accompanying statements of financial position of Make-A-Wish Foundation[®] of Central & Northern Florida (the Foundation) as of August 31, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Central & Northern Florida as of August 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 3, 2013
Certified Public Accountants

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Statements of Financial Position

August 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 681,432	476,124
Investments	526,945	514,690
Due from related entities	128,373	226,274
Prepaid expenses	67,193	66,295
Contributions receivable, net	85,338	48,853
Other assets	41,871	27,222
Property and equipment, net	34,820	27,452
Beneficial interest in perpetual trust	618,379	625,501
Total assets	<u>\$ 2,184,351</u>	<u>2,012,411</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 128,133	95,948
Accrued pending wish costs	1,034,214	756,325
Due to related entities	4,195	5,008
Other liabilities	19,319	18,477
Capital lease obligations	19,926	10,082
Total liabilities	<u>1,205,787</u>	<u>885,840</u>
Commitments and contingencies		
Net assets:		
Unrestricted	195,447	308,154
Temporarily restricted	164,738	192,916
Permanently restricted	618,379	625,501
Total net assets	<u>978,564</u>	<u>1,126,571</u>
Total liabilities and net assets	<u>\$ 2,184,351</u>	<u>2,012,411</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Statement of Activities

Year ended August 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 2,435,187	71,839	—	2,507,026
Grants	186,658	1,053	—	187,711
Total public support	<u>2,621,845</u>	<u>72,892</u>	<u>—</u>	<u>2,694,737</u>
Special events	1,370,288	95,992	—	1,466,280
Less direct benefit costs to donor	(334,786)	—	—	(334,786)
Total special events	<u>1,035,502</u>	<u>95,992</u>	<u>—</u>	<u>1,131,494</u>
Investment income, net	25,223	—	—	25,223
Other income	117,812	—	—	117,812
Net assets released from restrictions	197,062	(197,062)	—	—
Total revenues, gains, and other support	<u>3,997,444</u>	<u>(28,178)</u>	<u>—</u>	<u>3,969,266</u>
Expenses:				
Program services:				
Wish granting	2,889,567	—	—	2,889,567
Training and development	114,697	—	—	114,697
Total program services	<u>3,004,264</u>	<u>—</u>	<u>—</u>	<u>3,004,264</u>
Support services:				
Fundraising	657,559	—	—	657,559
Management and general	448,328	—	—	448,328
Total support services	<u>1,105,887</u>	<u>—</u>	<u>—</u>	<u>1,105,887</u>
Total program and support services expenses	<u>4,110,151</u>	<u>—</u>	<u>—</u>	<u>4,110,151</u>
Change in value of beneficial interest in trust	—	—	7,122	7,122
Total expenses and losses	<u>4,110,151</u>	<u>—</u>	<u>7,122</u>	<u>4,117,273</u>
Change in net assets	(112,707)	(28,178)	(7,122)	(148,007)
Net assets, beginning of year	308,154	192,916	625,501	1,126,571
Net assets, end of year	\$ <u>195,447</u>	<u>164,738</u>	<u>618,379</u>	<u>978,564</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Statement of Activities

Year ended August 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 1,939,609	23,700	—	1,963,309
Grants	149,840	16,000	—	165,840
Total public support	<u>2,089,449</u>	<u>39,700</u>	<u>—</u>	<u>2,129,149</u>
Special events	1,214,815	77,454	—	1,292,269
Less direct benefit costs to donor	(334,437)	—	—	(334,437)
Total special events	<u>880,378</u>	<u>77,454</u>	<u>—</u>	<u>957,832</u>
Investment income, net	28,523	—	—	28,523
Other income	109,228	8,274	—	117,502
Change in value of beneficial interest in trust	—	—	53,854	53,854
Net assets released from restrictions	54,238	(54,238)	—	—
Total revenues, gains, and other support	<u>3,161,816</u>	<u>71,190</u>	<u>53,854</u>	<u>3,286,860</u>
Expenses:				
Program services:				
Wish granting	2,635,619	—	—	2,635,619
Training and development	98,040	—	—	98,040
Total program services	<u>2,733,659</u>	<u>—</u>	<u>—</u>	<u>2,733,659</u>
Support services:				
Fundraising	576,018	—	—	576,018
Management and general	524,753	—	—	524,753
Total support services	<u>1,100,771</u>	<u>—</u>	<u>—</u>	<u>1,100,771</u>
Total program and support services expenses	<u>3,834,430</u>	<u>—</u>	<u>—</u>	<u>3,834,430</u>
Change in net assets	(672,614)	71,190	53,854	(547,570)
Net assets, beginning of year	980,768	121,726	571,647	1,674,141
Net assets, end of year	<u>\$ 308,154</u>	<u>192,916</u>	<u>625,501</u>	<u>1,126,571</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Statements of Cash Flows

Years ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (148,007)	(547,570)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	17,983	28,194
Bad debt expense	10,557	1,874
Net realized and unrealized gains on investments	(28,479)	(26,283)
Gain on sale of property and equipment	1,812	—
Change in value of beneficial interest in perpetual trust	7,122	(53,854)
Change in pending wish liability due to attrition	(50,534)	(13,189)
Changes in assets and liabilities:		
Restricted cash	—	39,476
Contributions receivable	(47,042)	(23,141)
Due from related entities	97,901	(75,967)
Prepaid expenses	(898)	(21,902)
Other assets	(14,649)	(12,422)
Accounts payable and accrued expenses	32,185	(43,168)
Accrued pending wish costs	328,423	25,108
Due to related entities	(813)	(9,494)
Other liabilities	842	12,017
Net cash provided by (used in) operating activities	<u>206,403</u>	<u>(720,321)</u>
Cash flows from investing activities:		
Purchases of investments	(1,094,233)	(639,324)
Proceeds from sales of investments	1,110,457	847,513
Purchases of property and equipment	(7,771)	(10,724)
Net cash provided by investing activities	<u>8,453</u>	<u>197,465</u>
Cash flows from financing activity:		
Principal payments on capital lease obligations	(9,548)	(6,099)
Net cash used in financing activity	<u>(9,548)</u>	<u>(6,099)</u>
Net increase (decrease) in cash and cash equivalents	205,308	(528,955)
Cash and cash equivalents, beginning of year	<u>476,124</u>	<u>1,005,079</u>
Cash and cash equivalents, end of year	\$ <u><u>681,432</u></u>	<u><u>476,124</u></u>
Supplemental cash flow information:		
Cash paid for interest	\$ 744	963
In-kind contributions	783,246	675,876
Acquisition of equipment with capital lease agreement	21,226	—
Early termination of capital lease	1,834	—

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Statement of Functional Expenses

Year ended August 31, 2012

	Program services			Support services			Total
	Wish granting	Training and development	Total program services	Fundraising	Management and general	Total support services	
Direct costs of wishes	\$ 2,368,448	—	2,368,448	—	—	—	2,368,448
Salaries, taxes, and benefits	309,432	56,152	365,584	418,459	302,066	720,525	1,086,109
Printing, subscriptions, and publications	10,074	1,806	11,880	34,687	5,748	40,435	52,315
Professional fees	54,839	6,181	61,020	18,416	12,646	31,062	92,082
Rent and utilities	52,085	10,230	62,315	58,084	37,765	95,849	158,164
Postage and delivery	4,017	771	4,788	13,320	3,097	16,417	21,205
Travel	1,471	1,889	3,360	28,727	10,223	38,950	42,310
Meetings and conferences	2,574	1,699	4,273	9,375	3,310	12,685	16,958
Office supplies	6,659	2,193	8,852	5,983	4,037	10,020	18,872
Communications	7,453	1,467	8,920	8,390	5,983	14,373	23,293
Advertising and media (cash)	240	—	240	2,457	—	2,457	2,697
Advertising and media (in-kind)	—	—	—	3,000	—	3,000	3,000
Repairs and maintenance	4,716	926	5,642	20,866	3,671	24,537	30,179
Insurance	813	160	973	891	589	1,480	2,453
Bad debt expense	—	—	—	—	10,557	10,557	10,557
Membership dues	63	12	75	464	301	765	840
National partnership dues	56,742	—	56,742	9,580	7,369	16,949	73,691
Miscellaneous	3,976	30,040	34,016	17,970	37,009	54,979	88,995
Depreciation and amortization	5,965	1,171	7,136	6,890	3,957	10,847	17,983
	<u>\$ 2,889,567</u>	<u>114,697</u>	<u>3,004,264</u>	<u>657,559</u>	<u>448,328</u>	<u>1,105,887</u>	<u>4,110,151</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Statement of Functional Expenses

Year ended August 31, 2011

	Program services			Support services			Total
	Wish granting	Training and development	Total program services	Fundraising	Management and general	Total support services	
Direct costs of wishes	\$ 2,123,046	—	2,123,046	—	—	—	2,123,046
Salaries, taxes, and benefits	317,976	66,339	384,315	348,698	380,636	729,334	1,113,649
Printing, subscriptions, and publications	8,057	1,805	9,862	34,529	6,141	40,670	50,532
Professional fees	36,790	4,528	41,318	21,320	15,365	36,685	78,003
Rent and utilities	53,704	11,391	65,095	55,892	48,354	104,246	169,341
Postage and delivery	3,993	1,102	5,095	19,727	3,912	23,639	28,734
Travel	4,290	3,576	7,866	17,171	10,006	27,177	35,043
Meetings and conferences	1,740	2,010	3,750	12,721	4,093	16,814	20,564
Office supplies	6,791	1,946	8,737	6,032	5,634	11,666	20,403
Communications	7,216	1,531	8,747	7,985	6,836	14,821	23,568
Advertising and media (cash)	—	—	—	5,625	500	6,125	6,125
Repairs and maintenance	2,565	546	3,111	4,590	2,373	6,963	10,074
Insurance	1,240	263	1,503	1,278	1,101	2,379	3,882
Bad debt expense	—	—	—	—	1,874	1,874	1,874
Membership dues	223	25	248	368	1,480	1,848	2,096
National partnership dues	57,128	—	57,128	13,711	5,332	19,043	76,171
Miscellaneous	1,853	1,066	2,919	17,089	23,123	40,212	43,131
Depreciation and amortization	9,007	1,912	10,919	9,282	7,993	17,275	28,194
	<u>\$ 2,635,619</u>	<u>98,040</u>	<u>2,733,659</u>	<u>576,018</u>	<u>524,753</u>	<u>1,100,771</u>	<u>3,834,430</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Notes to Financial Statements

August 31, 2012 and 2011

(1) Organization

Make-A-Wish Foundation® of Central & Northern Florida (the Foundation) is a Florida 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.

(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 at August 31, 2012 and 2011 include \$275,835 and \$3,507, respectively, of money market mutual funds.

(c) *Investments*

Investments are recorded at fair value and consist of money market funds, corporate bonds, and U.S. government securities. 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.

(e) *Property and Equipment, Net*

Property and equipment having a unit cost greater than \$1,000 and a 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 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 terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

MAKE-A-WISH FOUNDATION[®] OF CENTRAL & NORTHERN FLORIDA

Notes to Financial Statements

August 31, 2012 and 2011

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances 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.

(g) ***Net Assets***

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions or law that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

(h) ***Revenue Recognition***

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

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Notes to Financial Statements

August 31, 2012 and 2011

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:

	<u>2012</u>	<u>2011</u>
Advertising and media	\$ 3,000	—
Wish-related donations	655,128	558,869
Professional services and other donations	<u>125,118</u>	<u>117,007</u>
Total	<u>\$ 783,246</u>	<u>675,876</u>

An internal special event is an event organized by the chapter that generates income from fundraising functions designed to attract donors and involves large numbers 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 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 \$783,246 and \$675,876 in 2012 and 2011, respectively.

Advertising and media are used to help the Foundation communicate its message or mission and include 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 and fundraising 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 Florida taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 12A-1.038 of the Florida Statutes, Chapter 212. 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, 2012 or 2011.

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Notes to Financial Statements

August 31, 2012 and 2011

(j) ***Functional Expenses***

The Foundation performs four functions: wish granting, training and development, 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.

Training and Development

Activities performed by the Foundation include, but are not limited to, implementation of programs supporting the identification of wish candidates and the determination and delivery of the wish.

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, 2012 and 2011, the Foundation incurred no significant joint costs for activities that include fundraising appeals.

Management and General

All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

(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 investments, contributions receivable, property and equipment, beneficial interest in perpetual trusts and charitable gift annuity, and accrued pending wish costs, net of attrition on accrued pending wish costs. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Notes to Financial Statements

August 31, 2012 and 2011

(1) Reclassifications

Certain reclassifications have been made to the 2011 financial statement information to conform to the 2012 financial statement presentation. There was no impact on the previously reported change in net assets of the Foundation.

(3) Cash and Cash Equivalents and Investments

The Foundation follows the guidance in 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. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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, 2012 and 2011:

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 (Level 2)
Cash and cash equivalents	\$ 681,432	681,432	—
Investments:			
Debt securities:			
U.S. Treasury	\$ 116,999	—	116,999
U.S. agency	409,946	—	409,946
	\$ 526,945	—	526,945

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Notes to Financial Statements

August 31, 2012 and 2011

Description	August 31, 2011	Fair value measurements at August 31, 2011 using	
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents	\$ 476,124	476,124	—
Investments:			
Debt securities:			
U.S. Treasury	\$ 140,611	—	140,611
U.S. agency	374,079	—	374,079
	<u>\$ 514,690</u>	<u>—</u>	<u>514,690</u>

For the valuation of debt securities at August 31, 2012 and 2011, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2). The Foundation has no fair value measurements that use Level 3 inputs, other than beneficial interest in perpetual trust as described in note 5(a).

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 1, Level 2, or Level 3 for the year ended August 31, 2012.

Total investment income, gains, and losses for the years ended August 31, 2012 and 2011 consist of the following:

	2012	2011
Interest and dividend income	\$ 788	6,060
Realized and unrealized gains, net	28,479	26,283
Less investment expenses	(4,044)	(3,820)
Investment income, net	<u>\$ 25,223</u>	<u>28,523</u>

MAKE-A-WISH FOUNDATION® OF CENTRAL & NORTHERN FLORIDA

Notes to Financial Statements

August 31, 2012 and 2011

(4) Contributions Receivable

Contributions receivable include cash and in-kind pledges. The Foundation records an allowance for doubtful accounts on cash pledges. The following is a summary of the Foundation's contributions receivable at August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Total amounts due in:		
One year	\$ 86,802	52,846
Gross contributions receivable	86,802	52,846
Less allowance for doubtful accounts	<u>(1,464)</u>	<u>(3,993)</u>
Contributions receivable, net	<u>\$ 85,338</u>	<u>48,853</u>

(5) Split-Interest Agreements

(a) Beneficial Interest in Perpetual Trusts

The Foundation is named income beneficiary on various perpetual trusts, the corpus of which are not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying statements of activities as a component of permanently restricted change in value of beneficial interest in trust.

The Foundation's beneficial interest in the trusts are \$618,379 and \$625,501 as of August 31, 2012 and 2011, respectively. The Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3) to determine fair value.

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The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
	Fair value measurements using significant unobservable inputs (Level 3)	Fair value measurements using significant unobservable inputs (Level 3)
Beginning balance	\$ 625,501	571,647
Total (losses) gains (realized/unrealized) included in changes in net assets	<u>(7,122)</u>	<u>53,854</u>
Ending balance	\$ <u>618,379</u>	<u>625,501</u>
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	\$ (7,122)	53,854

(b) Beneficial Interest in Charitable Gift Annuity

The Foundation is named beneficiary on a charitable gift annuity, the corpus of which is controlled by the National Organization. Under these arrangements, the Foundation has the irrevocable right to receive the residual underlying assets at the term of the charitable gift annuity. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at estimated fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statements of activities as other income. The Foundation's assets under the charitable gift annuity are recorded as due from related entities.

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The Foundation’s beneficial interest in the charitable gift annuity is \$0 and \$75,762 as of August 31, 2012 and 2011, respectively, which is included in due from related entities. The following table presents a rollforward of activity for the beneficial interest in charitable gift annuity using significant unobservable inputs (Level 3) for the years ended 2012 and 2011:

	Fair value measurements	
	2012	2011
Beginning balance	\$ 75,762	67,488
Change in value of beneficial interest in gift annuity	—	8,274
Maturity of gift annuity	(75,762)	—
Ending balance	\$ —	75,762
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	\$ —	8,274

(6) Transactions with Related Entities

The Foundation receives funds from the National Organization on a monthly basis. These funds represent revenues associated with distributions from national partners, individual donation amounts collected via online and whitemail donations, amounts for internal grants, travel and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues.

During the years ended August 31, 2012 and 2011, the Foundation received \$1,007,935 and \$885,149, respectively, from these national revenue streams. These amounts are recorded in the statements of activities as contributions revenue. Conversely, the Chapter pays amounts to the National Organization for partnership dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation. Amounts totaling \$91,575 and \$80,710 were paid from the Foundation to the National Organization during the years ended August 31, 2012 and 2011, 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 \$114,375 and \$105,150 for the years ended August 31, 2012 and 2011, respectively, which is recorded in the accompanying statements of activities as other income.

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Amounts due from and to related entities are as follows:

	<u>2012</u>	<u>2011</u>
Balance at August 31:		
Due from National Organization	\$ 110,710	203,251
Due from other chapters	17,663	23,023
Total due from related entities	<u>\$ 128,373</u>	<u>226,274</u>
Due to National Organization	\$ 753	—
Due to other chapters	3,442	5,008
Total due to related entities	<u>\$ 4,195</u>	<u>5,008</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 2012 and 2011, the Foundation received contributions, both cash and in-kind, from board members totaling \$287,869 and \$125,007, respectively. At August 31, 2012 and 2011, there were no amounts due from board members. Amounts paid to related parties for goods and services used in the Foundation's operations totaled \$159,710 and \$152,580 in 2012 and 2011, respectively. Amounts due to related parties as of August 31, 2012 and 2011, totaled \$4,195 and \$5,008, respectively, and are included in due to related entities in the accompanying statements of financial position.

(7) Property and Equipment, Net

Property and equipment as of August 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Computer equipment and software	\$ 92,363	96,723
Office furniture	18,286	18,555
Other equipment	75,951	65,038
Leasehold improvements	4,805	4,805
	<u>191,405</u>	<u>185,121</u>
Less accumulated depreciation and amortization	<u>(156,585)</u>	<u>(157,669)</u>
Property and equipment, net	<u>\$ 34,820</u>	<u>27,452</u>

Depreciation and amortization expense totaled \$17,983 and \$28,194 for the years ended August 31, 2012 and 2011, respectively.

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(8) Accrued Pending Wish Costs

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

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

As of August 31, 2012 and 2011, the Foundation had approximately 181 and 149 reportable pending wishes, respectively.

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 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, and the delay of a wish without a known date to due to the family's circumstances or the child's hospitalization or illness.

(9) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through 2016. As of August 31, 2012 and 2011, the cost of leased property and equipment under capital lease was \$35,539 and \$23,552, respectively, and accumulated depreciation was \$15,078 and \$15,466, respectively. Total rent expense for all operating leases for the years ended August 31, 2012 and 2011 totaled \$150,028 and \$156,370, respectively.

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

	<u>Operating leases</u>	<u>Capital leases</u>
Year ending August 31:		
2013	\$ 150,311	10,101
2014	147,559	7,092
2015	65,986	3,012
2016	<u>29,090</u>	<u>1,647</u>
Total minimum lease payments	\$ <u>392,946</u>	21,852
Less amounts representing interest		<u>(1,926)</u>
Present value of net minimum lease payments		\$ <u><u>19,926</u></u>

(10) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the years ended August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Wish granting	\$ 71,839	99,462
Time restrictions	<u>92,899</u>	<u>93,454</u>
Total temporarily restricted net assets	\$ <u><u>164,738</u></u>	<u><u>192,916</u></u>

For the years ended August 31, 2012 and 2011, permanently restricted net assets are restricted to:

	<u>2012</u>	<u>2011</u>
Investments in perpetuity, the income from which is expendable to support any activities of the Foundation	\$ 618,379	625,501

(11) 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 90 days 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 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2012 and 2011 were \$17,327 and \$19,426, respectively.

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(12) 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, cash equivalents and investments with high credit quality financial institutions, and generally limits the amount of credit exposure not to exceed the Federal Deposit Insurance Corporation (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 \$263,341 and \$234,199 were received from a single donor for the years ended August 31, 2012 and 2011, respectively, which represents 10% and 11%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(13) Litigation and Claims

The Foundation is involved in litigation and claims 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.

(14) Subsequent Events

On September 20, 2012, the Foundation was notified by the representatives of the estate of a donor that the Foundation is a recipient of a gift estimated to be approximately \$1,020,000. It is estimated by the representatives of the estate that the first distribution to the Foundation will take place in December 2012 with final payout of the estate scheduled to occur in late spring or early summer of 2013.

The Foundation has evaluated subsequent events from the statements of financial position date through January 3, 2013, the date at which the financial statements were available to be issued.