

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Financial Statements

August 31, 2014

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

**Table of Contents**

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

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Make-A-Wish Foundation® of Central  
and Western North Carolina, Inc.  
Charlotte, North Carolina

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Central and Western North Carolina, Inc. (the Foundation), which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of Central and Western North Carolina, Inc. as of August 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Calverton, Maryland  
December 16, 2014

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Statement of Financial Position

August 31, 2014

**Assets**

Cash and cash equivalents	\$ 2,072,932
Due from related entities	101,408
Prepaid expenses	37,179
Contributions receivable, net	168,875
Other assets	39,953
Property and equipment, net	<u>30,671</u>
Total assets	<u><u>\$ 2,451,018</u></u>

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$ 87,286
Accrued pending wish costs	1,187,758
Due to related entities	20,817
Capital lease obligations	<u>12,665</u>
Total liabilities	<u>1,308,526</u>
Net assets	
Unrestricted	618,893
Temporarily restricted	<u>523,599</u>
Total net assets	<u>1,142,492</u>
Total liabilities and net assets	<u><u>\$ 2,451,018</u></u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Statement of Activities

Year ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Public support:			
Contributions	\$ 2,396,687	200,595	2,597,282
Grants	276,669	-	276,669
Total public support	<u>2,673,356</u>	<u>200,595</u>	<u>2,873,951</u>
Internal special events	1,517,926	318,004	1,835,930
Less costs of direct benefits to donors	(229,868)	-	(229,868)
Total special events	<u>1,288,058</u>	<u>318,004</u>	<u>1,606,062</u>
Investment income, net	1,321	-	1,321
Other income	6,876	-	6,876
Net assets released from restrictions	132,114	(132,114)	-
Total revenues, gains, and other support	<u>4,101,725</u>	<u>386,485</u>	<u>4,488,210</u>
Expenses:			
Program services:			
Wish granting	2,880,714	-	2,880,714
Support services:			
Fundraising	579,994	-	579,994
Management and general	164,636	-	164,636
Total support services	<u>744,630</u>	<u>-</u>	<u>744,630</u>
Total expenses and losses	<u>3,625,344</u>	<u>-</u>	<u>3,625,344</u>
Change in net assets	476,381	386,485	862,866
Net assets, beginning of the year	<u>142,512</u>	<u>137,114</u>	<u>279,626</u>
Net assets, end of the year	<u>\$ 618,893</u>	<u>523,599</u>	<u>1,142,492</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Statement of Cash Flows

Year ended August 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ 862,866
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	12,757
Loss on disposal of property and equipment	325
Contributed property and equipment, inventory, and stock	(30,235)
Changes in assets and liabilities:	
Contributions receivable	(50,486)
Due from related entities	(17,167)
Prepaid expenses	(7,428)
Other assets	(8,288)
Accounts payable and accrued expenses	(7,919)
Accrued pending wish costs	43,683
Due to related entities	4,516
	<u>802,624</u>
Net cash provided by operating activities	<u>802,624</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(6,668)</u>
Net cash used in investing activities	<u>(6,668)</u>
Cash flows from financing activities:	
Principal payments on capital lease obligations	<u>(2,114)</u>
Net cash used in financing activities	<u>(2,114)</u>
Net increase in cash and cash equivalents	793,842
Cash and cash equivalents, beginning of year	<u>1,279,090</u>
Cash and cash equivalents, end of year	<u>\$ 2,072,932</u>
Supplemental cash flow information:	
Cash paid for interest	\$ 678
Acquisition of equipment with capital lease agreement	13,961

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Statement of Functional Expenses

Year ended August 31, 2014

	<b>Program services</b>	<b>Support services</b>			<b>Total</b>
	<b>Wish granting</b>	<b>Fundraising</b>	<b>Management and general</b>	<b>Total support services</b>	
Direct costs of wishes	\$ 2,286,367	—	—	—	2,286,367
Salaries, taxes, and benefits	333,066	331,506	128,646	460,152	793,218
Printing, subscriptions, and publications	5,942	15,742	662	16,404	22,346
Professional fees	7,888	8,342	4,249	12,591	20,479
Rent and utilities	42,112	42,582	12,473	55,055	97,167
Postage and delivery	1,559	2,356	339	2,695	4,254
Travel	6,380	20,875	1,657	22,532	28,912
Meetings and conferences	117,078	17,540	1,583	19,123	136,201
Office supplies	9,982	10,392	2,874	13,266	23,248
Communications	4,635	4,545	1,210	5,755	10,390
Advertising and media (cash)	—	16,701	—	16,701	16,701
Advertising and media (in-kind)	—	36,788	—	36,788	36,788
Repairs and maintenance	2,285	2,323	659	2,982	5,267
National partnership dues	54,394	7,671	7,671	15,342	69,736
Miscellaneous	3,492	57,006	1,015	58,021	61,513
Depreciation and amortization	5,534	5,626	1,597	7,223	12,757
	<b>\$ 2,880,714</b>	<b>579,994</b>	<b>164,636</b>	<b>744,630</b>	<b>3,625,344</b>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Notes to Financial Statements

August 31, 2014

**(1) Organization**

Make-A-Wish Foundation® of Central and Western North Carolina, Inc. (the Foundation) is a North Carolina not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

**(b) Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2014 is \$9,468 of certificates of deposit with an initial term of less than three months and \$1,081,814 in money market funds.

**(c) 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.

**(d) Inventory**

Inventory, consisting of gifts for wish children and items to be used at special events, is stated at the lower of cost or market. Cost is determined using the direct method. Management does not believe there are any obsolete items as of August 31, 2014.

**(e) Property and Equipment, Net**

Property and equipment having a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Notes to Financial Statements

August 31, 2014

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

*(f) Net Assets*

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

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

*(g) Revenue Recognition*

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Notes to Financial Statements

August 31, 2014

The Foundation received in-kind contributions of assets and services that are included in the accompanying statements of activities as follows:

Contributions:	
Wish related	\$ 1,057,657
Advertising and media	36,788
Property and equipment	9,600
Other	159,706
Total	\$ 1,263,751
Special event revenue:	
Internal special events	\$ 62,002

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 value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling \$1,353,263 in 2014, with the difference recorded as receivable for pledged facilities and other assets representing primarily inventory and auction items received and not yet used.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue when received and fundraising or public information expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

**(h) Income Taxes**

The Foundation is a not-for-profit organization exempt from federal income and North Carolina income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 55A of the General Statutes of North Carolina. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2014.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Notes to Financial Statements

August 31, 2014

*(i) 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.

During the fiscal year ended August 31, 2014, the Foundation incurred no significant joint costs for activities that included fundraising appeals.

**Fundraising**

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

*(j) Management Estimates*

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

*(k) Advertising*

Advertising costs are expensed when incurred or when donated to the Foundation. Expenses for the year ended August 31, 2014 are disclosed in the Statement of Functional Expenses.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Notes to Financial Statements

August 31, 2014

**(3) Contributions Receivable**

The Foundation's contributions receivable at August 31, 2014 are \$168,875. All amounts are deemed collectable at August 31, 2014. Accordingly, no allowance has been recorded. Total amounts are due within one year.

The Foundation had a conditional promise of \$55,000 at August 31, 2014, representing a challenge grant from a foundation conditioned upon a matching level of support raised from new, increased and lapsed sources received by November 30, 2014. This promise to give will be recognized as revenue when the conditions are met.

**(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 year ended August 31, 2014, the Foundation received \$692,098 from these national revenue streams.

Conversely, the chapter pays amounts to the National Organization for annual dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation. Amounts totaling \$174,825 were paid from the Foundation to the National Organization during the year ended August 31, 2014.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$7,200 for the year ended August 31, 2014, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31:	
Due from National Organization	\$ 98,219
Due from other chapters	3,189
Total due from related entities	<u>\$ 101,408</u>
Due to National Organization	\$ —
Due to other chapters	20,817
Total due to related entities	<u>\$ 20,817</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.

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Notes to Financial Statements

August 31, 2014

During 2014, the Foundation received contributions, both cash and in-kind, from board members totaling \$64,190. There were no amounts due from board members in 2014. No amounts were paid to related parties for goods and services used in the Foundation's operations in 2014.

The Foundation leases office space in Charlotte, North Carolina from a related party. Total rent expense under this operating lease for the year ended August 31, 2014, totaled \$17,440.

**(5) Property and Equipment, Net**

Property and equipment as of August 31, 2014, consist of the following:

Computer equipment and software	\$ 43,367
Office furniture	3,600
Other equipment	13,961
Leasehold improvements	<u>6,906</u>
	67,834
Less accumulated depreciation and amortization	<u>(37,163)</u>
Property and equipment, net	<u><u>\$ 30,671</u></u>

Depreciation and amortization expense totaled \$12,757 for the year ended August 31, 2014. Buildings are depreciated over 40 years, computer equipment, software, and related items over three years, office furniture and other equipment over five years, and leasehold improvements over the shorter of seven years or the remaining lease term.

**(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 these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

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

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Notes to Financial Statements

August 31, 2014

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2014, the Foundation had approximately 151 reportable pending wishes.

**(7) Leases**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through April 2019. As of August 31, 2014, the cost of leased property and equipment under capital lease was \$13,961, and accumulated depreciation was \$1,624. Total rent expense for all operating leases for the year ended August 31, 2014, totaled \$56,164.

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

	<b>Operating leases</b>	<b>Capital leases</b>
Year ending August 31:		
2015	\$ 35,653	3,221
2016	36,723	3,221
2017	37,825	3,221
2018	38,959	3,221
2019 and following	16,432	2,147
Total minimum lease payments	\$ 165,592	15,031
Less amounts representing interest		(2,366)
Present value of net minimum lease payments		\$ 12,665

**(8) Temporarily and Permanently Restricted Net Assets**

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

Time restrictions	\$ 318,004
Purpose restrictions	205,595
Total temporarily restricted net assets	\$ 523,599

**MAKE-A-WISH FOUNDATION® OF CENTRAL AND  
WESTERN NORTH CAROLINA, INC.**

Notes to Financial Statements

August 31, 2014

**(9) Retirement Plan**

The Foundation has a defined contribution retirement plan (the Plan). Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. Employees are eligible for participation in the Plan's employer match after reaching 21 years of age and upon completion of one month of service. Effective April 2, 2009, the Foundation suspended the matching of employee contributions to the plan.

**(10) Concentrations of Credit Risk**

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

In-kind contributions totaling \$534,709 were received from a single donor for the year ended August 31, 2014, which represents 19% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**(11) 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.

**(12) Subsequent Events**

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