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Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation® of Puerto Rico, Inc.:

We have audited the accompanying statements of financial position of Make-A-Wish Foundation® of Puerto Rico, Inc. (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 Puerto Rico, Inc. 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

April 19, 2013

Stamp No. 2680253 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Statements of Financial Position

August 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 497,655	433,807
Investments	79,410	79,410
Due from related entities	4,012	6,583
Contributions receivable	120,752	30,340
Other assets	83,433	53,105
Property and equipment, net	20,875	33,972
Total assets	<u>\$ 806,137</u>	<u>637,217</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 18,478	38,209
Accrued pending wish costs	244,067	238,583
Capital lease obligations	—	1,336
Total liabilities	<u>262,545</u>	<u>278,128</u>
Net assets:		
Unrestricted	429,605	346,842
Temporarily restricted	113,987	12,247
Total net assets	<u>543,592</u>	<u>359,089</u>
Commitments		
Total liabilities and net assets	<u>\$ 806,137</u>	<u>637,217</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, 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	\$ 636,204	103,617	739,821
Grants	159,153	10,370	169,523
Total public support	<u>795,357</u>	<u>113,987</u>	<u>909,344</u>
Special events	315,907	—	315,907
Less direct benefit costs to donor	(112,450)	—	(112,450)
Total special events	<u>203,457</u>	<u>—</u>	<u>203,457</u>
Investment income	941	—	941
Other income	1,800	—	1,800
Net assets released from restrictions	12,247	(12,247)	—
Total revenues, gains, and other support	<u>1,013,802</u>	<u>101,740</u>	<u>1,115,542</u>
Expenses:			
Program services – Wish granting	807,939	—	807,939
Support services:			
Fund raising	63,372	—	63,372
Management and general	59,728	—	59,728
Total support services	<u>123,100</u>	<u>—</u>	<u>123,100</u>
Total expenses	<u>931,039</u>	<u>—</u>	<u>931,039</u>
Change in net assets	82,763	101,740	184,503
Net assets, beginning of the year	346,842	12,247	359,089
Net assets, end of the year	<u>\$ 429,605</u>	<u>113,987</u>	<u>543,592</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Statement of Activities
Year ended August 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Public support:			
Contributions	\$ 545,569	12,247	557,816
Grants	210,493	—	210,493
Total public support	<u>756,062</u>	<u>12,247</u>	<u>768,309</u>
Special events	209,800	—	209,800
Less direct benefit costs to donor	<u>(158,084)</u>	<u>—</u>	<u>(158,084)</u>
Total special events	51,716	—	51,716
Investment income	2,842	—	2,842
Other income	2,375	—	2,375
Net assets released from restrictions	<u>23,745</u>	<u>(23,745)</u>	<u>—</u>
Total revenues, gains, and other support	<u>836,740</u>	<u>(11,498)</u>	<u>825,242</u>
Expenses:			
Program services – Wish granting	696,608	—	696,608
Support services:			
Fund raising	78,249	—	78,249
Management and general	<u>57,228</u>	<u>—</u>	<u>57,228</u>
Total support services	135,477	—	135,477
Total expenses	<u>832,085</u>	<u>—</u>	<u>832,085</u>
Change in net assets	4,655	(11,498)	(6,843)
Net assets, beginning of the year	<u>342,187</u>	<u>23,745</u>	<u>365,932</u>
Net assets, end of the year	<u>\$ 346,842</u>	<u>12,247</u>	<u>359,089</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

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	\$ 184,503	(6,843)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,619	9,448
Net realized gain on investments	—	(1,040)
Change in pending wish liability due to attrition	(18,774)	—
Changes in assets and liabilities:		
Contributions receivable	(90,412)	37,733
Due from related entities	2,571	2,657
Other assets	(30,328)	(3,483)
Accounts payable and accrued expenses	(19,731)	22,301
Accrued pending wish costs	24,258	(10,034)
Net cash provided by operating activities	<u>66,706</u>	<u>50,739</u>
Cash flows from investing activity:		
Purchases of equipment	<u>(1,522)</u>	<u>(35,206)</u>
Net cash used in investing activity	<u>(1,522)</u>	<u>(35,206)</u>
Cash flows from financing activity:		
Principal payments on capital lease obligations	<u>(1,336)</u>	<u>(2,194)</u>
Net cash used in financing activity	<u>(1,336)</u>	<u>(2,194)</u>
Net increase in cash and cash equivalents	63,848	13,339
Cash and cash equivalents, beginning of year	<u>433,807</u>	<u>420,468</u>
Cash and cash equivalents, end of year	\$ <u>497,655</u>	\$ <u>433,807</u>
Supplemental cash flow information:		
In-kind contributions	\$ 634,622	523,354

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Statement of Functional Expenses

Year ended August 31, 2012

	Program services			Support services		Total
	Wish granting	Training and development	Total program services	Fund raising	Management and general	
Direct costs of wishes	\$ 676,326	—	676,326	—	—	676,326
Salaries, taxes, and benefits	69,329	—	69,329	32,978	35,970	138,277
Printing, subscriptions, and publications	14	—	14	9	7	30
Professional fees	13,720	—	13,720	8,091	6,332	28,143
Rent and utilities	17,232	—	17,232	10,162	7,953	35,347
Postage and delivery	574	—	574	338	265	1,177
Meetings and conferences	1,269	—	1,269	749	586	2,604
Office supplies	2,084	—	2,084	1,229	962	4,275
Communications	2,047	—	2,047	1,207	945	4,199
Repairs and maintenance	2,212	—	2,212	1,305	1,021	4,538
Insurance	1,161	—	1,161	685	536	2,382
Volunteer training	—	1,552	1,552	—	—	1,552
National partnership dues	12,886	—	12,886	2,176	1,674	16,736
Miscellaneous	406	—	406	240	188	834
Depreciation and amortization	7,127	—	7,127	4,203	3,289	14,619
	\$ 806,387	1,552	807,939	63,372	59,728	931,039

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Statement of Functional Expenses

Year ended August 31, 2011

	Program services		Fund raising	Support services		Total
	Wish granting	Total program services		Management and general	Total support services	
Direct costs of wishes	\$ 477,585	477,585	—	—	—	477,585
Salaries, taxes, and benefits	124,501	124,501	36,734	18,367	55,101	179,602
Printing, subscriptions, and publications	373	373	507	507	1,014	1,387
Professional fees	6,645	6,645	9,037	9,037	18,074	24,719
Rent and utilities	8,967	8,967	12,195	12,195	24,390	33,357
Postage and delivery	330	330	450	450	900	1,230
Travel	—	—	—	—	—	—
Meetings and conferences	5,626	5,626	4,625	4,625	9,250	14,876
Office supplies	2,477	2,477	3,370	3,370	6,740	9,217
Communications	1,479	1,479	2,012	2,012	4,024	5,503
Advertising and media (cash)	—	—	—	—	—	—
Advertising and media (in-kind)	—	—	—	—	—	—
Repairs and maintenance	732	732	995	995	1,990	2,722
Insurance	221	221	300	300	600	821
Bad debt expense	—	—	—	—	—	—
Membership dues	—	—	—	—	—	—
Grants and scholarships	46,864	46,864	—	—	—	46,864
Volunteer training	—	—	—	—	—	—
National partnership dues	18,102	18,102	4,344	1,690	6,034	24,136
Miscellaneous	166	166	226	226	452	618
Depreciation and amortization	2,540	2,540	3,454	3,454	6,908	9,448
	\$ 696,608	696,608	78,249	57,228	135,477	832,085

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Notes to Financial Statements

August 31, 2012 and 2011

(1) Organization

Make-A-Wish Foundation® of Puerto Rico, Inc. (the Foundation) is a Puerto Rico 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 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 when purchased to be cash equivalents. Cash and cash equivalents include \$145,183 and \$206,241 for 2012 and 2011, respectively, of money market mutual funds.

(c) *Investments*

Investments represent a certificates of deposit with an initial term greater than three months and are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

(d) *Contributions Receivable*

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Risk-free rates are used to discount pledges received prior to September 1, 2008. For pledges received beginning September 1, 2008, pledges are discounted using fair value rates.

(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 over time in an amount equivalent to annual depreciation. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years. 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 PUERTO RICO, INC.

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

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

See note 3 to the Financial Statements.

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.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Notes to Financial Statements

August 31, 2012 and 2011

- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met by either actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

(h) Revenue Recognition

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

The Foundation received in-kind contributions of assets and services that are included in the accompanying statements of activities. Such in-kind contributions were reported as follows in 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Professional services and other donations	\$ 85,925	128,701
Other wish-related donations	<u>548,697</u>	<u>394,653</u>
Total	<u>\$ 634,622</u>	<u>523,354</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 \$634,622 and \$523,354, for 2012 and 2011, respectively.

Advertising and media is used to help the Foundation communicate its 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 unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Notes to Financial Statements

August 31, 2012 and 2011

Grant revenue approved annually by United Way of Puerto Rico, is recorded as the amounts are received and deposited on a monthly basis.

(i) *Income Taxes*

The Foundation is a not-for-profit organization exempt from federal income and Puerto Rico taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 1101(4) of the Puerto Rico Internal Revenue Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

The Foundation has adopted ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax position exists for the Foundation at August 31, 2012 or 2011.

(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.

Fund Raising

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 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.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Notes to Financial Statements

August 31, 2012 and 2011

(k) Management Estimates

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

(3) Fair Value Measurements

(a) Fair Value of Financial Instruments

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments shown in the following table represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable, and unobservable inputs.

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

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Notes to Financial Statements

August 31, 2012 and 2011

(b) Fair Value Hierarchy

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

		Fair value measurements at August 31, 2012 using		
Description	August 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 497,655	497,655	—	—
Investment:				
Certificate of deposit	79,410	—	79,410	—

		Fair value measurements at August 31, 2011 using		
Description	August 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 433,807	433,807	—	—
Investment:				
Certificate of deposit	79,410	—	79,410	—

For the valuation of the certificate of deposit 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'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 transfers into or out of level 1, level 2, or level 3 for the years ended August 31, 2012 and 2011.

During 2012 and 2011, the Foundation received interest income totaling \$941 and \$2,842, respectively.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Notes to Financial Statements

August 31, 2012 and 2011

(4) Contributions Receivable

The Foundation's contributions receivable represent contributions due within one year. All contributions receivable are considered to be collectible.

(5) Transactions with Related Entities

The Foundation receives funds from the Make-A-Wish Foundation of America 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 \$74,079 and \$54,988, respectively, from these national revenue streams. Conversely, the chapter pays amounts to the Make-A-Wish Foundation of America for partnership dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation. Amounts totaling \$16,736 and \$24,136 were paid from the Foundation to Make-A-Wish Foundation of America during the year 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 \$1,800 and \$2,375 for the years ended August 31, 2012 and 2011, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from related entities are as follows:

	<u>2012</u>	<u>2011</u>
Balance at August 31:		
Due from National Organization	\$ 1,875	6,583
Due from other chapters	<u>2,137</u>	<u>—</u>
Total due from related entities	<u>\$ 4,012</u>	<u>6,583</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 2011 (none in 2012), the Foundation received contributions, both cash and in-kind, from board members totaling \$1,500, respectively.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Notes to Financial Statements

August 31, 2012 and 2011

(6) 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	\$ 48,204	46,682
Office furniture	4,388	4,388
Other equipment	5,861	5,861
	<u>58,453</u>	<u>56,931</u>
Less accumulated depreciation and amortization	<u>(37,578)</u>	<u>(22,959)</u>
Property and equipment, net	<u>\$ 20,875</u>	<u>33,972</u>

Depreciation and amortization expense totaled \$14,619 and \$9,448 for the years ended August 31, 2012 and 2011.

(7) Accrued Pending Wish Costs

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

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

As of August 31, 2012 and 2011, the Foundation had approximately 40 and 42 reportable pending wishes.

The Foundation as part of its estimate of accrued pending wish cost also considers attrition on pending wish cost. 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 due to the family's circumstances or the child's hospitalization or illness.

MAKE-A-WISH FOUNDATION® OF PUERTO RICO, INC.

Notes to Financial Statements

August 31, 2012 and 2011

(8) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through September 30, 2013. As of August 31, 2012 and 2011, the cost of leased property and equipment under capital lease was \$5,861 and accumulated depreciation was \$4,982 and \$3,809, respectively. Total rent expense for all operating leases for the years ended August 31, 2012 and 2011 totaled \$25,200 and \$25,600, respectively.

Future minimum lease payments under operating leases having remaining terms in excess of one year are \$2,100.

(9) Temporarily 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	\$ 103,617	12,247
Capital campaigns	10,370	—
Total temporarily restricted net assets	<u>\$ 113,987</u>	<u>12,247</u>

(10) Subsequent Events

The Foundation has evaluated subsequent events from the statements of financial position date through April 19, 2013 the date at which the financial statements were available to be issued.



