

Financial Statements and Report of  
Independent Certified Public Accountants

**Make-A-Wish Foundation of  
the Mid-Atlantic, Inc.**

August 31, 2008 and 2007



Audit • Tax • Advisory

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## Report of Independent Certified Public Accountants

Board of Directors  
Make-A-Wish Foundation of the  
Mid-Atlantic, Inc.

We have audited the accompanying statements of financial position of Make-A-Wish Foundation of the Mid-Atlantic, Inc. (the Foundation), as of August 31, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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, as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits 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 the Mid-Atlantic, Inc., as of August 31, 2008 and 2007, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Grant Thornton LLP".

McLean, Virginia  
December 9, 2008

**Make-A-Wish Foundation of the Mid-Atlantic, Inc.**

**STATEMENTS OF FINANCIAL POSITION**

**August 31,**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,539,928	\$ 2,105,964
Investments	6,355,745	6,167,819
Contributions receivable	671,632	591,369
Pledges receivable	65,222	60,687
Due from National Organization	96,415	36,921
Equipment, net	220,814	33,049
Other assets	111,507	41,659
	<hr/>	<hr/>
Total assets	\$ 9,061,263	\$ 9,037,468
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<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 249,508	\$ 79,739
Accrued wish costs	2,284,642	1,290,392
Unearned revenues	77,992	35,314
Capital lease	34,479	—
	<hr/>	<hr/>
Total liabilities	2,646,621	1,405,445
	<hr/>	<hr/>
Net assets:		
Unrestricted	6,122,197	7,307,445
Temporarily restricted	292,445	324,578
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Total net assets	6,414,642	7,632,023
	<hr/>	<hr/>
Total liabilities and net assets	\$ 9,061,263	\$ 9,037,468
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The accompanying notes are an integral part of these statements.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended August 31, 2008

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Contributions	\$ 3,369,602	\$ 180,044	\$ 3,549,646
Internal special events	860,084	112,401	972,485
Less cost of direct benefit to donor	(287,776)	—	(287,776)
Internal special events, net	572,308	112,401	684,709
External special events	379,855	—	379,855
Interest and dividend income	321,095	—	321,095
Net realized and unrealized loss on investments	(352,818)	—	(352,818)
Other income	11,279	—	11,279
Net assets released from restrictions	324,578	(324,578)	—
Total revenues, gains, and other support	4,625,899	(32,133)	4,593,766
Expenses:			
Program services:			
Wish granting	4,621,112	—	4,621,112
Support services:			
Fundraising	837,838	—	837,838
Management and general	352,197	—	352,197
Total support services	1,190,035	—	1,190,035
Total expenses	5,811,147	—	5,811,147
Change in net assets	(1,185,248)	(32,133)	(1,217,381)
Net assets, beginning of year	7,307,445	324,578	7,632,023
Net assets, end of year	\$ 6,122,197	\$ 292,445	\$ 6,414,642

The accompanying notes are an integral part of this statement.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended August 31, 2007

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Contributions	\$ 3,054,138	\$ 193,073	\$ 3,247,211
Internal special events	891,156	131,505	1,022,661
Less cost of direct benefit to donor	(234,766)	—	(234,766)
Internal special events, net	656,390	131,505	787,895
External special events	510,245	—	510,245
Interest and dividend income	324,955	—	324,955
Net realized and unrealized gains			
on investments	203,159	—	203,159
Other income	10,725	—	10,725
Net assets released from restrictions	111,437	(111,437)	—
Total revenues, gains, and other support	4,871,049	213,141	5,084,190
Expenses:			
Program services:			
Wish granting	3,151,936	—	3,151,936
Support services:			
Fundraising	430,143	—	430,143
Management and general	233,960	—	233,960
Total support services	664,103	—	664,103
Total expenses	3,816,039	—	3,816,039
Change in net assets	1,055,010	213,141	1,268,151
Net assets, beginning of year	6,252,435	111,437	6,363,872
Net assets, end of year	\$ 7,307,445	\$ 324,578	\$ 7,632,023

The accompanying notes are an integral part of this statement.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2008

	Program	Support Services		Total	Total
	Services	Fundraising	Management and General	Support Services	
	Wish Granting				
Direct costs of wishes	\$ 3,499,704	\$ —	\$ —	\$ —	\$ 3,499,704
Direct costs of fundraising	—	56,179	—	56,179	56,179
Salaries, taxes, and benefits	568,604	359,770	214,153	573,923	1,142,527
Rent	67,564	59,391	23,411	82,802	150,366
Telephone	18,133	11,420	3,833	15,253	33,386
Office supplies	95,384	28,096	16,041	44,137	139,521
Postage/delivery	6,155	17,575	774	18,349	24,504
Interest	—	—	3,006	3,006	3,006
Insurance	7,362	3,883	1,498	5,381	12,743
Depreciation	21,419	14,485	5,925	20,410	41,829
Public relations	6,702	10,145	653	10,798	17,500
Travel	20,458	10,805	856	11,661	32,119
National assessment	108,927	23,598	12,071	35,669	144,596
Repairs and maintenance	3,604	1,133	555	1,688	5,292
Meetings and conferences	5,495	8,617	998	9,615	15,110
Miscellaneous	34,222	25,656	10,354	36,010	70,232
Professional services	156,260	189,787	37,413	227,200	383,460
Loss on disposal	—	—	20,381	20,381	20,381
Printing	1,119	17,298	275	17,573	18,692
	<u>\$ 4,621,112</u>	<u>\$ 837,838</u>	<u>\$ 352,197</u>	<u>\$ 1,190,035</u>	<u>\$ 5,811,147</u>

The accompanying notes are an integral part of this statement.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2007

	Program	Support Services		Total	Total
	Services	Fundraising	Management and General	Support Services	
	Wish Granting				
Direct costs of wishes	\$ 2,382,545	\$ —	\$ —	\$ —	\$ 2,382,545
Direct costs of fundraising	—	17,243	—	17,243	17,243
Salaries, taxes, and benefits	533,181	286,128	190,314	476,442	1,009,623
Rent	54,599	29,367	13,108	42,475	97,074
Telephone	15,471	6,980	3,201	10,181	25,652
Office supplies	23,766	18,003	3,735	21,738	45,504
Postage/delivery	5,780	15,325	868	16,193	21,973
Insurance	14,900	6,485	3,105	9,590	24,490
Depreciation	7,822	5,300	3,934	9,234	17,056
Public relations	4,247	6,438	1,114	7,552	11,799
Travel	5,649	2,823	570	3,393	9,042
National assessment	89,627	17,677	10,616	28,293	117,920
Repairs and maintenance	4,947	784	452	1,236	6,183
Meetings and conferences	3,107	1,386	1,041	2,427	5,534
Miscellaneous	1,300	—	—	—	1,300
Professional services	4,823	5,418	1,854	7,272	12,095
Printing	172	10,786	48	10,834	11,006
	<u>\$ 3,151,936</u>	<u>\$ 430,143</u>	<u>\$ 233,960</u>	<u>\$ 664,103</u>	<u>\$ 3,816,039</u>

The accompanying notes are an integral part of this statement.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

STATEMENTS OF CASH FLOWS

Years ended August 31,

	<u>2008</u>	<u>2007</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (1,217,381)	\$ 1,268,151
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	41,829	17,056
Loss on disposal of equipment	11,673	—
Net realized and unrealized loss (gains) on investments	352,818	(203,159)
Donation of investments	(7,146)	(11,281)
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	(80,263)	(61,736)
Pledges receivable	(4,535)	(25,099)
Due from National Organization	(59,494)	8,224
Other assets	(69,848)	(733)
Accounts payable and accrued expenses	169,769	(1,078)
Accrued wish costs	994,250	5,290
Unearned revenues	42,678	(920)
Net cash provided by operating activities	<u>174,350</u>	<u>994,715</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(2,368,802)	(2,709,715)
Proceeds from sales of investments	1,835,204	2,139,012
Purchases of equipment	(241,267)	(4,793)
Net cash used in investing activities	<u>(774,865)</u>	<u>(575,496)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable – capital lease	49,997	—
Principal payments on notes payable – capital lease	(15,518)	—
Payments on notes receivable	—	150,000
Net cash provided by financing activities	<u>34,479</u>	<u>150,000</u>
Change in cash and cash equivalents	(566,036)	569,219
Cash and cash equivalents, beginning of year	<u>2,105,964</u>	<u>1,536,745</u>
Cash and cash equivalents, end of year	<u>\$ 1,539,928</u>	<u>\$ 2,105,964</u>
<b>Non-cash Investing and Financing Transaction</b>		
Capital leases signed for the purchase of equipment	\$ 49,997	\$ —

The accompanying notes are an integral part of these statements.

Make-A-Wish Foundation® of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2008 and 2007

**NOTE 1 – ORGANIZATION**

The Make-A-Wish Foundation of the Mid-Atlantic, Inc. (the Foundation) is a non-profit corporation, organized to fulfill the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength, and joy. The Foundation serves children who reside in Maryland, Washington, D.C., Northern Virginia (Arlington, Fairfax, Fauquier, Loudoun and Prince William Counties, as well as the Cities of Alexandria, Manassas Park, Manassas, Falls Church, and Fairfax), and Delaware. The Foundation granted its first wish in 1983, and has fulfilled a total of 6,010 wishes through August 31, 2008. During fiscal year 2008, 455 wishes were granted and the total average direct cost of a wish was approximately \$7,500. During fiscal year 2007, 346 wishes were granted and the total average direct cost of a wish was approximately \$6,900. As of August 31, 2008, the Foundation has 308 pending wishes, of which 263 are accrued for on the statements of financial position as accrued wish costs. As of August 31, 2007, the Foundation has 317 pending wishes, of which 169 are accrued on the statements of financial position as accrued wish costs.

The Foundation is an independent operating chapter of Make-A-Wish Foundation of America (the National Organization) and is obligated to comply with the Chapter Agreement and Performance Standards as set forth in the Bylaws of the National Organization including rules, regulations, standards, resolutions, and policies.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

The Foundation presents its accounts in accordance with the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Organizations* (the Audit Guide). Under the Audit Guide, voluntary health and welfare organizations are required to provide a statement of financial position, a statement of activities, a statement of cash flows, and a statement of functional expenses which are prepared to focus on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions.

The Foundation maintains its accounts on the accrual basis of accounting. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.
- **Unrestricted Net Assets** - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

Make-A-Wish Foundation® of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues, gains, and other support and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash equivalents include checking, savings, money market funds, and investments with a maturity of 3 months or less when purchased.

Investments

Investments, consisting primarily of certificates of deposit, common stocks, government securities and corporate bonds, with readily determinable market values are measured at fair value as of year-end in the financial statements. Investment income and realized and unrealized gains or losses on investments are recognized in the statements of activities.

Investments include a 9.8 percent limited interest in Montrose Associates, a Pennsylvania Limited Partnership, donated to the Foundation in 1994. The partnership operates an 80 unit rental housing project located in Montrose, Pennsylvania under Section 8 of the National Housing Act which provides for moderate and low income elderly or handicap families. The value of this interest is reported at its value at the time it was donated, and is not adjusted to fair market value as the appraisal costs would not support the value of the interest.

Contributions

Contributions, grants, and bequests, including unconditional promises to give, are recognized as either temporarily or permanently restricted support 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. Contributions of assets other than cash are recorded at their estimated fair market value. Contributions of services are recognized if the services received: (a) create or enhance non-financial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation received service and material donations included in the accompanying statements of activities at an estimated fair market value of \$1,058,201 and \$793,295 for the years ended August 31, 2008 and 2007, respectively.

Temporarily Restricted Net Assets

The Foundation has adopted the following accounting policies with respect to temporarily restricted net assets:

- **Contributions with Restrictions Met in the Same Year** – Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues.

Make-A-Wish Foundation® of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily Restricted Net Assets (continued)

- **Release of Restrictions on Net Assets for Acquisition of Land, Building, and Equipment** – Contributions of land, building, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, building, and equipment with donor stipulations are reported as revenues of temporarily restricted net assets; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions Receivable

Contributions receivable represent contributions acknowledged in writing from third parties prior to August 31, but not transmitted to the Foundation until after that date. The Foundation's contributions receivable are generally collected within one year.

Pledges Receivable

Pledges receivable represent amounts that have been pledged to Make-A-Wish Foundation of America that are to be distributed to the chapter. The Foundation's pledges receivable are generally collected within one year.

Equipment

Equipment is recorded at cost when purchased or fair market value at the date of gift, if contributed, and is depreciated using the straight-line method over five to 10 years. The Foundation generally capitalizes fixed asset purchases with a cost of \$500 or more and an expected useful life greater than one year.

Accrued Wish Costs

The Foundation accrues for the estimated cost of reportable pending wishes if certain measurable wish criteria are met. In an effort to standardize procedures throughout the National Make-A-Wish organization, a change has been made in the criteria. At August 31, 2007 the reportable pending wish criteria included:

- Referral received from an approved referral source
- Medical eligibility form signed by child's physician
- Child's wish has been determined
- Probable fulfillment within the next 12 months
- Formal approval by the Foundation

Accrued wish criteria as of August 31, 2008 are the same with the exception of the criteria for approval by the local Chapter through its normal process. During 2008, the National Organization provided more specific guidance on the intent of this criteria. The criteria change ensures that wishes fall within the Foundation's wish granting policy rather than focusing on approval processes that vary across chapters. This change in criterion resulted in an increase of 90 accrued wishes and approximately \$721,000 in wish granting expense.

Make-A-Wish Foundation® of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2008 and 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

- **Unearned revenues** represent amounts received by the Foundation on or before August 31, 2008, attributable to internal special events that are scheduled to take place in future periods.
- **Internal special events** are fund raising events hosted by the Foundation. During the fiscal year ending August 31, 2008, the Foundation hosted seven events. **Direct donor benefits** are the actual costs of the items and services furnished to the attendees of these events as inducements to attend.
- **External special events** are fund raising events hosted by a business, group of individuals, or separate nonprofit organization to benefit the Foundation. The Foundation does not participate in the planning or execution of these events.

Income Taxes

The Foundation received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from State of Virginia, Maryland, and the District of Columbia taxation.

Functional Expenses

The Foundation performs three functions: wish granting, fundraising, and general management. Definitions of these functions are as follows:

- **Wish Granting** - Activities performed by the Foundation which fulfill wishes to children between the ages of 2-1/2 and 18 years old with life-threatening medical conditions.
- **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, 2008 and 2007, the Foundation incurred no significant joint costs for activities that included fundraising appeals.
- **General Management** - 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. These include 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 general overhead.

Expenses which benefit more than one function of the Foundation are generally allocated among the functions based on the amount of time spent by employees on each function or on the amount of square footage used for each function.

