



**MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON**

Financial Statements

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

# MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON

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**KPMG LLP**  
Suite 900  
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## **Independent Auditors' Report**

The Board of Directors  
Make-A-Wish Foundation<sup>®</sup> of Alaska & Washington:

We have audited the accompanying statements of financial position of Make-A-Wish Foundation<sup>®</sup> of Alaska & Washington (the Foundation) as of August 31, 2011 and 2010 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<sup>®</sup> of Alaska & Washington as of August 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

December 15, 2011

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF ALASKA & WASHINGTON**

Statements of Financial Position

August 31, 2011 and 2010

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 141,048	142,538
Investments	3,010,053	2,835,834
Due from related entities	123,681	54,982
Prepaid expenses	9,525	7,039
Contributions receivable, net	613,611	746,815
Other assets	11,346	32,671
Investments held for long-term purposes	38,148	36,648
Property and equipment, net	78,353	70,011
Total assets	<u>\$ 4,025,765</u>	<u>3,926,538</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 148,412	172,714
Accrued pending wish costs	993,127	1,115,712
Due to related entities	7,715	21,675
Other liabilities	15,959	10,361
Capital lease obligations	17,859	26,541
Total liabilities	<u>1,183,072</u>	<u>1,347,003</u>
Commitments and contingencies		
Net assets:		
Unrestricted	2,188,982	1,795,116
Temporarily restricted	615,563	747,771
Permanently restricted	38,148	36,648
Total net assets	<u>2,842,693</u>	<u>2,579,535</u>
Total liabilities and net assets	<u>\$ 4,025,765</u>	<u>3,926,538</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON**

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	\$ 3,098,496	580,578	1,500	3,680,574
Grants	76,743	—	—	76,743
Total public support	<u>3,175,239</u>	<u>580,578</u>	<u>1,500</u>	<u>3,757,317</u>
Special events	1,906,847	34,985	—	1,941,832
Less direct benefit costs to donor	<u>(752,071)</u>	<u>—</u>	<u>—</u>	<u>(752,071)</u>
Total special events	1,154,776	34,985	—	1,189,761
Investment income, net	236,922	—	—	236,922
Other income	25,475	—	—	25,475
Net assets released from restrictions	<u>747,771</u>	<u>(747,771)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>5,340,183</u>	<u>(132,208)</u>	<u>1,500</u>	<u>5,209,475</u>
Expenses:				
Program services:				
Wish granting	2,697,428	—	—	2,697,428
Program-related support	604,184	—	—	604,184
Training and development	129,325	—	—	129,325
Public information	<u>268,284</u>	<u>—</u>	<u>—</u>	<u>268,284</u>
Total program services	<u>3,699,221</u>	<u>—</u>	<u>—</u>	<u>3,699,221</u>
Support services:				
Fund raising	743,402	—	—	743,402
Management and general	<u>503,694</u>	<u>—</u>	<u>—</u>	<u>503,694</u>
Total support services	<u>1,247,096</u>	<u>—</u>	<u>—</u>	<u>1,247,096</u>
Total program and support services expenses	<u>4,946,317</u>	<u>—</u>	<u>—</u>	<u>4,946,317</u>
Change in net assets	393,866	(132,208)	1,500	263,158
Net assets, beginning of the year	<u>1,795,116</u>	<u>747,771</u>	<u>36,648</u>	<u>2,579,535</u>
Net assets, end of the year	<u>\$ 2,188,982</u>	<u>615,563</u>	<u>38,148</u>	<u>2,842,693</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON**

Statement of Activities

Year ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 2,970,630	710,620	—	3,681,250
Grants	144,795	—	—	144,795
Total public support	<u>3,115,425</u>	<u>710,620</u>	<u>—</u>	<u>3,826,045</u>
Special events	1,478,310	36,651	—	1,514,961
Less direct benefit costs to donor	<u>(521,226)</u>	<u>—</u>	<u>—</u>	<u>(521,226)</u>
Total special events	957,084	36,651	—	993,735
Investment income (loss), net	169,667	—	—	169,667
Other income	25,665	—	—	25,665
Net assets released from restrictions	<u>845,340</u>	<u>(845,340)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>5,113,181</u>	<u>(98,069)</u>	<u>—</u>	<u>5,015,112</u>
Expenses:				
Program services:				
Wish granting	3,129,557	—	—	3,129,557
Program-related support	556,762	—	—	556,762
Training and development	116,630	—	—	116,630
Public information	<u>209,258</u>	<u>—</u>	<u>—</u>	<u>209,258</u>
Total program services	<u>4,012,207</u>	<u>—</u>	<u>—</u>	<u>4,012,207</u>
Support services:				
Fund raising	720,785	—	—	720,785
Management and general	<u>477,331</u>	<u>—</u>	<u>—</u>	<u>477,331</u>
Total support services	<u>1,198,116</u>	<u>—</u>	<u>—</u>	<u>1,198,116</u>
Total program and support services expenses	<u>5,210,323</u>	<u>—</u>	<u>—</u>	<u>5,210,323</u>
Change in net assets	(97,142)	(98,069)	—	(195,211)
Net assets, beginning of the year	<u>1,892,258</u>	<u>845,840</u>	<u>36,648</u>	<u>2,774,746</u>
Net assets, end of the year	<u>\$ 1,795,116</u>	<u>747,771</u>	<u>36,648</u>	<u>2,579,535</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF ALASKA & WASHINGTON**

Statements of Cash Flows

Years ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 263,158	(195,211)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,440	40,094
Bad debt expense	3,174	9,605
Contributions restricted for long-term investment	(1,500)	—
Net realized and unrealized gains on investments	(175,443)	(131,152)
Gain on sale of property and equipment	—	(33)
Changes in assets and liabilities:		
Contributions receivable	130,030	61,622
Due from related entities	(68,699)	5,125
Prepaid expenses	(2,486)	138
Other assets	21,325	7,505
Accounts payable and accrued expenses	(24,302)	25,956
Accrued pending wish costs	(122,585)	(174,553)
Due to related entities	(13,960)	14,781
Other liabilities	5,598	(4,895)
Net cash provided by (used in) operating activities	<u>51,750</u>	<u>(341,018)</u>
Cash flows from investing activities:		
Purchases of investments	(546,544)	(1,326,767)
Proceeds from sales of investments	546,268	1,241,083
Purchases of property and equipment	(45,782)	(38,460)
Proceeds from sale of property and equipment	—	175
Net cash used in investing activities	<u>(46,058)</u>	<u>(123,969)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,500	—
Principal payments on capital lease obligations	(8,682)	(9,111)
Net cash used in financing activities	<u>(7,182)</u>	<u>(9,111)</u>
Net decrease in cash and cash equivalents	(1,490)	(474,098)
Cash and cash equivalents, beginning of year	<u>142,538</u>	<u>616,636</u>
Cash and cash equivalents, end of year	\$ <u><u>141,048</u></u>	\$ <u><u>142,538</u></u>
Supplemental cash flow information:		
Cash paid for interest	\$ 745	795
In-kind contributions	1,984,969	2,340,523

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON**

Statement of Functional Expenses

Year ended August 31, 2011

	<b>Program services</b>				<b>Support services</b>			<b>Total</b>	
	<b>Wish granting</b>	<b>Program-related support</b>	<b>Training and development</b>	<b>Public information</b>	<b>Total program services</b>	<b>Fund raising</b>	<b>Management and general</b>		<b>Total support services</b>
Direct costs of wishes	\$ 2,451,043	—	—	—	2,451,043	—	—	—	2,451,043
Salaries, taxes, and benefits	246,385	299,661	79,675	166,782	792,503	413,958	367,378	781,336	1,573,839
Printing, subscriptions, and publications	—	4,141	2,071	27,075	33,287	41,174	6,212	47,386	80,673
Professional fees	—	36,428	6,197	17,892	60,517	24,329	24,034	48,363	108,880
Rent and utilities	—	58,779	13,346	15,588	87,713	37,411	37,411	74,822	162,535
Postage and delivery	—	6,660	1,110	1,850	9,620	4,440	4,440	8,880	18,500
Travel	—	15,494	766	1,237	17,497	6,336	2,827	9,163	26,660
Meetings and conferences	—	32,843	4,418	6,855	44,116	59,678	14,618	74,296	118,412
Office supplies	—	16,208	2,121	3,379	21,708	21,427	7,544	28,971	50,679
Communications	—	12,550	2,092	3,486	18,128	8,367	8,367	16,734	34,862
Advertising and media (cash)	—	—	—	11,212	11,212	—	—	—	11,212
Advertising and media (in-kind)	—	—	—	—	—	85,724	—	85,724	85,724
Repairs and maintenance	—	8,997	1,500	2,499	12,996	5,998	5,998	11,996	24,992
Bad debt expense	—	—	—	—	—	—	3,174	3,174	3,174
Membership dues	—	1,800	300	500	2,600	1,200	1,200	2,400	5,000
Volunteer training	—	2,629	3,944	—	6,573	—	—	—	6,573
National partnership dues	—	83,072	—	—	83,072	16,396	9,837	26,233	109,305
Miscellaneous	—	11,444	9,539	6,185	27,168	7,978	1,668	9,646	36,814
Depreciation and amortization	—	13,478	2,246	3,744	19,468	8,986	8,986	17,972	37,440
	<u>\$ 2,697,428</u>	<u>604,184</u>	<u>129,325</u>	<u>268,284</u>	<u>3,699,221</u>	<u>743,402</u>	<u>503,694</u>	<u>1,247,096</u>	<u>4,946,317</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON**

Statement of Functional Expenses

Year ended August 31, 2010

	<b>Program services</b>					<b>Support services</b>			<b>Total</b>
	<b>Wish granting</b>	<b>Program-related support</b>	<b>Training and development</b>	<b>Public information</b>	<b>Total program services</b>	<b>Fund raising</b>	<b>Management and general</b>	<b>Total support services</b>	
Direct costs of wishes	\$ 2,884,391	—	—	—	2,884,391	—	—	—	2,884,391
Salaries, taxes, and benefits	245,166	283,037	83,101	104,363	715,667	384,438	313,758	698,196	1,413,863
Printing, subscriptions, and publications	—	21	—	29,937	29,958	71,043	21	71,064	101,022
Professional fees	—	15,120	857	22,613	38,590	31,711	71,366	103,077	141,667
Rent and utilities	—	65,600	12,225	11,713	89,538	41,832	36,812	78,644	168,182
Postage and delivery	—	6,046	1,085	1,085	8,216	3,876	3,411	7,287	15,503
Travel	—	11,567	540	938	13,045	3,786	1,683	5,469	18,514
Meetings and conferences	—	15,729	782	1,224	17,735	4,854	2,440	7,294	25,029
Office supplies	—	11,254	912	1,061	13,227	40,991	2,860	43,851	57,078
Communications	—	14,014	2,515	2,515	19,044	8,983	7,905	16,888	35,932
Advertising and media (cash)	—	79	—	7,540	7,619	157	79	236	7,855
Advertising and media (in-kind)	—	50	—	4,800	4,850	74,550	50	74,600	79,450
Repairs and maintenance	—	7,886	1,416	1,416	10,718	5,055	4,449	9,504	20,222
Bad debt expense	—	—	—	—	—	—	9,605	9,605	9,605
Membership dues	—	1,559	280	280	2,119	999	879	1,878	3,997
Volunteer training	—	6,031	9,047	—	15,078	—	—	—	15,078
National partnership dues	—	96,801	—	—	96,801	19,106	11,463	30,569	127,370
Miscellaneous	—	6,332	1,063	16,966	24,361	19,381	1,729	21,110	45,471
Depreciation and amortization	—	15,636	2,807	2,807	21,250	10,023	8,821	18,844	40,094
	<u>\$ 3,129,557</u>	<u>556,762</u>	<u>116,630</u>	<u>209,258</u>	<u>4,012,207</u>	<u>720,785</u>	<u>477,331</u>	<u>1,198,116</u>	<u>5,210,323</u>

See accompanying notes to financial statements.

# MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON

## Notes to Financial Statements

August 31, 2011 and 2010

### (1) Organization

Make-A-Wish Foundation® of Alaska & Washington (the Foundation) is a Washington 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.

Effective September 1, 2010, Idaho and Montana wishes and fundraising had been reassigned to two other Make-A-Wish chapters.

### (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) Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

#### (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. 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.

#### (d) Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 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 three to seven 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.

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

## MAKE-A-WISH FOUNDATION<sup>®</sup> OF ALASKA & WASHINGTON

### Notes to Financial Statements

August 31, 2011 and 2010

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 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.

#### (e) *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 that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs: Prices for a similar asset other than quoted prices included in Level 1 inputs, that are observable for the asset, either directly or indirectly. If the asset has a specified term, a Level 2 input must be observable for substantially the full term of the asset.
- Level 3 Inputs: Unobservable inputs for the asset 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 at measurement date.

See note 3 to the Financial Statements.

The Foundation has adopted 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.

On September 1, 2009, the Foundation adopted the provisions of ASC Topic 820 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

#### (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

# MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON

## Notes to Financial Statements

August 31, 2011 and 2010

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 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:

	<b>2011</b>	<b>2010</b>
Wish related	\$ 1,424,853	1,939,377
Professional services and other donations	42,074	63,582
Advertising and media	85,724	79,450
Internal special events	430,198	253,968
Property and equipment	2,120	4,146
Total	\$ 1,984,969	2,340,523

An internal special event is a fundraising event coordinated and staffed by chapter personnel rather than separate support group or organization. It is designed to attract donors and involves a large number of people for the purpose of raising awareness, additional funding, and cultivating future donors. Internal Special event in-kind amounts are donated items recorded at fair market value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling \$1,984,969 and \$2,321,548, in 2011 and 2010, respectively, and to the extent there is a difference, it is recorded as other assets representing primarily auction items received and not yet used.

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

# MAKE-A-WISH FOUNDATION<sup>®</sup> OF ALASKA & WASHINGTON

## Notes to Financial Statements

August 31, 2011 and 2010

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 fund raising 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 taxes under the provisions of Internal Revenue Code Section 501(c)(3). The State of Washington does not have a corporate income tax. 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.

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

### (i) *Functional Expenses*

The Foundation performs six functions: wish granting, program-related support, training and development, public information, 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.

#### **Program-Related Support**

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

#### **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.

#### **Public Information**

Activities performed by the Foundation communicating the purpose and services of the Foundation to all potential sources of wish referrals.

# MAKE-A-WISH FOUNDATION® OF ALASKA & WASHINGTON

## Notes to Financial Statements

August 31, 2011 and 2010

### 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, 2011 and 2010, the Foundation incurred joint costs for activities that include fund raising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	<u>2011</u>	<u>2010</u>
Fund raising	\$ 4,489	4,987
Public information	<u>22,599</u>	<u>27,919</u>
Total	<u>\$ 27,088</u>	<u>32,906</u>

### 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.

#### (j) *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 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 tables as of August 31, 2011 and 2010 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

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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 to the Financial Statements.

**(b) Fair Value Hierarchy**

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2011 and 2010:

<b>Description</b>	<b>August 31, 2011</b>	<b>Fair value measurements at August 31, 2011 using</b>		
		<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Cash and cash equivalents	\$ 141,048	141,048	—	—
Investments:				
Mutual funds:				
Domestic equity	\$ 972,638	972,638	—	—
International equity	254,080	254,080	—	—
Money market funds	24,064	24,064	—	—
Real estate	48,033	48,033	—	—
Bonds	732,407	732,407	—	—
Certificates of deposit	827,470	—	827,470	—
Money market funds	189,509	189,509	—	—
Total investments	\$ 3,048,201	2,220,731	827,470	—

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Description	Fair value measurements at August 31, 2010 using			
	August 31, 2010	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	\$ 142,538	142,538	—	—
Investments:				
Mutual funds:				
Domestic equity	\$ 779,057	779,057	—	—
International equity	208,660	208,660	—	—
Money market funds	24,050	24,050	—	—
Real estate	40,765	40,765	—	—
Bonds	647,603	647,603	—	—
Money market funds	1,166,120	1,166,120	—	—
Cash and cash equivalents	6,227	6,227	—	—
Total investments	\$ 2,872,482	2,872,482	—	—

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, 2011.

Total investment income, gains, and losses for the years ended August 31, 2011 and 2010 consist of the following:

	2011	2010
Interest and dividend income	\$ 61,479	38,515
Realized and unrealized gains (losses), net	175,443	131,152
Investment income, net	\$ 236,922	169,667

**(4) Contributions Receivable**

The Foundation had gross contributions receivable due in one year of \$616,948 and \$750,817 at August 31, 2011 and 2010, respectively. These receivables had allowance for doubtful accounts of \$3,337 and \$4,002, resulting in net contribution receivable of \$613,611 and \$746,815.

**(5) Transactions with Related Entities**

The Foundation pays the National Organization annual dues, which were \$109,305 and \$127,370 for the years ended August 31, 2011 and 2010, respectively. The National Organization supports the Foundation by providing funding and other support for the granting of wishes.

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As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation received support from the Wish Fulfillment Fund with receipts during the years ended August 31, 2011 and 2010, totaling \$0 and \$75,000, respectively, which is recorded as grants.

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 \$15,875 and \$15,900 for the years ended August 31, 2011 and 2010, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	<u>2011</u>	<u>2010</u>
Balance at August 31:		
Due from National Organization	\$ 63,637	28,981
Due from other chapters	60,044	26,001
Total due from related entities	<u>\$ 123,681</u>	<u>54,982</u>
Due to National Organization	\$ —	8
Due to other chapters	7,715	21,667
Total due to related entities	<u>\$ 7,715</u>	<u>21,675</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 and 2010, the Foundation received contributions, both cash and in-kind, from board members totaling \$164,536 and \$126,520, respectively. In 2011 and 2010, amounts due from board members totaled \$750 and \$6,000, respectively, and are included in contributions receivable in the accompanying statements of financial position.

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

Property and equipment as of August 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Computer equipment and software	\$ 456,015	411,834
Office furniture	95,135	93,535
Other equipment	60,885	60,885
Leasehold improvements	43,557	43,557
	<u>655,592</u>	<u>609,811</u>
Less accumulated depreciation and amortization	<u>(577,239)</u>	<u>(539,800)</u>
Property and equipment, net	<u>\$ 78,353</u>	<u>70,011</u>

Depreciation and amortization expense totaled \$37,440 and \$40,094 for the years ended August 31, 2011 and 2010, respectively.

**(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, 2011 and 2010, the Foundation had approximately 103 and 161 reportable pending wishes, respectively.

**(8) Leases**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through 2014. As of August 31, 2011 and 2010, the cost of leased property and equipment under capital lease was \$47,832 and \$47,832, respectively, and accumulated depreciation was \$29,972 and \$21,291, respectively. Total rent expense for all operating leases for the years ended August 31, 2011 and 2010 totaled \$124,356 and \$136,264, 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:		
2012	\$ 107,428	8,755
2013	102,540	8,617
2014	<u>66,423</u>	<u>1,981</u>
Total minimum lease payments	\$ <u>276,391</u>	19,353
Less amounts representing interest		<u>(1,494)</u>
Present value of net minimum lease payments		\$ <u><u>17,859</u></u>

**(9) Endowments**

The Foundation adopted the provisions of ASC 958, Section 205-50, *Reporting Endowment Funds*. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also require disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of two individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**(a) Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the Washington UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund

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3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment net asset composition by type of fund as of August 31, 2011 and 2010 is as follows:

		<b>2011</b>			
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	—	—	38,148	38,148
Board-designated endowment funds		2,070,895	—	—	2,070,895
Total funds	\$	<u>2,070,895</u>	<u>—</u>	<u>38,148</u>	<u>2,109,043</u>
		<b>2010</b>			
		<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	—	—	36,648	36,648
Board-designated endowment funds		1,747,972	—	—	1,747,972
Total funds	\$	<u>1,747,972</u>	<u>—</u>	<u>36,648</u>	<u>1,784,620</u>

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Changes in endowment net assets for the years ended August 31, 2011 and 2010 are as follows:

	<b>2011</b>		
	<b>Unrestricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,747,972	36,648	1,784,620
Investment return:			
Investment income	59,538	—	59,538
Net appreciation (realized and unrealized)	175,443	—	175,443
Total investment return	234,981	—	234,981
Contribution			
Reclassification to endowment asset	— 98,249	1,500 —	1,500 98,249
Appropriation of endowment assets for expenditure	(10,307)	—	(10,307)
Endowment net assets, end of year	\$ <u>2,070,895</u>	<u>38,148</u>	<u>2,109,043</u>
	<b>2010</b>		
	<b>Unrestricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,519,508	36,648	1,556,156
Investment return:			
Investment income	44,813	—	44,813
Net appreciation (realized and unrealized)	131,152	—	131,152
Total investment return	175,965	—	175,965
Reclassification to endowment asset	60,822	—	60,822
Appropriation of endowment assets for expenditure	(8,323)	—	(8,323)
Endowment net assets, end of year	\$ <u>1,747,972</u>	<u>36,648</u>	<u>1,784,620</u>

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Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

	<u>2011</u>	<u>2010</u>
Permanently restricted net assets:		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 38,148	36,648

**(b) Fund Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets; however, there were no funds with deficiencies as of August 31, 2011 and 2010.

**(c) Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

**(d) Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

**(e) Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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

Temporarily restricted net assets are available for the following purposes for the years ended August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Time restrictions	\$ 615,563	747,771
Total temporarily restricted net assets	\$ <u>615,563</u>	<u>747,771</u>

For the years ended August 31, 2011 and 2010, permanently restricted net assets are restricted to:

	<u>2011</u>	<u>2010</u>
Investments in perpetuity, the income from which is expendable to support any activities of the Foundation	\$ 38,148	36,648
	\$ <u>38,148</u>	<u>36,648</u>

**(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 one year 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, 2011 and 2010 were \$28,786 and \$30,132, respectively.

**(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 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 \$589,403 and \$673,746 were received from a single donor for the years ended August 31, 2011 and 2010, respectively, which represents 16% and 18%, respectively, of total public support. Should these contributions 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.

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**(14) Subsequent Events**

The Foundation has evaluated subsequent events from the statement of financial position date through December 15, 2011, the date at which the financial statements were available to be issued.