



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

Financial Statements

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Make-A-Wish Foundation[®] of Central & Northern Florida (the Foundation) as of August 31, 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[®] of Central & Northern Florida as of August 31, 2011 and 2010, 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

December 14, 2011
Certified Public Accountants

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

Statements of Financial Position

August 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 476,124	1,005,079
Investments	514,690	696,596
Due from related entities	226,274	150,307
Prepaid expenses	66,295	44,393
Contributions receivable, net	48,853	27,586
Other assets	27,222	14,800
Restricted cash	—	39,476
Property and equipment, net	27,452	44,922
Beneficial interest in perpetual trust	625,501	571,647
Total assets	<u>\$ 2,012,411</u>	<u>2,594,806</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 95,948	139,116
Accrued pending wish costs	756,325	744,406
Due to related entities	5,008	14,502
Other liabilities	18,477	6,460
Capital lease obligations	10,082	16,181
Total liabilities	<u>885,840</u>	<u>920,665</u>
Commitments and contingencies		
Net assets:		
Unrestricted	308,154	980,768
Temporarily restricted	192,916	121,726
Permanently restricted	625,501	571,647
Total net assets	<u>1,126,571</u>	<u>1,674,141</u>
Total liabilities and net assets	<u>\$ 2,012,411</u>	<u>2,594,806</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended August 31, 2011

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

See accompanying notes to financial statements.

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

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	\$ 2,075,295	14,762	384,378	2,474,435
Grants	98,039	—	—	98,039
Total public support	<u>2,173,334</u>	<u>14,762</u>	<u>384,378</u>	<u>2,572,474</u>
Special events	1,034,365	—	—	1,034,365
Less direct benefit costs to donor	<u>(266,506)</u>	<u>—</u>	<u>—</u>	<u>(266,506)</u>
Total special events	767,859	—	—	767,859
Investment income, net	45,275	—	—	45,275
Other income	93,719	15,655	—	109,374
Net assets released from restrictions	<u>26,991</u>	<u>(26,991)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>3,107,178</u>	<u>3,426</u>	<u>384,378</u>	<u>3,494,982</u>
Expenses:				
Program services:				
Wish-granting	2,094,934	—	—	2,094,934
Training and development	160,668	—	—	160,668
Total program services	<u>2,255,602</u>	<u>—</u>	<u>—</u>	<u>2,255,602</u>
Support services:				
Fund-raising	517,050	—	—	517,050
Management and general	458,420	—	—	458,420
Total support services	<u>975,470</u>	<u>—</u>	<u>—</u>	<u>975,470</u>
Total program and support services expenses	3,231,072	—	—	3,231,072
Change in value of beneficial interest in trust	—	—	9,666	9,666
Total expenses and losses	<u>3,231,072</u>	<u>—</u>	<u>9,666</u>	<u>3,240,738</u>
Change in net assets	(123,894)	3,426	374,712	254,244
Net assets, beginning of year	1,104,662	118,300	196,935	1,419,897
Net assets, end of year	<u>\$ 980,768</u>	<u>121,726</u>	<u>571,647</u>	<u>1,674,141</u>

See accompanying notes to financial statements.

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

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	\$ (547,570)	254,244
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	28,194	36,579
Bad debt expense	1,874	3,951
Net realized and unrealized gains on investments	(26,283)	(24,836)
Gain on sale of property and equipment	—	(530)
Contributed property and equipment	—	(1,806)
Change in value of beneficial interest in trust	(53,854)	9,666
Contribution of permanent restricted trust	—	(384,378)
Changes in assets and liabilities:		
Restricted cash	39,476	—
Contributions receivable	(23,141)	34,396
Due from related entities	(75,967)	(14,137)
Prepaid expenses	(21,902)	(11,498)
Other assets	(12,422)	4,181
Accounts payable and accrued expenses	(43,168)	4,902
Accrued pending wish costs	11,919	(217,719)
Due to related entities	(9,494)	14,502
Other liabilities	12,017	4,540
Net cash used in operating activities	<u>(720,321)</u>	<u>(287,943)</u>
Cash flows from investing activities:		
Purchases of investments	(639,324)	(437,534)
Proceeds from sales of investments	847,513	443,694
Purchases of property and equipment	(10,724)	(2,406)
Proceeds from sale of property and equipment	<u>—</u>	<u>530</u>
Net cash provided by investing activities	<u>197,465</u>	<u>4,284</u>
Cash flows from financing activity:		
Principal payments on capital lease obligations	<u>(6,099)</u>	<u>(5,008)</u>
Net cash used in financing activity	<u>(6,099)</u>	<u>(5,008)</u>
Net decrease in cash and cash equivalents	(528,955)	(288,667)
Cash and cash equivalents, beginning of year	<u>1,005,079</u>	<u>1,293,746</u>
Cash and cash equivalents, end of year	\$ <u><u>476,124</u></u>	<u><u>1,005,079</u></u>
Supplemental cash flow information:		
Cash paid for interest	\$ 963	1,096
Donated property and equipment	—	1,806
Acquisition of equipment with capital lease agreement	—	6,300
In-kind contributions	675,876	599,113

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended August 31, 2011

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

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended August 31, 2010

	Program services			Support services			Total
	Wish-granting	Training and development	Total program services	Fund-raising	Management and general	Total support services	
Direct costs of wishes	\$ 1,553,046	—	1,553,046	—	—	—	1,553,046
Salaries, taxes, and benefits	367,213	104,431	471,644	312,920	303,784	616,704	1,088,348
Printing, subscriptions, and publications	8,236	3,440	11,676	28,954	5,424	34,378	46,054
Professional fees	9,885	4,860	14,745	19,435	12,984	32,419	47,164
Rent and utilities	61,242	23,698	84,940	54,376	49,472	103,848	188,788
Postage and delivery	3,364	1,639	5,003	13,648	2,841	16,489	21,492
Travel	1,952	1,773	3,725	16,260	16,622	32,882	36,607
Meetings and conferences	1,055	1,311	2,366	5,686	9,318	15,004	17,370
Office supplies	6,373	2,157	8,530	8,762	4,772	13,534	22,064
Communications	7,024	2,783	9,807	7,521	5,917	13,438	23,245
Advertising and media (cash)	—	296	296	2,576	173	2,749	3,045
Advertising and media (in-kind)	—	—	—	854	—	854	854
Repairs and maintenance	5,508	2,167	7,675	5,417	5,201	10,618	18,293
Insurance	1,336	526	1,862	1,208	1,089	2,297	4,159
Bad debt expense	—	—	—	—	3,951	3,951	3,951
Membership dues	384	104	488	816	1,427	2,243	2,731
National partnership dues	55,543	—	55,543	13,330	5,184	18,514	74,057
Miscellaneous	963	6,920	7,883	14,661	20,681	35,342	43,225
Depreciation and amortization	11,810	4,563	16,373	10,626	9,580	20,206	36,579
	<u>\$ 2,094,934</u>	<u>160,668</u>	<u>2,255,602</u>	<u>517,050</u>	<u>458,420</u>	<u>975,470</u>	<u>3,231,072</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

August 31, 2011 and 2010

(1) Organization

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

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

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

(b) *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at August 31, 2011 and 2010 include \$3,507 and \$233,813, respectively, of money market mutual funds.

(c) *Investments*

Investments are recorded at fair value and consist of money market funds, corporate bonds, and U.S. government securities. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

(d) *Contributions Receivable*

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. 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 once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining

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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 circumstances require a long-lived asset be tested for possible impairment, the Foundation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(f) Fair Value Measurements

The Foundation follows the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

(g) Net Assets

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

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions or law that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or by 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

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

Notes to Financial Statements

August 31, 2011 and 2010

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

	<u>2011</u>	<u>2010</u>
Advertising and media	\$ —	854
Wish-related donations	558,869	530,135
Professional services and other donations	<u>117,007</u>	<u>69,930</u>
Total	<u>\$ 675,876</u>	<u>600,919</u>

An internal special event is a fund-raising event coordinated and staffed by chapter personnel rather than a separate support group or organization. It is designed to attract donors and involve 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 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 \$675,876 and \$600,919 in 2011 and 2010, respectively.

Advertising and media are 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.

(i) ***Income Taxes***

The Foundation is a not-for-profit organization exempt from federal income and Florida taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 12A-1.038 of the Florida Statutes, Chapter 212. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

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Notes to Financial Statements

August 31, 2011 and 2010

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.

(j) ***Functional Expenses***

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

Training and Development

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

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 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 recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

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

(k) ***Management Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include investments, contributions receivable, property and equipment, and accrued pending wish

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August 31, 2011 and 2010

costs. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(1) Reclassifications

Certain reclassifications have been made to the 2010 financial statement information to conform to the 2011 financial statement presentation. There was no impact on the previously reported change in net assets of the Foundation.

(3) Fair Value Measurements

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

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

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

The following 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:

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

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August 31, 2011 and 2010

Description	August 31, 2010	Fair value measurements at August 31, 2010 using	
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents	\$ 1,005,079	1,005,079	—
Restricted cash	\$ 39,476	39,476	—
Investments:			
Certificates of deposit	\$ 272,762	—	272,762
Debt securities:			
U.S. Treasury	136,759	—	136,759
U.S. agency	287,075	—	287,075
	<u>\$ 696,596</u>	<u>—</u>	<u>696,596</u>

For the valuation of Certificate of Deposits and Debt Securities at August 31, 2011 and 2010, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2). The Foundation has no fair value measurements that use Level 3 inputs, other than beneficial interest in perpetual trust as described in note 5(a).

The Foundation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the year ended August 31, 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	\$ 6,060	24,106
Realized and unrealized gains, net	26,283	24,836
Less investment expenses	(3,820)	(3,667)
Investment income, net	<u>\$ 28,523</u>	<u>45,275</u>

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(4) Contributions Receivable

Contributions receivable include cash and in-kind pledges. The Foundation records an allowance for doubtful accounts on cash pledges. The following is a summary of the Foundation's contributions receivable at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Total amounts due in:		
One year	\$ 52,846	29,761
Gross contributions receivable	52,846	29,761
Less allowance for doubtful accounts	(3,993)	(2,175)
Contributions receivable, net	\$ <u>48,853</u>	<u>27,586</u>

(5) Split-Interest Agreements

(a) Beneficial Interest in Perpetual Trust

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

The Foundation's beneficial interest in the trusts are \$625,501 and \$571,647 as of August 31, 2011 and 2010, respectively. The Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3).

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The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
	Fair value measurements using significant unobservable inputs (Level 3)	Fair value measurements using significant unobservable inputs (Level 3)
Beginning balance	\$ 571,647	196,935
Total gains (losses) (realized/unrealized) included in changes in net assets	53,854	(9,666)
New beneficial interest in perpetual trust	—	384,378
Ending balance	<u>\$ 625,501</u>	<u>571,647</u>
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	\$ 53,854	(9,666)

(b) Beneficial Interest in Charitable Remainder Trust

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

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The Foundation’s beneficial interest in the charitable remainder trust is \$75,763 and \$67,488 as of August 31, 2011 and 2010, respectively, which is included in due from related entities. The following table presents a roll forward of activity for the beneficial interest in charitable remainder trust using significant unobservable inputs (Level 3) for the years ended 2011 and 2010.

	Fair value measurements	
	2011	2010
Beginning balance	\$ 67,488	51,833
Change in value of beneficial interest in trust	8,274	15,655
Ending balance	<u>\$ 75,762</u>	<u>67,488</u>
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	\$ 8,274	15,655

(6) Transactions with Related Entities

The Foundation pays the National Organization annual partnership dues, which were \$76,171 and \$74,057 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.

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.

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 \$105,150 and \$91,750 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:

	2011	2010
Balance at August 31:		
Due from National Organization	\$ 203,251	135,578
Due from other chapters	23,023	14,729
Total due from related entities	<u>\$ 226,274</u>	<u>150,307</u>
Due to National Organization	\$ —	13,950
Due to other chapters	5,008	552
Total due to related entities	<u>\$ 5,008</u>	<u>14,502</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.

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Amounts due to the National Organization represent contributions collected by the Foundation that were identified for the National Organization's use but were not yet transferred to the National Organization 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 \$125,007 and \$43,850, respectively. At August 31, 2011 and 2010, there were no amounts due from board members.

(7) 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	\$ 96,723	97,779
Office furniture	18,555	20,684
Other equipment	65,038	62,410
Leasehold improvements	4,805	53,651
	<u>185,121</u>	<u>234,524</u>
Less accumulated depreciation and amortization	<u>(157,669)</u>	<u>(189,602)</u>
Property and equipment, net	<u>\$ 27,452</u>	<u>44,922</u>

Depreciation and amortization expense totaled \$28,194 and \$36,579 for the years ended August 31, 2011 and 2010, respectively.

(8) Accrued Pending Wish Costs

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

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

As of August 31, 2011 and 2010, the Foundation had approximately 149 and 136 reportable pending wishes, respectively.

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(9) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through 2016. As of August 31, 2011 and 2010, the cost of leased property and equipment under capital lease was \$23,552, and accumulated depreciation was \$15,466 and \$7,133, respectively. Total rent expense for all operating leases for the years ended August 31, 2011 and 2010 totaled \$156,370 and \$154,718, respectively.

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	\$ 149,131	7,062
2013	150,311	3,642
2014	147,559	—
2015	65,986	—
2016	29,090	—
	<u>\$ 542,077</u>	<u>10,704</u>
Total minimum lease payments		
		<u>(622)</u>
Less amounts representing interest		
Present value of net minimum lease payments		<u>\$ 10,082</u>

(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>
Wish granting	\$ 99,462	82,249
Kids for Wish Kids Program	—	39,477
Time restrictions	93,454	—
	<u>\$ 192,916</u>	<u>121,726</u>
Total temporarily restricted net assets		

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

	<u>2011</u>	<u>2010</u>
Investments in perpetuity, the income from which is expendable to support any activities of the Foundation	\$ <u>625,501</u>	<u>571,647</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 \$19,426 and \$18,149, respectively.

(12) Concentrations of Credit Risk

In-kind contributions totaling \$234,199 and \$203,843 were received from a single donor for the years ended August 31, 2011 and 2010, respectively, which represents 11% and 18%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(13) Litigation and Claims

The Foundation is involved in various other claims and legal actions arising in the ordinary course of operations. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

(14) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through December 14, 2011, the date at which the financial statements were available to be issued.