



MAKE-A-WISH FOUNDATION[®] OF MICHIGAN

Financial Statements

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION[®] OF MICHIGAN

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation[®] of Michigan:

We have audited the accompanying statements of financial position of Make-A-Wish Foundation[®] of Michigan (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 Michigan as of August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 30, 2012

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statements of Financial Position

August 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 711,742	532,230
Investments	2,063,783	2,119,110
Due from related entities	129,630	28,684
Prepaid expenses	67,097	42,850
Contributions receivable	271,179	187,042
Other assets	40,493	28,371
Investments held for long-term purposes	104,224	104,224
Property and equipment, net	93,073	116,302
Total assets	<u>\$ 3,481,221</u>	<u>3,158,813</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 368,097	196,328
Accrued pending wish costs	1,493,515	1,339,583
Due to related entities	2,919	4,445
Other liabilities	50,778	14,185
Capital lease obligations	13,866	19,616
Total liabilities	<u>1,929,175</u>	<u>1,574,157</u>
Net assets:		
Unrestricted	1,274,026	1,305,829
Temporarily restricted	173,796	174,603
Permanently restricted	104,224	104,224
Total net assets	<u>1,552,046</u>	<u>1,584,656</u>
Total liabilities and net assets	<u>\$ 3,481,221</u>	<u>3,158,813</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

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	\$ 4,035,741	127,810	—	4,163,551
Grants	201,700	25,000	—	226,700
Total public support	<u>4,237,441</u>	<u>152,810</u>	<u>—</u>	<u>4,390,251</u>
Special events	1,989,355	—	—	1,989,355
Less direct benefit costs to donor	339,441	—	—	339,441
Total special events	<u>1,649,914</u>	<u>—</u>	<u>—</u>	<u>1,649,914</u>
Investment income, net	213,846	31,486	—	245,332
Other income	20,535	—	—	20,535
Net assets released from restrictions	185,103	(185,103)	—	—
Total revenues, gains, and other support	<u>6,306,839</u>	<u>(807)</u>	<u>—</u>	<u>6,306,032</u>
Expenses:				
Program services:				
Wish granting and program-related support	5,073,541	—	—	5,073,541
Total program services	<u>5,073,541</u>	<u>—</u>	<u>—</u>	<u>5,073,541</u>
Support services:				
Fund raising	750,688	—	—	750,688
Management and general	514,413	—	—	514,413
Total support services	<u>1,265,101</u>	<u>—</u>	<u>—</u>	<u>1,265,101</u>
Total expenses	<u>6,338,642</u>	<u>—</u>	<u>—</u>	<u>6,338,642</u>
Change in net assets	(31,803)	(807)	—	(32,610)
Net assets, beginning of the year	1,305,829	174,603	104,224	1,584,656
Net assets, end of the year	\$ <u>1,274,026</u>	<u>173,796</u>	<u>104,224</u>	<u>1,552,046</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

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	\$ 2,824,234	151,179	—	2,975,413
Grants	259,362	—	—	259,362
Total public support	<u>3,083,596</u>	<u>151,179</u>	<u>—</u>	<u>3,234,775</u>
Special events	1,936,690	—	—	1,936,690
Less direct benefit costs to donor	415,934	—	—	415,934
Total special events	<u>1,520,756</u>	<u>—</u>	<u>—</u>	<u>1,520,756</u>
Investment income, net	111,753	23,424	—	135,177
Other income	51,795	—	—	51,795
Net assets released from restrictions	261,467	(261,467)	—	—
Total revenues, gains, and other support	<u>5,029,367</u>	<u>(86,864)</u>	<u>—</u>	<u>4,942,503</u>
Expenses:				
Program services:				
Wish granting and program-related support	4,189,311	—	—	4,189,311
Total program services	<u>4,189,311</u>	<u>—</u>	<u>—</u>	<u>4,189,311</u>
Support services:				
Fund raising	586,669	—	—	586,669
Management and general	620,890	—	—	620,890
Total support services	<u>1,207,559</u>	<u>—</u>	<u>—</u>	<u>1,207,559</u>
Total expenses	<u>5,396,870</u>	<u>—</u>	<u>—</u>	<u>5,396,870</u>
Change in net assets	(367,503)	(86,864)	—	(454,367)
Net assets, beginning of the year	1,673,332	261,467	104,224	2,039,023
Net assets, end of the year	<u>\$ 1,305,829</u>	<u>174,603</u>	<u>104,224</u>	<u>1,584,656</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

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	\$ (32,610)	(454,367)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	36,105	47,915
Net realized and unrealized (gains) losses on investments	(180,581)	(127,640)
Loss on sale of property and equipment	36,655	612
Contributed property and equipment, inventory, and stock	(2,039)	(14,845)
Changes in assets and liabilities:		
Contributions receivable	(84,137)	243,923
Due from related entities	(100,946)	121,657
Prepaid expenses	(24,247)	3,273
Other assets	(12,122)	24,494
Accounts payable and accrued expenses	171,769	(75,344)
Accrued pending wish costs	153,932	125,569
Due to related entities	(1,526)	(832)
Other liabilities	36,592	(22,658)
Net cash used in operating activities	<u>(3,155)</u>	<u>(128,243)</u>
Cash flows from investing activities:		
Purchases of investments	(469,547)	(411,692)
Proceeds from sales of investments	707,495	545,355
Purchases of property and equipment	(49,531)	(5,665)
Net cash provided by investing activities	<u>188,417</u>	<u>127,998</u>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(5,750)	(5,305)
Principal payments on notes payable	—	(2,789)
Net cash used in financing activities	<u>(5,750)</u>	<u>(8,094)</u>
Net increase (decrease) in cash and cash equivalents	179,512	(8,339)
Cash and cash equivalents, beginning of year	<u>532,230</u>	<u>540,569</u>
Cash and cash equivalents, end of year	\$ <u><u>711,742</u></u>	\$ <u><u>532,230</u></u>
Supplemental cash flow information:		
Donated property and equipment, stock, and inventory	\$ 2,039	14,845
In-kind contributions	1,467,742	1,109,568

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statement of Functional Expenses

Year ended August 31, 2011

	Program services	Support services		
	Wish granting and program- related support	Fund raising	Management and general	Total
Direct costs of wishes	\$ 3,493,102	—	—	3,493,102
Salaries, taxes, and benefits	1,000,220	336,566	377,597	1,714,383
Printing, subscriptions, and publications	22,007	38,277	2,154	62,438
Professional fees	137,471	84,183	46,404	268,058
Rent and utilities	91,444	29,737	23,689	144,870
Postage and delivery	35,816	17,417	7,981	61,214
Travel	28,461	29,787	2,343	60,591
Meetings and conferences	19,059	18,822	1,543	39,424
Office supplies	16,449	6,559	4,435	27,443
Communications	24,933	8,324	7,568	40,825
Advertising and media (in-kind)	—	107,579	—	107,579
Repairs and maintenance	25,427	8,912	7,700	42,039
Membership dues	1,721	842	359	2,922
National partnership dues	114,131	22,526	13,516	150,173
Miscellaneous	42,359	34,297	10,820	87,476
Depreciation and amortization	20,941	6,860	8,304	36,105
	<u>\$ 5,073,541</u>	<u>750,688</u>	<u>514,413</u>	<u>6,338,642</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Statement of Functional Expenses

Year ended August 31, 2010

	Program services	Support services		
	Wish granting and program- related support	Fund raising	Management and general	Total
Direct costs of wishes	\$ 2,568,481	—	—	2,568,481
Salaries, taxes, and benefits	1,098,752	360,143	462,018	1,920,913
Printing, subscriptions, and publications	20,005	30,507	3,055	53,567
Professional fees	65,369	50,154	22,954	138,477
Rent and utilities	96,247	31,446	38,066	165,759
Postage and delivery	36,568	16,906	11,722	65,196
Travel	27,193	11,492	10,649	49,334
Meetings and conferences	16,262	7,567	6,449	30,278
Office supplies	14,222	4,168	5,045	23,435
Communications	23,756	7,786	9,425	40,967
Advertising and media (cash)	5,154	9,840	124	15,118
Repairs and maintenance	32,753	10,729	12,988	56,470
Insurance	875	287	347	1,509
Membership dues	934	306	370	1,610
National partnership dues	125,005	24,672	14,803	164,480
Miscellaneous	29,945	11,562	11,854	53,361
Depreciation and amortization	27,790	9,104	11,021	47,915
	<u>\$ 4,189,311</u>	<u>586,669</u>	<u>620,890</u>	<u>5,396,870</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION[®] OF MICHIGAN

Notes to Financial Statements

August 31, 2011 and 2010

(1) Organization

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

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

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

(b) *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at August 31, 2011 and 2010 include \$73,137 and \$4,804, respectively, of money market mutual funds.

(c) *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.

(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 \$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 over time in an amount equivalent to annual depreciation. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease(s). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Notes to Financial Statements

August 31, 2011 and 2010

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

(f) Fair Value Measurements

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

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets 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 (or liability) 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.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Notes to Financial Statements

August 31, 2011 and 2010

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

(h) Revenue Recognition

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

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

	<u>2011</u>	<u>2010</u>
Wish related	\$ 1,261,911	1,001,239
Advertising and media	107,579	—
Internal special events	98,252	123,174
Investments	<u>2,039</u>	<u>14,845</u>
Total	<u>\$ 1,469,781</u>	<u>1,139,258</u>

An internal special event is a fundraising event coordinated and staffed by chapter personnel rather than a 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.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Notes to Financial Statements

August 31, 2011 and 2010

Program or supporting services expenses were recorded at fair value totaling \$1,374,800 and \$960,672 in 2011 and 2010, respectively, with the difference recorded as investments, contributions receivable, and other assets received and not yet used.

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 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.

(i) *Income Taxes*

The Foundation is a not-for-profit organization exempt from federal income and Michigan taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 208.1207 of the State of Michigan. 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.

(j) *Functional Expenses*

The Foundation performs four functions: wish granting, program-related support, 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.

MAKE-A-WISH FOUNDATION® OF MICHIGAN

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 no significant joint costs for activities that include fund raising appeals.

Management and General

All costs not identifiable with a single program or fund raising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general record-keeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

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

(k) Management Estimates

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

(l) 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 the net assets of the Foundation.

(3) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

The fair values of the financial instruments shown in the following table(s) 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 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

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Notes to Financial Statements

August 31, 2011 and 2010

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 tables present 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:

Description	August 31, 2011	Fair value measurements at August 31, 2011 using	
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents	\$ 711,742	711,742	—
Investments:			
Mutual funds:			
Domestic equity	\$ 685,317	685,317	—
International equity	837,217	837,217	—
Bonds	496,603	496,602	—
Debt securities:			
U.S. Treasury	34,296	—	34,296
U.S. agency	114,574	—	114,574
Total investments	\$ 2,168,007	2,019,136	148,870

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Notes to Financial Statements

August 31, 2011 and 2010

<u>Description</u>	<u>August 31, 2010</u>	<u>Fair value measurements at August 31, 2010 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	\$ 532,230	532,230	—
Investments:			
Mutual funds:			
Domestic equity	\$ 988,224	988,224	—
International equity	577,077	577,077	—
Debt securities:			
U.S. Treasury	32,473	—	32,473
U.S. agency	152,157	—	152,157
Corporate	473,403	—	473,403
Total investments	\$ 2,223,334	1,565,301	658,033

For the valuation of U.S. Treasury, U.S. agency and corporate 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).

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

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 64,751	7,537
Realized and unrealized gains, net	180,581	127,640
Investment income, net	\$ 245,332	135,177

MAKE-A-WISH FOUNDATION® OF MICHIGAN

Notes to Financial Statements

August 31, 2011 and 2010

(4) Contributions Receivable

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	\$ 271,179	187,042
Contributions receivable	\$ <u>271,179</u>	<u>187,042</u>

(5) Transactions with Related Entities

The Foundation pays the National Organization annual dues, which were \$150,173 and \$164,480 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. Under this program, the Foundation received support from the Wish Fulfillment Fund with receipts during the years ended August 31, 2011 and 2010, totaling \$75,000 and \$80,000, respectively, which is recorded as contributions.

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 \$2,400 and \$3,000 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	\$ 122,321	26,315
Due from other chapters	7,309	2,369
Total due from related entities	\$ <u>129,630</u>	<u>28,684</u>
Due to other chapters	2,919	4,445
Total due to related entities	\$ <u>2,919</u>	<u>4,445</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 \$92,756 and \$28,523, respectively.

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(6) Property and Equipment, Net

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

	2011	2010
Computer equipment and software	\$ 225,819	221,832
Office furniture	15,895	22,591
Other equipment	43,461	40,183
Leasehold improvements	47,196	60,358
	<u>332,371</u>	<u>344,964</u>
Less accumulated depreciation and amortization	<u>(239,298)</u>	<u>(228,662)</u>
Property and equipment, net	\$ <u>93,073</u>	<u>116,302</u>

Depreciation and amortization expense totaled \$36,105 and \$47,915 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 177 and 192 reportable pending wishes, respectively.

(8) Notes Payable

The Foundation has an unsecured line of credit with a financial institution totaling \$500,000, bearing interest at 5% and expires on September 20, 2011. As of August 31, 2011 and 2010, the Foundation had no amounts outstanding. On September 20, 2011, the Foundation signed a new unsecured line of credit in the same amount with a variable interest rate and a maturity date of September 20, 2012.

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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 April 2018. As of August 31, 2011 and 2010, the cost of leased property and equipment under capital lease was \$28,755 and \$28,755, respectively, and accumulated depreciation was \$14,889 and \$9,139, respectively. Total rent expense for all operating leases for the years ended August 31, 2011 and 2010 totaled \$141,029 and \$137,379, 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	\$ 117,133	7,764
2013	96,083	7,764
2014	91,584	2,588
2015	94,170	—
2016	51,329	—
2017 – 2018	<u>61,656</u>	<u>—</u>
Total minimum lease payments	\$ <u>511,955</u>	18,116
Less amounts representing interest		<u>4,250</u>
Present value of net minimum lease payments		\$ <u>13,866</u>

(10) Endowments

The Foundation adopted the provisions of ASC 958, Section 205-45, *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 Michigan 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,

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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
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:

		2011			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	endowment funds	\$ —	31,486	104,224	135,710
	Total funds	\$ —	31,486	104,224	135,710

		2010			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	endowment funds	\$ —	23,424	104,224	127,648
	Total funds	\$ —	23,424	104,224	127,648

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

	2011			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ —	23,424	104,224	127,648
Investment return:				
Investment income	—	198	—	198
Net appreciation (realized and unrealized)	—	13,837	—	13,837
Total investment return	—	14,035	—	14,035
Appropriation of endowment assets for expenditure	—	(5,973)	—	(5,973)
Endowment net assets, end of year	\$ —	31,486	104,224	135,710
	2010			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 19,632	—	104,224	123,856
Net asset reclassification based on accounting change	(19,632)	19,632	—	—
Endowment net assets after reclassification	—	19,632	104,224	123,856
Investment return:				
Investment income	—	441	—	441
Net appreciation (realized and unrealized)	—	7,460	—	7,460
Total investment return	—	7,901	—	7,901
Appropriation of endowment assets for expenditure	—	(4,109)	—	(4,109)
Endowment net assets, end of year	\$ —	23,424	104,224	127,648

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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	\$ 104,224	104,224
Temporarily restricted net assets:		
(1) Term endowment funds	\$ —	—
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	31,486	23,424
With purpose restrictions	<u>—</u>	<u>—</u>
Total endowment funds classified as temporarily restricted net assets	\$ <u>31,486</u>	<u>23,424</u>

(b) 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 Balanced Market 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 5% annually. Actual returns in any given year may vary from this amount.

(c) 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.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 3% of its endowment fund's ending balance. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate of return that would meet or exceed the Balanced Market Index. This is consistent with the Foundation's objective to maintain the purchasing power of

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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.

(11) 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	\$ 127,810	151,179
Time restrictions	45,986	23,424
Total temporarily restricted net assets	<u>\$ 173,796</u>	<u>174,603</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	\$ 104,224	104,224
	<u>\$ 104,224</u>	<u>104,224</u>

(12) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan on the first day of the month coinciding with or immediately following their date of hire. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. Upon completion of two years for full-time employees or upon completion of 1,000 hours annually for two years for part-time employees, the Foundation contributes 5% of the employee's salary into their account. Foundation contributions to the Plan for the years ended August 31, 2011 and 2010 were \$47,116 and \$57,291, respectively.

(13) 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 \$806,460 and \$519,928 were received from a single donor for the years ended August 31, 2011 and 2010, respectively, which represents 18% and 16%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

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(14) Litigation and Claims

The Foundation is not currently involved in any claims or legal action arising in the ordinary course of business.

(15) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through January 30, 2012, the date at which the financial statements were available to be issued. On November 30, 2011, the Foundation entered into a lease which commences December 1, 2011 for office equipment in Grand Rapids, Michigan that will expire November 30, 2015. All lease payments for future years are disclosed, in total, in Note 9.