



**MAKE-A-WISH FOUNDATION OF  
GREATER OHIO, KENTUCKY & INDIANA**

Financial Statements

August 31, 2009

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF  
GREATER OHIO, KENTUCKY & INDIANA**

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**KPMG LLP**  
Suite 500  
191 West Nationwide Boulevard  
Columbus, OH 43215-2568

## **Independent Auditors' Report**

The Board of Directors  
Make-A-Wish Foundation<sup>®</sup> of Greater Ohio, Kentucky & Indiana:

We have audited the accompanying statement of financial position of Make-A-Wish Foundation<sup>®</sup> of Greater Ohio, Kentucky & Indiana (the Foundation) as of August 31, 2009, and the related statements of activities, cash flows, and functional expenses for the year 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 audit.

We conducted our audit 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 audit provides 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 Greater Ohio, Kentucky & Indiana as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 3 to the accompanying financial statements of Make-A-Wish Foundation<sup>®</sup> of Greater Ohio, Kentucky & Indiana, net assets as of August 31, 2008 have been restated to correct misstatements from the Foundation's previously issued financial statements, which were audited by other auditors.

As discussed in notes 2 and 4 to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, as of September 1, 2008 for fair value measurements of all financial assets and financial liabilities that are recognized at fair value in the financial statements on a recurring basis.

As discussed in note 10 to the financial statements, the Foundation adopted the Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, as of September 1, 2008 for classification of donor restricted endowment funds.

**KPMG LLP**

April 26, 2010

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF  
GREATER OHIO, KENTUCKY & INDIANA**

Statement of Financial Position

August 31, 2009

**Assets**

Cash and cash equivalents	\$ 901,868
Investments	580,638
Contributions receivable, net	978,315
Due from related entities	144,133
Prepaid expenses	33,780
Investments held for long-term purposes	1,753,611
Other assets	108,320
Property and equipment, net	<u>33,196</u>
Total assets	\$ <u><u>4,533,861</u></u>

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$ 203,870
Accrued pending wish costs	3,016,566
Due to related entities	131,571
Other liabilities	<u>70,417</u>
Total liabilities	<u>3,422,424</u>
Net assets (deficit):	
Unrestricted	(33,821)
Temporarily restricted	910,264
Permanently restricted	<u>234,994</u>
Total net assets	<u>1,111,437</u>
Total liabilities and net assets	\$ <u><u>4,533,861</u></u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF  
GREATER OHIO, KENTUCKY & INDIANA**

Statement of Activities

Year ended August 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 4,262,297	536,825	—	4,799,122
In-kind contributions	2,273,958	373,439	—	2,647,397
Grants	34,000	—	—	34,000
Total public support	<u>6,570,255</u>	<u>910,264</u>	<u>—</u>	<u>7,480,519</u>
Special events	2,677,827	—	—	2,677,827
Less direct benefit costs to donor	(498,872)	—	—	(498,872)
Total special events	<u>2,178,955</u>	<u>—</u>	<u>—</u>	<u>2,178,955</u>
Investment loss, net	(110,509)	—	—	(110,509)
Other income	16,915	—	—	16,915
Net assets released from restrictions	493,205	(493,205)	—	—
Total revenues, gains, and other support	<u>9,148,821</u>	<u>417,059</u>	<u>—</u>	<u>9,565,880</u>
Expenses:				
Program services:				
Wish granting	7,674,906	—	—	7,674,906
Total program services	<u>7,674,906</u>	<u>—</u>	<u>—</u>	<u>7,674,906</u>
Support services:				
Fund raising	1,174,882	—	—	1,174,882
Management and general	1,162,571	—	—	1,162,571
Total support services	<u>2,337,453</u>	<u>—</u>	<u>—</u>	<u>2,337,453</u>
Total program and support services expenses	<u>10,012,359</u>	<u>—</u>	<u>—</u>	<u>10,012,359</u>
Change in net assets	(863,538)	417,059	—	(446,479)
Net assets, beginning of the year, as restated (note 3)	829,717	493,205	234,994	1,557,916
Net assets (deficit), end of the year	<u>\$ (33,821)</u>	<u>910,264</u>	<u>234,994</u>	<u>1,111,437</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF  
GREATER OHIO, KENTUCKY & INDIANA**

Statement of Cash Flows

Year ended August 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ (446,479)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	24,786
Net realized and unrealized loss on investments	196,301
Loss on disposal of property and equipment	2,167
In-kind contributions	(30,146)
Changes in assets and liabilities:	
Contributions receivable	(426,392)
Due from related entities	95,483
Prepaid expenses	(19,137)
Other assets	(92,742)
Accounts payable and accrued expenses	(41,896)
Accrued pending wish costs	1,149,142
Due to related entities	(132,895)
Other liabilities	(86,151)
Net cash provided by operating activities	<u>192,041</u>
Cash flows from investing activities:	
Purchases of investments	(354,823)
Proceeds from sales of investments	411,397
Purchases of property and equipment	(2,200)
Net cash provided by investing activities	<u>54,374</u>
Net increase in cash and cash equivalents	246,415
Cash and cash equivalents, beginning of year	<u>655,453</u>
Cash and cash equivalents, end of year	<u>\$ 901,868</u>
Supplemental cash flow information:	
In-kind gifts	\$ 2,677,543

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF  
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Statement of Functional Expenses

Year ended August 31, 2009

	<u>Program Services</u>	<u>Support services</u>		<u>Total</u>
	<u>Wish granting</u>	<u>Fund raising</u>	<u>Management and general</u>	
Direct costs of wishes	\$ 6,423,198	—	—	6,423,198
Salaries, taxes, and benefits	814,850	765,465	888,928	2,469,243
Printing, subscriptions, and publications	—	142,665	—	142,665
Professional fees	17,630	16,561	19,233	53,424
Rent and utilities	102,116	95,927	111,400	309,443
Postage and delivery	16,060	15,086	17,520	48,666
Travel	7,072	6,643	7,715	21,430
Meetings and conferences	10,087	9,476	11,004	30,567
Office supplies	17,706	16,632	19,315	53,653
Communications	44,754	42,042	48,822	135,618
Repairs and maintenance	6,361	5,976	6,940	19,277
National partnership dues	194,928	46,783	18,193	259,904
Miscellaneous	11,965	3,942	4,578	20,485
Depreciation and amortization	8,179	7,684	8,923	24,786
	<u>\$ 7,674,906</u>	<u>1,174,882</u>	<u>1,162,571</u>	<u>10,012,359</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF  
GREATER OHIO, KENTUCKY & INDIANA**

Notes to Financial Statements

August 31, 2009

**(1) Organization**

Make-A-Wish Foundation® of Greater Ohio, Kentucky and Indiana (the Foundation) is an Ohio 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 (GAAP).

**(b) Fair Value Measurements**

On September 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157 (SFAS No. 157), *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities that are recognized at fair value in the financial statements on a recurring basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

**(c) 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.

**(d) Investments**

Investments are recorded at fair value and consist of money market funds, certificates of deposit, fixed income mutual funds and equity mutual funds. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions or law.

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*(e) Contributions Receivable*

Contributions receivable are unconditional promises to give. Such promises are expected to be collected within one year and are recorded at expected net realizable value.

*(f) Property and Equipment, Net*

Property and equipment having 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. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

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.

*(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 donor-imposed restrictions 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.

*(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

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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 service and material donations which are included in the accompanying statement of activities as in-kind contributions and program or supporting services expenses at fair value of \$2,647,397 in 2009.

*(i) Income Taxes*

The Foundation is a not-for-profit organization exempt from federal income and Ohio taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 5733.01 of the Ohio Revised Code, respectively. 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.

In June 2006, the FASB issued Interpretation No. (FIN) 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109. FIN No. 48 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. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, which permits an additional one-year deferral of the effective date of FIN No. 48 for most nonpublic entities. FSP FIN 48-3 defers the effective date of FIN No. 48 for entities within its scope to annual financial statements for fiscal years beginning after December 15, 2008. A nonpublic entity that takes advantage of the deferral in FSP FIN 48-3 must explicitly disclose that fact, as well as its accounting policy for evaluating uncertain tax positions, in each set of financial statements affected by the deferral. During the deferral period, FASB intends to issue a separate FSP to explain how not-for-profit organizations should apply the provisions of FIN No. 48. It also plans to amend FIN No. 48's disclosure provisions for nonpublic entities. The Foundation has adopted the deferral and disclosure provisions of FIN 48-3 for its August 31, 2009 financial statements and will adopt the provisions of FIN 48 for the year ended August 31, 2010.

*(j) Functional Expenses*

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

**Wish Granting**

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions.

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**Fund Raising**

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 2009, 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.

*(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. Actual results could differ from those estimates.

**(3) Restatement**

The Foundation's August 31, 2008 net assets have been restated for the following:

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total net assets</u>
Net assets, as previously reported at August 31, 2008	\$ 987,943	334,979	234,994	1,557,916
Reclassification of beneficial interest in charitable remainder trust	(138,000)	138,000	—	—
Reclassification of net asset categories	(20,226)	20,226	—	—
Net assets, as restated at August 31, 2008	<u>\$ 829,717</u>	<u>493,205</u>	<u>234,994</u>	<u>1,557,916</u>

The Foundation restated its net assets as of August 31, 2008 to correct for an error in the prior year. During 2009, the Foundation determined that \$138,000 of contributions at August 31, 2008 related to a beneficial interest in the assets of a charitable remainder trust. These assets should have been reported as temporarily restricted as the Chapter did not have the immediate right to use its beneficial interest without restrictions. In addition, the Chapter had other unconditional promises to give of \$20,226 which had stated due dates occurring after fiscal year 2008, but had been recorded as unrestricted net assets. As such, an adjustment was made to decrease unrestricted net assets and increase temporarily restricted net assets in the amount of \$158,226.

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**(4) Cash and Cash Equivalents and Investments**

The Foundation adopted SFAS No. 157 on September 1, 2008 for fair value measurements of cash and cash equivalents and investments that are recognized at fair value in the financial statements. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to 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** – quoted prices in active markets for identical investments.
- **Level 2** – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments speeds, credit risk, etc.).
- **Level 3** – significant unobservable inputs (including the Foundation’s own assumptions in determining the fair value of investments).

The following table presents fair value measurements at August 31, 2009:

Description	August 31, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents			
Cash held on deposit with financial institutions	\$ 833,317	833,317	—
Money market funds	68,551	68,551	—
Investments, certificates of deposit	580,638	—	580,638
Investments held for long-term purposes			
Domestic equity mutual fund	653,777	653,777	—
International equity mutual fund	257,749	257,749	—
Mutual funds: bonds	782,263	782,263	—
Money market funds	59,822	59,822	—
Total	<u>\$ 3,236,117</u>	<u>2,655,479</u>	<u>580,638</u>

The Foundation has no cash and cash equivalents and investments that use Level 3 inputs.

Total investment loss for the year ended August 31, 2009 consist of the following:

Interest and dividend income	\$ 85,792
Realized and unrealized losses	<u>(196,301)</u>
Investment loss	<u><u>\$ (110,509)</u></u>

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Notes to Financial Statements

August 31, 2009

**(5) Contributions Receivable**

The following is a summary of the Foundation’s contributions receivable at August 31, 2009:

Total amounts due in:			
One year	\$	983,128	
Gross contributions receivable		983,128	
Less allowance for doubtful accounts		(4,813)	
Contributions receivable, net	\$	978,315	

**(6) Transactions with Related Parties**

The Foundation pays the National Organization annual partnership dues, which were \$259,904 for the year ended August 31, 2009. The National Organization supports the Foundation by providing funding and support for the granting of wishes. Such support includes the identification of wish candidates, fundraising, and facilitating the delivery 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 year totaling \$50,000, 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 \$4,050 for the year ended August 31, 2009, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities at August 31, 2009 are as follows:

Due from National Organization	\$	139,388	
Due from other chapters		4,745	
Total due from related entities	\$	144,133	
Due to National Organization		125,000	
Due to other chapters		6,571	
Total due to related entities	\$	131,571	

Amounts due from the National Organization represent contributions remitted to the National Organization that are specified for the Foundation’s use but were not yet transferred to the Foundation as of year end. During 2009, the Foundation received contributions, both cash and in-kind, from board members totaling \$177,746. The Foundation did not make any payments to companies owned by board members (or related parties) for goods and services provided to the Foundation.

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Notes to Financial Statements

August 31, 2009

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

Fixed assets as of August 31, 2009 consist of the following:

Computer equipment and software	\$ 112,313
Office furniture	110,266
Other equipment	<u>35,056</u>
	257,635
Less accumulated depreciation and amortization	<u>(224,439)</u>
Property and equipment, net	<u><u>\$ 33,196</u></u>

Depreciation and amortization expense totaled \$24,786 for the year ended August 31, 2009.

**(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:

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, 2009, the Foundation had approximately 407 reportable pending wishes.

**(9) Leases**

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through November, 2013. Total rent expense for all operating leases for the year ended August 31, 2009 totaled \$294,672.

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Future minimum lease payments under operating leases having remaining terms in excess of one year are as follows:

Years ending August 31:		
2010	\$	322,186
2011		325,729
2012		109,389
2013		45,308
2014		368
		<hr/>
Total minimum lease payments	\$	<u>802,980</u>

**(10) Endowments**

Effective September 1, 2008, the Foundation adopted the provisions of FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Disclosures for All Endowment funds*, (FSP 117-1). FSP 117-1 provides 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 required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of one fund 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.

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August 31, 2009

**(a) Interpretation of Relevant Law**

The board of directors of the Foundation has interpreted the Ohio UPMIFA, as enacted June 1, 2009, 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
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, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (22,851)	—	234,994	212,143
Board-designated endowment funds	1,541,468	—	—	1,541,468
Total funds	<u>\$ 1,518,617</u>	<u>—</u>	<u>234,994</u>	<u>1,753,611</u>

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August 31, 2009

Changes in endowment net assets for the year ended August 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,666,093	—	234,994	1,901,087
Net asset reclassification based on accounting change	—	—	—	—
Endowment net assets after reclassification	<u>1,666,093</u>	<u>—</u>	<u>234,994</u>	<u>1,901,087</u>
Investment return:				
Investment income	57,952	—	—	57,952
Net depreciation (realized and unrealized)	<u>(205,428)</u>	<u>—</u>	<u>—</u>	<u>(205,428)</u>
Total investment return	<u>(147,476)</u>	<u>—</u>	<u>—</u>	<u>(147,476)</u>
Endowment net assets, end of year	<u>\$ 1,518,617</u>	<u>—</u>	<u>234,994</u>	<u>1,753,611</u>

Description of amounts classified as permanently restricted net assets (endowment only) at August 31, 2009:

Permanently restricted net assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

\$ 234,994

**(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 that are reported in unrestricted net assets were \$22,851 as of August 31, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

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**(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 6% 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 3% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. 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 an average of 3% annually. 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.

**(11) Temporarily and Permanently Restricted Net Asset**

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2009:

Wish granting	\$	373,439
Time restrictions		536,825
Total temporarily restricted net assets	\$	910,264

For the year ended August 31, 2009, net assets of \$158,226 and \$334,979 were released from time and purpose restrictions, respectively.

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For the year ended August 31, 2009, permanently restricted net assets are restricted to:

Investments in perpetuity, the income from which is expendable to support any activities of the Foundation	\$ <u>234,994</u>
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**(12) Retirement Plan**

The Foundation has a defined contribution retirement plan. Employees are eligible for participation in the Plan after reaching 21 years of age. 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 25% of employee contributions up to a maximum match equal to 3% of the employee's salary. Contributions to the Plan for the year ended August 31, 2009 were \$23,087.

**(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.

**(14) Litigation and Claims**

The Foundation is involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, are immaterial; therefore, no provision has been made in the accompanying financial statements for losses, if any, that might result from the ultimate outcome of these matters.

**(15) Subsequent Events**

Effective August 31, 2009, the Foundation adopted FASB Statement No. 165, *Subsequent Events*, which establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Foundation evaluated events subsequent to August 31, 2009 and through April 26, 2010, the date on which the financial statements were issued.