



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

Financial Statements

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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## Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Make-A-Wish Foundation<sup>®</sup> of Ohio, Kentucky, & Indiana (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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation<sup>®</sup> of Ohio, Kentucky, & Indiana 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*

December 15, 2011

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

Statements of Financial Position

August 31, 2011 and 2010

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 1,635,416	1,796,164
Investments	1,428,158	492,822
Due from related entities	362,242	190,566
Prepaid expenses	51,047	59,388
Contributions receivable, net	514,573	891,474
Other assets	79,313	88,744
Investments held for long-term purposes	2,316,456	1,858,317
Property and equipment, net	86,452	37,544
Beneficial interest in trusts	133,841	—
Beneficial interest in assets held by others	318,873	300,290
Total assets	\$ 6,926,371	5,715,309
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 270,852	165,499
Accrued pending wish costs	2,922,690	3,047,098
Due to related entities	6,403	21,861
Other liabilities	152,179	79,138
Total liabilities	3,352,124	3,313,596
Net assets:		
Unrestricted	2,356,758	1,208,472
Temporarily restricted	740,025	958,247
Permanently restricted	477,464	234,994
Total net assets	3,574,247	2,401,713
Total liabilities and net assets	\$ 6,926,371	5,715,309

See accompanying notes to financial statements.

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

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	\$ 8,510,613	496,299	—	9,006,912
Grants	284,562	26,350	—	310,912
Total public support	<u>8,795,175</u>	<u>522,649</u>	<u>—</u>	<u>9,317,824</u>
Special events	1,792,058	33,371	—	1,825,429
Less direct benefit costs to donor	(546,556)	—	—	(546,556)
Total special events	<u>1,245,502</u>	<u>33,371</u>	<u>—</u>	<u>1,278,873</u>
Investment income, net	163,052	37,622	—	200,674
Other income	14,823	—	—	14,823
Change in value of beneficial interest in trusts	—	14,608	—	14,608
Net assets released from restrictions	1,024,079	(1,024,079)	—	—
Total revenues, gains, and other support	<u>11,242,631</u>	<u>(415,829)</u>	<u>—</u>	<u>10,826,802</u>
Expenses:				
Program services:				
Wish granting	7,783,572	—	—	7,783,572
Total program services	<u>7,783,572</u>	<u>—</u>	<u>—</u>	<u>7,783,572</u>
Support services:				
Fund raising	1,358,788	—	—	1,358,788
Management and general	1,340,604	—	—	1,340,604
Total support services	<u>2,699,392</u>	<u>—</u>	<u>—</u>	<u>2,699,392</u>
Total expenses	<u>10,482,964</u>	<u>—</u>	<u>—</u>	<u>10,482,964</u>
Excess of assets acquired over liabilities assumed in acquisition of the Northwest Ohio Chapter	388,619	197,607	242,470	828,696
Change in net assets (deficit)	1,148,286	(218,222)	242,470	1,172,534
Net assets, beginning of the year	1,208,472	958,247	234,994	2,401,713
Net assets, end of the year	\$ <u>2,356,758</u>	<u>740,025</u>	<u>477,464</u>	<u>3,574,247</u>

See accompanying notes to financial statements.

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

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	\$ 8,038,919	900,027	—	8,938,946
Grants	255,979	52,867	—	308,846
Total public support	<u>8,294,898</u>	<u>952,894</u>	<u>—</u>	<u>9,247,792</u>
Special events	1,391,804	—	—	1,391,804
Less direct benefit costs to donor	<u>(416,013)</u>	<u>—</u>	<u>—</u>	<u>(416,013)</u>
Total special events	975,791	—	—	975,791
Investment income, net	110,342	5,353	—	115,695
Other income	23,641	—	—	23,641
Net assets released from restrictions	<u>910,264</u>	<u>(910,264)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>10,314,936</u>	<u>47,983</u>	<u>—</u>	<u>10,362,919</u>
Expenses:				
Program services:				
Wish granting	<u>6,692,337</u>	<u>—</u>	<u>—</u>	<u>6,692,337</u>
Total program services	<u>6,692,337</u>	<u>—</u>	<u>—</u>	<u>6,692,337</u>
Support services:				
Fund raising	1,158,613	—	—	1,158,613
Management and general	<u>1,221,693</u>	<u>—</u>	<u>—</u>	<u>1,221,693</u>
Total support services	<u>2,380,306</u>	<u>—</u>	<u>—</u>	<u>2,380,306</u>
Total expenses	<u>9,072,643</u>	<u>—</u>	<u>—</u>	<u>9,072,643</u>
Change in net assets	1,242,293	47,983	—	1,290,276
Net assets (deficit), beginning of the year	<u>(33,821)</u>	<u>910,264</u>	<u>234,994</u>	<u>1,111,437</u>
Net assets, end of the year	<u>\$ 1,208,472</u>	<u>958,247</u>	<u>234,994</u>	<u>2,401,713</u>

See accompanying notes to financial statements.

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

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	\$ 1,172,534	1,290,276
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,256	15,024
Net realized and unrealized gains on investments	(137,746)	(54,444)
Contributed property and equipment, inventory, and stock	(1,285)	(750)
Change in value of beneficial interest held in trusts	(14,608)	—
Assets acquired in excess of liabilities assumed in acquisition of the Northwest Ohio Chapter	(828,696)	—
Changes in assets and liabilities, net of impact of acquisition:		
Contributions receivable	448,086	86,841
Due from related entities	(160,679)	(46,433)
Prepaid expenses	8,423	(25,608)
Other assets	12,745	19,576
Accounts payable and accrued expenses	95,952	(38,371)
Accrued pending wish costs	(180,539)	30,532
Due to related entities	(15,458)	(109,710)
Other liabilities	73,041	8,721
Net cash provided by operating activities	<u>499,026</u>	<u>1,175,654</u>
Cash flows from investing activities:		
Purchases of investments	(1,745,885)	(807,396)
Proceeds from sales of investments	843,545	544,660
Purchases of property and equipment	(73,718)	(18,622)
Cash received in acquisition of the Northwest Ohio Chapter	316,284	—
Net cash used in investing activities	<u>(659,774)</u>	<u>(281,358)</u>
Net increase (decrease) in cash and cash equivalents	(160,748)	894,296
Cash and cash equivalents, beginning of year	<u>1,796,164</u>	<u>901,868</u>
Cash and cash equivalents, end of year	\$ <u>1,635,416</u>	<u>1,796,164</u>
Supplemental cash flow information:		
Donated property and equipment, stock, and inventory	\$ 1,285	750
In-kind contributions	3,018,194	2,965,662
The Foundation acquired the Northwest Ohio Chapter on September 1, 2010. In conjunction with the acquisition, liabilities were assumed and assets were acquired from the Northwest Ohio Chapter as follows:		
Fair value of assets acquired	\$ 894,228	
Liabilities assumed	<u>65,532</u>	
Contribution received in acquisition of the Northwest Ohio Chapter	\$ <u>828,696</u>	

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended August 31, 2011

	<b>Program services</b>	<b>Support services</b>		<b>Total</b>
	<b>Wish granting</b>	<b>Fund raising</b>	<b>Management and general</b>	
Direct costs of wishes	\$ 6,487,744	—	—	6,487,744
Salaries, taxes, and benefits	793,991	863,538	987,903	2,645,432
Printing, subscriptions, and publications	378	157,426	702	158,506
Professional fees	16,711	14,831	20,849	52,391
Rent and utilities	119,333	100,058	113,594	332,985
Postage and delivery	21,897	16,240	19,783	57,920
Travel	20,954	47,415	19,906	88,275
Meetings and conferences	11,971	27,465	11,377	50,813
Office supplies	16,501	14,329	17,083	47,913
Communications	46,608	50,558	48,377	145,543
Advertising and media (in-kind)	—	8,350	—	8,350
Repairs and maintenance	9,016	7,719	12,537	29,272
National partnership dues	214,326	36,185	27,835	278,346
Miscellaneous	16,404	8,048	47,766	72,218
Depreciation and amortization	7,738	6,626	12,892	27,256
	\$ <u>7,783,572</u>	<u>1,358,788</u>	<u>1,340,604</u>	<u>10,482,964</u>

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended August 31, 2010

	<b>Program services</b>	<b>Support services</b>		<b>Total</b>
	<b>Wish granting</b>	<b>Fund raising</b>	<b>Management and general</b>	
Direct costs of wishes	\$ 5,601,578	—	—	5,601,578
Salaries, taxes, and benefits	704,174	752,873	912,031	2,369,078
Printing, subscriptions, and publications	1,734	133,066	1,369	136,169
Professional fees	989	855	5,740	7,584
Rent and utilities	104,313	97,208	113,647	315,168
Postage and delivery	10,490	9,256	18,124	37,870
Travel	1,614	21,322	3,973	26,909
Meetings and conferences	10,050	27,357	13,215	50,622
Office supplies	11,446	10,237	23,708	45,391
Communications	37,794	42,653	46,481	126,928
Advertising and media (in-kind)	—	9,452	—	9,452
Repairs and maintenance	719	864	20,682	22,265
National partnership dues	185,935	44,624	17,354	247,913
Miscellaneous	16,263	4,353	40,076	60,692
Depreciation and amortization	5,238	4,493	5,293	15,024
	<u>\$ 6,692,337</u>	<u>1,158,613</u>	<u>1,221,693</u>	<u>9,072,643</u>

See accompanying notes to financial statements.

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

## Notes to Financial Statements

August 31, 2011 and 2010

### (1) Organization

Make-A-Wish Foundation® of Ohio, Kentucky & 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.

#### (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 \$14,516 and \$183,374, 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. The beneficial interest in assets held by others are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient permitted under Accounting Standards Update (ASU) No. 2009-12.

#### (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 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 terms of the

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

### Notes to Financial Statements

August 31, 2011 and 2010

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 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 OHIO, KENTUCKY & INDIANA**

Notes to Financial Statements

August 31, 2011 and 2010

In conjunction with the adoption of ASC Topic 820, the Foundation elected to adopt ASU 2009-12 to certain investments in funds that do not have readily determinable fair values. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair values that would be calculated pursuant to ASC Topic 820.

**(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	\$ 2,950,202	2,928,123
Advertising and media	8,350	9,452
Internal special events	40,742	28,087
Property and equipment	1,285	750
Rent	18,900	—
	<u>3,019,479</u>	<u>2,966,412</u>
Total	\$ <u>3,019,479</u>	<u>2,966,412</u>

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

Notes to Financial Statements

August 31, 2011 and 2010

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 large numbers of people for the purpose of raising awareness, additional funding, and cultivating future donors. Internal special event in-kind amounts are donated items recorded at fair market value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling \$2,977,452 and \$2,937,575 in 2011 and 2010, respectively, with the difference representing donations of property and equipment or special event direct benefit costs to donor.

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 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.

Wish related in-kind contributions consisted of the following:

	<u>2011</u>	<u>2010</u>
Computer equipment, games and toys	\$ 25,758	23,029
Cruises	35,171	40,502
Lodging	137,372	403,800
Theme parks	1,704,392	1,258,839
Transportation	903,302	972,346
Other wish-related donations	<u>144,207</u>	<u>229,607</u>
Total	\$ <u>2,950,202</u>	<u>2,928,123</u>

**(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.

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.

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

### Notes to Financial Statements

August 31, 2011 and 2010

(j) ***Functional Expenses***

The Foundation performs three functions: wish granting, 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.

**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, 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 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.

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

### Notes to Financial Statements

August 31, 2011 and 2010

The fair values of the financial instruments shown in the following tables as of August 31, 2011 and 2010 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The Foundation has adopted ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. See note 2 to the financial statements.

#### ***Overall Investment Objective***

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Finance committee, which oversees the Foundation's investment program in accordance with established guidelines. Investment decisions related to the Foundation's beneficial interest in assets held by others are made by the National office in accordance with their investment policy and the Chapter has no responsibility for investing these assets.

#### ***Allocation of Investment Strategies***

In addition to traditional stocks and fixed-income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

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**(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			Redemption or Liquidation
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Cash and cash equivalents	\$ 1,635,416	1,635,416	—	—	
Investments:					
Mutual funds:					
Equities	\$ 1,275,142	1,275,142	—	—	
Money market funds	89,673	89,673	—	—	
Bonds	951,641	951,641	—	—	
Certificates of deposit	1,428,158	—	1,428,158	—	
Total investments	\$ 3,744,614	2,316,456	1,428,158	—	
Beneficial interest in trusts	\$ 133,841	—	—	133,841	
Beneficial interest in assets					
held by others	\$ 318,873	—	—	318,873	Not redeemable at NAV

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Description	Fair value measurements at August 31, 2010 using			
	August 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 1,796,164	1,796,164	—	—
Investments:				
Mutual funds:				
Equities	\$ 930,422	930,422	—	—
Money market funds	101,824	101,824	—	—
Bonds	826,071	826,071	—	—
Certificates of deposit	492,822	—	492,822	—
Total investments	\$ 2,351,139	1,858,317	492,822	—
Beneficial interest in assets held by others	\$ 300,290	300,290	—	—

For the valuation of certificates of deposit 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).

For the valuation of beneficial interest in assets held by others and beneficial interest in trusts at August 31, 2011 and 2010, the Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3).

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. The Foundation had a transfer of its beneficial interest in assets held by others from Level 1 to Level 3. Amounts were transferred to Level 3 in the current year because fair value of this asset was calculated by the Foundation using the net asset value of the underlying investments as a practical expedient. In addition, it was determined that the Foundation will never have the ability to redeem its investment at net asset value per share.

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	\$ 62,928	61,251
Realized and unrealized gains, net	137,746	54,444
Investment income, net	\$ 200,674	115,695



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**(b) Beneficial Interest in Trusts**

The Foundation is named beneficiary on six charitable remainder unitrusts, the corpus of which is not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive the remaining assets in the trusts at the termination of the trusts. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation received notice that the trust agreement conveyed 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 temporarily restricted change in value of beneficial interest in trusts. The Foundation received beneficial interest in these trusts as part of the acquisition of the Northwest Ohio Chapter that occurred effective September 1, 2010.

The Foundation's beneficial interest in the trust is \$133,841 as of August 31, 2011. The Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions to measure the fair value of this investment (Level 3).

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

	<b>2011</b>
	<b>Fair value</b>
	<b>measurements</b>
	<b>using</b>
	<b>significant</b>
	<b>unobservable</b>
	<b>inputs</b>
	<b>(Level 3)</b>
	<b>—</b>
Beginning balance	\$ —
Total gains or losses (realized/unrealized) included in changes in net assets	14,608
Contributions, issuances, and settlements	119,233
Ending balance	\$ 133,841
 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	 \$ 14,608

**(6) Transactions with Related Entities**

The Foundation pays the National Organization annual dues, which were \$278,346 and \$247,913 for the years ended August 31, 2011 and 2010, respectively. The National Organization supports the Foundation by providing funding and other support for the granting of wishes.

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As part of the National Organization’s Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation received support from the Wish Fulfillment Fund with receipts during the years ended August 31, 2011 and 2010, totaling \$61,950 and \$50,000, respectively, which is recorded as grants.

As part of the National Organization’s Wishes Forever Campaign, donors may designate chapters to receive periodic distributions, if and when such distributions are approved by the Audit and Finance Committee of the National Organization. Distributions are limited to income earned on the underlying assets, which are held in perpetuity by the National Organization. Under this program, the Chapter received distributions during the years ended August 31, 2011 and 2010, totaling \$0 and \$6,000, respectively, which were recorded as contributions and used 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 \$6,000 and \$10,996 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	\$ 357,829	181,735
Due from other chapters	4,413	8,831
Total due from related entities	<u>\$ 362,242</u>	<u>190,566</u>
Due to other chapters	<u>\$ 6,403</u>	<u>21,861</u>
Total due to related entities	<u><u>\$ 6,403</u></u>	<u><u>21,861</u></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 \$216,272 and \$209,573, respectively. In 2011 and 2010, amounts due from board members totaled \$1,300 and \$4,400, respectively, and are included in contributions receivable in the accompanying statements of financial position. The Foundation did not make any payments to companies owned by board members (or related parties) for goods and services used in the Foundation’s operations.

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**(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	152,235	126,784
Office furniture	126,213	110,266
Other equipment	68,072	35,056
Leasehold improvements	2,660	—
	<u>349,180</u>	<u>272,106</u>
Less accumulated depreciation and amortization	<u>(262,728)</u>	<u>(234,562)</u>
Property and equipment, net	<u>\$ 86,452</u>	<u>37,544</u>

Depreciation and amortization expense totaled \$27,256 and \$15,024 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:

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 393 and 413 reportable pending wishes, respectively.

**(9) Leases**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through September 30, 2016. Total rent expense for all operating leases for the years ended August 31, 2011 and 2010 totaled \$290,153 and \$292,648, respectively.

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

	<b>Operating leases</b>
Year ending August 31:	
2012	\$ 282,920
2013	279,010
2014	238,405
2015	241,137
2016	66,247
2017	3,938
Total minimum lease payments	<u>\$ 1,111,657</u>

**(10) Endowments**

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

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

**(a) Interpretation of Relevant Law**

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

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

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

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

	<b>2011</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	
Donor-restricted endowment funds	\$ —	50,163	477,464	527,627
Board-designated endowment funds	1,788,829	—	—	1,788,829
Board-designated endowment funds held by National	318,873	—	—	318,873
Total funds	<u>\$ 2,107,702</u>	<u>50,163</u>	<u>477,464</u>	<u>2,635,329</u>
	<b>2010</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	
Donor-restricted endowment funds	\$ —	5,353	234,994	240,347
Board-designated endowment funds	1,617,970	—	—	1,617,970
Board-designated endowment funds held by National	300,290	—	—	300,290
Total funds	<u>\$ 1,918,260</u>	<u>5,353</u>	<u>234,994</u>	<u>2,158,607</u>

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

	<b>2011</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,918,260	5,353	234,994	2,158,607
Investment return:				
Investment income	45,230	7,812	—	53,042
Net appreciation (realized and unrealized)	<u>112,707</u>	<u>29,810</u>	<u>—</u>	<u>142,517</u>
Total investment return	157,937	37,622	—	195,559
Contributions	<u>31,505</u>	<u>7,188</u>	<u>242,470</u>	<u>281,163</u>
Endowment net assets, end of year	\$ <u><u>2,107,702</u></u>	<u><u>50,163</u></u>	<u><u>477,464</u></u>	<u><u>2,635,329</u></u>
	<b>2010</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,518,617	—	234,994	1,753,611
Investment return:				
Investment income	40,340	2,141	—	42,481
Net appreciation (realized and unrealized)	<u>59,303</u>	<u>3,212</u>	<u>—</u>	<u>62,515</u>
Total investment return	99,643	5,353	—	104,996
Contributions	<u>300,000</u>	<u>—</u>	<u>—</u>	<u>300,000</u>
Endowment net assets, end of year	\$ <u><u>1,918,260</u></u>	<u><u>5,353</u></u>	<u><u>234,994</u></u>	<u><u>2,158,607</u></u>

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

	<u>2011</u>	<u>2010</u>
Permanently restricted net assets:		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 477,464	234,994
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	50,163	5,353
With purpose restrictions	—	—
Total endowment funds classified as temporarily restricted net assets	\$ 50,163	5,353

**(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 U.S. generally accepted accounting policies, deficiencies of this nature that are reported in unrestricted net assets were \$7,027 and \$15,537 as of August 31, 2011 and 2010, respectively. 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.

**(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

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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 preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. 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 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	\$ —	84,203
Time restrictions	740,025	874,044
Total temporarily restricted net assets	<u>\$ 740,025</u>	<u>958,247</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	\$ 109,994	109,994
To grant wishes in the Southern Ohio region	125,000	125,000
To grant wishes in the Northwest Ohio region	242,470	—
	<u>\$ 477,464</u>	<u>234,994</u>

**(12) 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. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code limitations. The Foundation matches 25% of employee contributions up to a maximum match equal to 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2011 and 2010 were \$23,176 and \$20,666, respectively.

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#### **(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 \$1,719,384 and \$1,361,323 were received from a single donor for the years ended August 31, 2011 and 2010, respectively, which represents 18% and 17%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

#### **(14) Litigation and Claims**

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

#### **(15) Acquisition of Make-A-Wish Foundation of Northwest Ohio**

On September 1, 2010, the Foundation acquired the net assets of the Northwest Ohio Chapter without transfer of consideration. In accordance with ASC 958-805-65, *Not-for-Profit Entities: Mergers and Acquisitions*, the Foundation obtained control of the Northwest Ohio Chapter as a result of the Chapter Performance Committee reassigning the Northwest Ohio Territory to the Foundation. Subsequent to this reassignment, an agreement was entered into between the two chapters that provided the Foundation with the rights and property of the Northwest Ohio Chapter and also the responsibility for all debts and liabilities of the chapter. This acquisition was entered into by both parties to further the mission of the organization and to more efficiently provide wishes to children living in the Northwest Ohio area. This acquisition was accounted for under the acquisition method and the excess of the Northwest Ohio Chapter's assets over liabilities on the acquisition date were recorded on the Foundation's Statement of Activities as an inherent contribution. This contribution was recorded as unrestricted, temporarily restricted or permanently restricted according to the manner that it was classified prior to the acquisition.

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The fair value of the excess of assets acquired over liabilities at September 1, 2010 consisted of the following:

	<b>Fair value as of acquisition date</b>
Cash and cash equivalents	\$ 316,284
Contributions receivable, net	71,185
Investments	371,973
Other assets	134,786
Total assets	<u>894,228</u>
Accrued pending wish costs	56,131
Other liabilities	9,401
Total liabilities	<u>65,532</u>
Excess of assets acquired over liabilities assumed	<u>\$ 828,696</u>

**(16) Subsequent Events**

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