



MAKE-A-WISH FOUNDATION[®] OF MASSACHUSETTS, INC.

Financial Statements

August 31, 2009

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION[®] OF MASSACHUSETTS, INC.

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Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation[®] of Massachusetts, Inc.:

We have audited the accompanying statement of financial position of Make-A-Wish Foundation[®] of Massachusetts, Inc. (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[®] of Massachusetts, Inc. 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.

KPMG LLP

February 22, 2010

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Statement of Financial Position

August 31, 2009

Assets

Cash and cash equivalents	\$	1,551,107
Investments		4,934,120
Contributions receivable, net		296,044
Due from related entities		78,762
Prepaid expenses and other assets		10,458
Property and equipment, net		19,481
		<hr/>
Total assets	\$	<u>6,889,972</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$	157,860
Due to related entities		9,635
Accrued pending wish costs		808,720
		<hr/>
Total liabilities		<u>976,215</u>
Commitments and contingencies		
Net assets:		
Unrestricted:		
Operating		840,467
Board designated		4,664,038
		<hr/>
Total unrestricted		5,504,505
Temporarily restricted		354,808
Permanently restricted		54,444
		<hr/>
Total net assets		<u>5,913,757</u>
Total liabilities and net assets	\$	<u><u>6,889,972</u></u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Statement of Activities

Year ended August 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains, and other support:				
Public support:				
Contributions	\$ 3,247,245	155,000	—	3,402,245
In-kind contributions	861,874	151,544	—	1,013,418
Grants	6,500	6,000	—	12,500
Total public support	<u>4,115,619</u>	<u>312,544</u>	<u>—</u>	<u>4,428,163</u>
Special events	243,174	—	—	243,174
Less direct benefit costs to donor	<u>(243,174)</u>	<u>—</u>	<u>—</u>	<u>(243,174)</u>
Total special events	—	—	—	—
Appropriation of endowment assets for operations	215,639	—	—	215,639
Net assets released from restrictions	<u>367,094</u>	<u>(367,094)</u>	<u>—</u>	<u>—</u>
Total operating revenues, gains, and other support	<u>4,698,352</u>	<u>(54,550)</u>	<u>—</u>	<u>4,643,802</u>
Operating expenses:				
Program services:				
Wish granting	2,421,169	—	—	2,421,169
Program-related support	<u>1,007,045</u>	<u>—</u>	<u>—</u>	<u>1,007,045</u>
Total program services	<u>3,428,214</u>	<u>—</u>	<u>—</u>	<u>3,428,214</u>
Support services:				
Fund raising	619,933	—	—	619,933
Management and general	<u>209,069</u>	<u>—</u>	<u>—</u>	<u>209,069</u>
Total support services	<u>829,002</u>	<u>—</u>	<u>—</u>	<u>829,002</u>
Total operating expenses	<u>4,257,216</u>	<u>—</u>	<u>—</u>	<u>4,257,216</u>
Change in net assets from operations	<u>441,136</u>	<u>(54,550)</u>	<u>—</u>	<u>386,586</u>
Nonoperating activities:				
Interest income and investment loss, net	(705,805)	(1,794)	—	(707,599)
Appropriation of endowment assets for operations	(215,639)	—	—	(215,639)
Change in value of split-interest agreements	—	2,192	—	2,192
Effect of adoption of FSP 117-1	<u>(1,794)</u>	<u>1,794</u>	<u>—</u>	<u>—</u>
Change in net assets from nonoperating activities	<u>(923,238)</u>	<u>2,192</u>	<u>—</u>	<u>(921,046)</u>
Change in net assets	(482,102)	(52,358)	—	(534,460)
Net assets, beginning of the year	<u>5,986,607</u>	<u>407,166</u>	<u>54,444</u>	<u>6,448,217</u>
Net assets, end of the year	<u>\$ 5,504,505</u>	<u>354,808</u>	<u>54,444</u>	<u>5,913,757</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Statement of Cash Flows

Year ended August 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ (534,460)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,718
Net realized and unrealized loss on investments	942,046
Change in value of split-interest agreement	(2,192)
Changes in assets and liabilities:	
Contributions receivable	70,651
Due from related entities	(30,933)
Prepaid expenses and other assets	8,858
Accounts payable and accrued expenses	(12,642)
Accrued pending wish costs	(47,836)
Due to related entities	(34,485)
Net cash provided by operating activities	<u>365,725</u>
Cash flows from investing activities:	
Purchases of investments	(2,133,404)
Proceeds from sales of investments	<u>1,931,899</u>
Net cash used in investing activities	<u>(201,505)</u>
Net increase in cash and cash equivalents	164,220
Cash and cash equivalents, beginning of year	<u>1,386,887</u>
Cash and cash equivalents, end of year	<u>\$ 1,551,107</u>
Supplemental cash flow information:	
In-kind gifts	\$ 1,013,418

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

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>Program-related support</u>	<u>Total</u>	<u>Fund raising</u>	<u>Management and general</u>	<u>Total</u>	
Direct costs of wishes	\$ 2,421,169	—	2,421,169	—	—	—	2,421,169
Salaries, taxes, and benefits	—	601,129	601,129	401,536	152,024	553,560	1,154,689
Printing, subscriptions and publications	—	12,098	12,098	18,123	725	18,848	30,946
Advertising	—	950	950	592	240	832	1,782
Professional fees	—	39,814	39,814	45,562	8,799	54,361	94,175
Rent and utilities	—	88,840	88,840	59,613	22,179	81,792	170,632
Postage and delivery	—	11,690	11,690	11,055	1,820	12,875	24,565
Travel	—	5,110	5,110	5,847	1,101	6,948	12,058
Meetings and conferences	—	2,274	2,274	2,304	494	2,798	5,072
Office supplies	—	6,698	6,698	18,692	936	19,628	26,326
Telephone	—	8,500	8,500	7,921	2,115	10,036	18,536
Repairs and maintenance	—	7,608	7,608	5,096	1,950	7,046	14,654
Dues and subscriptions	—	182	182	423	45	468	650
Volunteer training	—	461	461	316	126	442	903
National partnership dues	—	126,089	126,089	30,262	11,768	42,030	168,119
Miscellaneous	—	92,176	92,176	10,442	3,604	14,046	106,222
Depreciation and amortization	—	3,426	3,426	2,149	1,143	3,292	6,718
	<u>\$ 2,421,169</u>	<u>1,007,045</u>	<u>3,428,214</u>	<u>619,933</u>	<u>209,069</u>	<u>829,002</u>	<u>4,257,216</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Notes to Financial Statements

August 31, 2009

(1) Organization

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

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities: Including an amendment of FASB Statement No. 115*. SFAS No. 159 was issued to reduce earnings volatility caused by related assets and liabilities measured differently under GAAP. SFAS No. 159 allows all entities (including not-for-profit organizations, with certain modifications) to make irrevocable instrument-by-instrument election to measure eligible items at fair value in their entirety. SFAS No. 159 is effective as of the beginning of the first fiscal year after November 15, 2007. As no elections were made by the adoption of this new guidance, SFAS No. 159 had no impact on the Foundation.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Notes to Financial Statements

August 31, 2009

(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. Included in cash and cash equivalents is \$815,310 of money market funds, which are Level 1 securities under SFAS No. 157.

(d) Investments

Investments are recorded at fair value and consist of money market funds, mutual funds, corporate bonds and notes, and U.S. government securities. 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.

(e) 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. 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.

(f) Property and Equipment, Net

Property and equipment having a unit cost greater than \$1,000 and a useful life of more than one year are stated at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 5 to 10 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.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Notes to Financial Statements

August 31, 2009

(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) *Operations*

The statement of activities reports the change in net assets from operating and nonoperating activities. Operating activities consist of those items attributed to public support, special events less direct benefit costs, and related expenses for program services and support services for the purpose of granting wishes to children with life-threatening medical conditions.

Income and unrealized losses from investments and other items not related to the Foundation's operations are reported as nonoperating activities.

(i) *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 statement 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 service and material donations consisting of wish related donations and are included in the accompanying statement of activities as in-kind contributions at an estimated fair market value of \$1,013,418 in 2009.

The Foundation considers as contributions that portion of the revenue received from special events and other fundraising events in excess of the fair value received by the participant. Accordingly, the \$243,174 of special event revenues and direct benefit costs to donors reflects the fair value of goods or services for which the participant paid and received, respectively, and contributions include \$603,715 representing the excess of the payment over that fair value.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Notes to Financial Statements

August 31, 2009

(j) ***Income Taxes***

The Foundation is a not-for-profit organization exempt from federal income and Massachusetts taxes under the provisions of Internal Revenue Code Section 501(c)(3) and of the Massachusetts Revenue and Taxation Code. 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 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 48 for most nonpublic entities. FSP FIN 48-3 defers the effective date of FIN 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 48. It also plans to amend FIN 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.

(k) ***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, providing wish assistance for financially challenged organizations, out-of-territory wish placement, and administration of the wish program.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Notes to Financial Statements

August 31, 2009

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

Fund raising	\$	12,872
Public information		<u>12,872</u>
Total	\$	<u><u>25,744</u></u>

Management and General

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

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

(1) *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) **Investments**

The Foundation adopted SFAS No. 157 on September 1, 2008 for fair value measurements of 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).

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Notes to Financial Statements

August 31, 2009

The following table presents investments at August 31, 2009:

<u>Description</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Domestic equity	\$ 2,724,096	2,724,096	—	—
International equity	255,830	255,830	—	—
Money market	61,133	61,133	—	—
Bonds	914,396	914,396	—	—
Equity securities:				
U.S. corporate equity securities	978,665	978,665	—	—
Total	<u>\$ 4,934,120</u>	<u>4,934,120</u>	<u>—</u>	<u>—</u>

Total investment income and losses for the year ended August 31, 2009 consist of the following:

Interest and dividend income	\$ 239,550
Realized and unrealized losses, net	(942,046)
Less investment expenses	<u>(15,054)</u>
Investment loss, net	<u>\$ (717,550)</u>

The interest income and investment loss, net, of \$(707,599) on the statement of activities includes \$9,951 of operating cash interest.

(4) Contributions Receivable

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

Total amounts due in:	
One year	\$ <u>296,044</u>
Gross contributions receivable	296,044
Less allowance for doubtful accounts	<u>—</u>
Contributions receivable, net	<u>\$ 296,044</u>

(5) Split-Interest Agreements

The Foundation is the named beneficiary on a charitable remainder trust, the corpus of which is controlled by the Make-A-Wish Foundation® of America. Under these arrangements, the Foundation has the irrevocable right to receive the residual underlying assets at the term of the charitable remainder trust. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets are recorded in the accompanying statement of activities as the change in value of split-interest agreements.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Notes to Financial Statements

August 31, 2009

The Foundation's beneficial interest in the trust is \$2,192 as of August 31, 2009.

(6) Transactions with Related Parties

During 2009, the Foundation received contributions, both cash and in-kind, from board members totaling \$241,225. Additionally, the Foundation did not pay any amount for goods or services to companies owned by board members (or related parties).

The Foundation pays the Make-A-Wish Foundation® of America an annual assessment fee, which was \$168,119 for the year ended August 31, 2009. Make-A-Wish Foundation® of America 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.

Organizations who assist with the organization and granting of wishes from other organizations are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$7,457 for the year ended August 31, 2009, which is recorded in the accompanying statement of activities as a reduction of wish expense.

Amounts due from and to related entities are as follows:

Balance at August 31, 2009:	
Due from Make-A-Wish Foundation® of America	\$ 71,305
Due from other organizations	7,457
Due to other organizations	9,635

Amounts due from Make-A-Wish Foundation® of America represent contributions remitted to the Make-A-Wish Foundation® of America that are specified for the Foundation's use, but were not transferred to the Foundation as of year end. Amounts due from other organizations represent reimbursable costs to the Foundation for assisting in granting wishes for those organizations. Amounts due to other organizations represent reimbursable costs to those organizations for their assistance in granting wishes for the Foundation.

(7) Property and Equipment, Net

Property and equipment as of August 31, 2009 consist of the following:

Computer equipment and software	\$ 129,633
Other equipment	46,996
	<hr/>
	176,629
Less accumulated depreciation and amortization	157,148
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Property and equipment, net	\$ <u>19,481</u>

Depreciation and amortization expense totaled \$6,718 for the year ended August 31, 2009.

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

Notes to Financial Statements

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 Make-A-Wish Foundation® of America'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 102 total pending wishes which were all reportable accrued pending wishes included in the statement of financial position.

(9) Leases

The Foundation is obligated under various operating leases for office space and equipment, which expire at various dates through July 2014. Total rent expense for all operating leases for the year ended August 31, 2009 totaled \$155,676.

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

	Operating leases
Years ending August 31:	
2010	\$ 157,019
2011	145,958
2012	145,958
2013	143,608
2014	<u>130,103</u>
Total minimum lease payments	<u>\$ 722,646</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

MAKE-A-WISH FOUNDATION[®] OF MASSACHUSETTS, INC.

Notes to Financial Statements

August 31, 2009

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. Massachusetts adopted UPMIFA on July 2, 2009.

The Foundation's endowment consists of several 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 Foundation has interpreted the Massachusetts 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. 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

MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS, INC.

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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	\$ (7,364)	—	54,444	47,080
Board-designated endowment funds	<u>4,671,402</u>	—	—	<u>4,671,402</u>
Total funds	\$ <u><u>4,664,038</u></u>	<u><u>—</u></u>	<u><u>54,444</u></u>	<u><u>4,718,482</u></u>

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	\$ 5,597,227	—	54,444	5,651,671
Net asset reclassification based on accounting change	<u>(1,794)</u>	<u>1,794</u>	—	—
Endowment net assets after reclassification	<u>5,595,433</u>	<u>1,794</u>	<u>54,444</u>	<u>5,651,671</u>
Investment return:				
Interest and dividend income	222,263	2,233	—	224,496
Net depreciation (realized and unrealized)	<u>(938,019)</u>	<u>(4,027)</u>	—	<u>(942,046)</u>
Total investment loss, net	(715,756)	(1,794)	—	(717,550)
Appropriation of endowment assets for expenditure	<u>(215,639)</u>	—	—	<u>(215,639)</u>
Endowment net assets, end of year	\$ <u><u>4,664,038</u></u>	<u><u>—</u></u>	<u><u>54,444</u></u>	<u><u>4,718,482</u></u>

(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 \$7,364 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 Objective 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 meet or exceed the price and yield results of several market indices including the S&P 500 Index, Dow Jones U.S. Total Stock Market Index, and Barclays Capital U.S. Aggregate Bond Index, while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return greater than 4% 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 Objective Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year within a range of 4% to 6% of its endowment fund's average fair value over the prior 3 years 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 a rate greater than 4% annually, prior to the 4% to 6% appropriation for distribution previously noted. 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	\$	210,308
Time restrictions		<u>144,500</u>
Total temporarily restricted net assets	\$	<u><u>354,808</u></u>

For the year ended August 31, 2009, net assets of \$258,887 and \$108,207 were released from time and purpose restrictions, respectively.

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At August 31, 2009, permanently restricted net assets of \$54,444 are restricted to investments in perpetuity, the income from which is expendable to support any activities of the Foundation.

(12) Retirement Plan

The Foundation has a defined contribution retirement plan. Employees are eligible for participation in the Plan as of 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. Full-time employees who have been employed with the Foundation for one year or more are eligible to receive an employer contribution to their 403(b) account. The Foundation matches employee contributions up to 3% of the employee's salary, per board discretion. Foundation contributions to the Plan for the year ended August 31, 2009 were \$24,138.

(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*, (SFAS 165), 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 February 22, 2010, the date on which the financial statements were approved for issuance.

The Foundation and Make-A-Wish Foundation[®] of America entered into a Memorandum of Understanding that reassigned the State of Rhode Island territory (Rhode Island Territory) to the Foundation, effective October 15, 2009. The Foundation assumed the accrued pending wish liability of approximately \$85,000 of the Rhode Island Territory, and agreed to assume responsibility for fulfilling the Make-A-Wish Foundation[®]'s mission in the Rhode Island Territory, previously served by a different Make-A-Wish Foundation[®] organization. In addition, the remaining net assets assumed will be finalized in 2010.

On October 15, 2009, the Foundation name was changed to Make-A-Wish Foundation[®] of Massachusetts and Rhode Island to reflect the expansion of territory into Rhode Island.