



**MAKE-A-WISH FOUNDATION[®] OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Financial Statements

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation® of Massachusetts
and Rhode Island, Inc.:

We have audited the accompanying statements of financial position of Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc. (the Foundation) as of August 31, 2011 and 2010, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of Massachusetts and Rhode Island, Inc. as of August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 12, 2012

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statements of Financial Position

August 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 1,381,190	1,928,755
Investments	6,170,047	5,262,869
Due from related entities	206,335	34,857
Prepaid expenses and other assets	22,905	10,297
Contributions receivable	247,504	235,673
Property and equipment, net	14,674	19,817
Total assets	\$ 8,042,655	7,492,268
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 179,450	181,266
Accrued pending wish costs	1,327,758	1,151,071
Due to related entities	3,719	6,185
Total liabilities	1,510,927	1,338,522
Commitments and contingencies		
Net assets:		
Unrestricted:		
Operating	1,019,916	1,020,331
Board and donor designated	5,126,543	4,783,205
Total unrestricted	6,146,459	5,803,536
Temporarily restricted	330,825	295,766
Permanently restricted	54,444	54,444
Total net assets	6,531,728	6,153,746
Total liabilities and net assets	\$ 8,042,655	7,492,268

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statement of Activities
Year ended August 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains, and other support:				
Public support:				
Contributions	\$ 3,829,971	206,041	—	4,036,012
In-kind contributions	1,245,488	109,465	—	1,354,953
Grants	152,618	500	—	153,118
Total public support	<u>5,228,077</u>	<u>316,006</u>	<u>—</u>	<u>5,544,083</u>
Special events	259,024	—	—	259,024
Less direct benefit costs to donor	(259,024)	—	—	(259,024)
Total special events, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Appropriation of endowment assets for operations	262,400	—	—	262,400
Net assets released from restrictions	281,092	(281,092)	—	—
Total operating revenues, gains, and other support	<u>5,771,569</u>	<u>34,914</u>	<u>—</u>	<u>5,806,483</u>
Operating expenses:				
Program services:				
Wish granting	3,416,754	—	—	3,416,754
Program-related support	1,205,759	—	—	1,205,759
Total program services	<u>4,622,513</u>	<u>—</u>	<u>—</u>	<u>4,622,513</u>
Support services:				
Fund raising	563,455	—	—	563,455
Management and general	599,811	—	—	599,811
Total support services	<u>1,163,266</u>	<u>—</u>	<u>—</u>	<u>1,163,266</u>
Total operating expenses	<u>5,785,779</u>	<u>—</u>	<u>—</u>	<u>5,785,779</u>
Change in net assets from operations	<u>(14,210)</u>	<u>34,914</u>	<u>—</u>	<u>20,704</u>
Nonoperating activities:				
Interest income and investment gains, net	607,844	—	—	607,844
Appropriation of endowment assets for operations	(262,400)	—	—	(262,400)
Other income	11,689	—	—	11,689
Change in value of split-interest agreements	—	145	—	145
Change in net assets from nonoperating activities	<u>357,133</u>	<u>145</u>	<u>—</u>	<u>357,278</u>
Change in net assets	<u>342,923</u>	<u>35,059</u>	<u>—</u>	<u>377,982</u>
Net assets, beginning of the year	<u>5,803,536</u>	<u>295,766</u>	<u>54,444</u>	<u>6,153,746</u>
Net assets, end of the year	<u>\$ 6,146,459</u>	<u>330,825</u>	<u>54,444</u>	<u>6,531,728</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statement of Activities
Year ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains, and other support:				
Public support:				
Contributions	\$ 3,726,669	161,673	—	3,888,342
In-kind contributions	1,125,972	101,300	—	1,227,272
Grants	185,300	—	—	185,300
Total public support	<u>5,037,941</u>	<u>262,973</u>	<u>—</u>	<u>5,300,914</u>
Special events	269,115	—	—	269,115
Less direct benefit costs to donor	(269,115)	—	—	(269,115)
Total special events, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Appropriation of endowment assets for operations	209,583	—	—	209,583
Net assets released from restrictions	321,441	(321,441)	—	—
Total operating revenues, gains, and other support	<u>5,568,965</u>	<u>(58,468)</u>	<u>—</u>	<u>5,510,497</u>
Operating expenses:				
Program services:				
Wish granting	3,312,189	—	—	3,312,189
Program-related support	1,027,387	—	—	1,027,387
Total program services	<u>4,339,576</u>	<u>—</u>	<u>—</u>	<u>4,339,576</u>
Support services:				
Fund raising	717,501	—	—	717,501
Management and general	332,057	—	—	332,057
Total support services	<u>1,049,558</u>	<u>—</u>	<u>—</u>	<u>1,049,558</u>
Total operating expenses	<u>5,389,134</u>	<u>—</u>	<u>—</u>	<u>5,389,134</u>
Change in net assets from operations	<u>179,831</u>	<u>(58,468)</u>	<u>—</u>	<u>121,363</u>
Nonoperating activities:				
Interest income and investment gains, net	328,783	—	—	328,783
Appropriation of endowment assets for operations	(209,583)	—	—	(209,583)
Change in value of split-interest agreements	—	(574)	—	(574)
Change in net assets from nonoperating activities	<u>119,200</u>	<u>(574)</u>	<u>—</u>	<u>118,626</u>
Change in net assets	299,031	(59,042)	—	239,989
Net assets, beginning of the year	<u>5,504,505</u>	<u>354,808</u>	<u>54,444</u>	<u>5,913,757</u>
Net assets, end of the year	<u>\$ 5,803,536</u>	<u>295,766</u>	<u>54,444</u>	<u>6,153,746</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statements of Cash Flows

Years ended August 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 377,982	239,989
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	7,375	6,637
Net realized and unrealized gains on investments	(461,168)	(221,693)
Contributed property and equipment, inventory, and stock	—	(6,973)
Change in value of split-interest agreements	(145)	574
Changes in assets and liabilities:		
Due from related entities	(171,333)	43,905
Prepaid expenses and other assets	(12,608)	161
Contributions receivable	(11,831)	59,797
Accounts payable and accrued expenses	(1,816)	23,406
Accrued pending wish costs	176,687	342,351
Due to related entities	(2,466)	(3,450)
Net cash (used in) provided by operating activities	(99,323)	484,704
Cash flows from investing activities:		
Purchases of investments	(2,152,841)	(2,122,123)
Proceeds from sales of investments	1,706,831	2,015,067
Purchases of property and equipment	(2,232)	—
Net cash used in investing activities	(448,242)	(107,056)
Net (decrease) increase in cash and cash equivalents	(547,565)	377,648
Cash and cash equivalents, beginning of year	1,928,755	1,551,107
Cash and cash equivalents, end of year	\$ 1,381,190	1,928,755
Supplemental cash flow information:		
Contributed services	\$ 178,106	134,111
In-kind contributions	1,176,847	1,086,188

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statement of Functional Expenses

Year ended August 31, 2011

	Program services			Support services			Total
	Wish granting	Program-related support	Total program services	Fund raising	Management and general	Total support services	
Direct costs of wishes	\$ 3,416,754	—	3,416,754	—	—	—	3,416,754
Salaries, taxes, and benefits	—	711,280	711,280	291,329	392,057	683,386	1,394,666
Printing, subscriptions, and publications	—	3,418	3,418	21,908	4,358	26,266	29,684
Professional fees	—	81,208	81,208	66,777	87,881	154,658	235,866
Rent and utilities	—	108,449	108,449	46,509	60,621	107,130	215,579
Postage and delivery	—	9,326	9,326	6,457	4,811	11,268	20,594
Travel	—	3,121	3,121	3,318	7,425	10,743	13,864
Meetings and conferences	—	2,517	2,517	1,552	4,738	6,290	8,807
Office supplies	—	5,357	5,357	14,044	2,684	16,728	22,085
Communications	—	10,686	10,686	8,064	6,021	14,085	24,771
Advertising and media	—	7,300	7,300	70,500	—	70,500	77,800
Repairs and maintenance	—	7,483	7,483	4,943	4,304	9,247	16,730
Membership dues	—	56	56	23	106	129	185
Volunteer training	—	1,134	1,134	—	19	19	1,153
National partnership dues	—	117,739	117,739	19,878	15,291	35,169	152,908
Miscellaneous	—	132,924	132,924	6,604	7,430	14,034	146,958
Depreciation and amortization	—	3,761	3,761	1,549	2,065	3,614	7,375
	<u>\$ 3,416,754</u>	<u>1,205,759</u>	<u>4,622,513</u>	<u>563,455</u>	<u>599,811</u>	<u>1,163,266</u>	<u>5,785,779</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Statement of Functional Expenses

Year ended August 31, 2010

	Program services			Support services			Total
	Wish granting	Program-related support	Total program services	Fund raising	Management and general	Total support services	
Direct costs of wishes	\$ 3,312,189	—	3,312,189	—	—	—	3,312,189
Salaries, taxes, and benefits	—	632,863	632,863	384,802	223,195	607,997	1,240,860
Printing, subscriptions, and publications	—	10,202	10,202	25,114	2,599	27,713	37,915
Professional fees	—	107,479	107,479	86,064	38,574	124,638	232,117
Rent and utilities	—	102,123	102,123	61,741	37,137	98,878	201,001
Postage and delivery	—	16,032	16,032	12,485	5,087	17,572	33,604
Travel	—	6,809	6,809	6,076	2,303	8,379	15,188
Meetings and conferences	—	963	963	1,152	302	1,454	2,417
Office supplies	—	6,002	6,002	31,870	1,800	33,670	39,672
Communications	—	9,098	9,098	6,161	3,247	9,408	18,506
Advertising and media	—	502	502	70,815	167	70,982	71,484
Repairs and maintenance	—	12,406	12,406	9,195	4,568	13,763	26,169
Membership dues	—	268	268	168	89	257	525
Volunteer training	—	602	602	154	26	180	782
National partnership dues	—	48,218	48,218	9,517	5,710	15,227	63,445
Miscellaneous	—	70,435	70,435	10,793	5,395	16,188	86,623
Depreciation and amortization	—	3,385	3,385	1,394	1,858	3,252	6,637
	<u>\$ 3,312,189</u>	<u>1,027,387</u>	<u>4,339,576</u>	<u>717,501</u>	<u>332,057</u>	<u>1,049,558</u>	<u>5,389,134</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION[®] OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Notes to Financial Statements

August 31, 2011 and 2010

(1) Organization

Make-A-Wish Foundation[®] of Massachusetts and Rhode Island, 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. The Foundation raises funds locally to support the mission and operations in Massachusetts and Rhode Island. The Make-A-Wish Foundation[®] of America operates to support the local entities with national level public relations programs, fundraising promotions and in-kind support for wish granting. In addition, the Foundation 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.

Effective October 15, 2009, the Make-A-Wish Foundation[®] of America reassigned the State of Rhode Island territory (Rhode Island Territory) to the Foundation. The Foundation assumed responsibility for fulfilling the Make-A-Wish Foundation[®]'s mission in the Rhode Island Territory, the operations of the Rhode Island Territory, and the accrued pending wish liability of approximately \$91,000 of the Rhode Island Territory. The Foundation received \$115,818 and \$150,000 from the Make-A-Wish Foundation[®] of America for the years ended August 31, 2011 and 2010, respectively. These amounts are included in Grants in the statements of activities.

(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) 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 \$315,932 of money market funds, which are designated as Level 1 securities within the fair value hierarchy.

(c) 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.

(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.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
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Notes to Financial Statements

August 31, 2011 and 2010

(e) Property and Equipment, Net

Property and equipment are stated at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 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.

(f) Fair Value Measurements

The Foundation records fair value measurements of financial assets and liabilities at fair value in the financial statements. Fair value is 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.

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

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Notes to Financial Statements

August 31, 2011 and 2010

(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 statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

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

	<u>2011</u>	<u>2010</u>
Wish related	\$ 1,176,847	1,086,188
Professional services	107,606	63,611
Advertising and media	70,500	70,500
Property and equipment	—	6,973
Total	<u>\$ 1,354,953</u>	<u>1,227,272</u>

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, \$259,024 and \$269,115 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 \$772,051 and \$662,725 representing the excess of the payment over that fair value in 2011 and 2010, respectively.

(j) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and state income taxes of the Massachusetts Department of Revenue Taxation Code and State of Rhode Island Division of Taxation. 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

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
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Notes to Financial Statements

August 31, 2011 and 2010

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.

(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, and administration of the wish program.

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

	2011	2010
Fund raising	\$ 2,436	5,793
Public information	2,436	5,793
Total	\$ 4,872	11,586

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.

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Notes to Financial Statements

August 31, 2011 and 2010

(1) Management Estimates

The preparation of financial statements in conformity with GAAP 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 period. Actual results could differ from those estimates.

(3) Fair Value Measurements

Fair value accounting establishes a 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).

All securities are designated as Level 1 securities within the fair value hierarchy and are measured at fair value on a recurring basis at August 31, 2011 and 2010:

Description	August 31	
	2011	2010
Mutual funds:		
Domestic equity	\$ 2,480,568	2,083,977
International equity	227,863	250,641
Money market	122,587	72,999
Commodities	59,796	30,836
Bonds	2,057,059	1,932,091
Equity securities:		
U.S. corporate equity securities	920,734	892,325
Certificates of deposit	301,440	—
Total	\$ 6,170,047	5,262,869

**MAKE-A-WISH FOUNDATION® OF MASSACHUSETTS
AND RHODE ISLAND, INC.**

Notes to Financial Statements

August 31, 2011 and 2010

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	\$ 165,424	131,334
Realized and unrealized gains, net	461,168	221,693
Investment expenses	(19,414)	(24,277)
Investment gain, net	\$ 607,178	328,750

The interest income and investment gain, net, of \$607,844 and \$328,783 on the statements of activities includes \$666 and \$33 of operating cash interest in 2011 and 2010, respectively.

(4) Contributions Receivable

The following is a summary of the Foundation's contributions receivable at August 31, 2011 and 2010:

	2011	2010
Total amounts due in:		
One year	\$ 247,504	235,673
Contributions receivable	247,504	235,673

(5) Split-Interest Agreements

The Foundation is the named income 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 statements of activities as the change in value of split-interest agreements.

The Foundation's beneficial interest in the trust is \$1,763 and \$1,618 as of August 31, 2011 and 2010, respectively, and is included in due from related entities in the statements of financial position.

(6) Transactions with Related Parties

During 2011 and 2010, the Foundation received contributions, both cash and in-kind, from board members totaling \$346,160 and \$204,860, respectively. 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 annual partnership dues, which were \$152,908 and \$63,445 for the years ended August 31, 2011 and 2010, respectively. The Make-A-Wish

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Foundation® of America supports the Foundation by providing services in the areas of public relations, trainings, National level promotions, and in-kind support for 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 \$8,100 and \$10,350 for the years ended August 31, 2011 and 2010, respectively, which is recorded in the accompanying statements of activities as a reduction of wish expense.

Amounts due from and to related entities 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Balance at August 31:		
Due from Make-A-Wish Foundation® of America	\$ 205,010	33,619
Due from other organizations	<u>1,325</u>	<u>1,238</u>
Total due from related entities	<u>\$ 206,335</u>	<u>34,857</u>
Due to Make-A-Wish Foundation® of America	\$ 937	1,440
Due to other organizations	<u>2,782</u>	<u>4,745</u>
Total due to related entities	<u>\$ 3,719</u>	<u>6,185</u>

Amounts due from the 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.

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 supported one other chapter with contributions during the year ended August 31, 2011 totaling \$100,000, which is recorded under wish granting expenses.

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(7) Property and Equipment, Net

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

	2011	2010
Computer equipment and software	\$ 122,837	120,605
Other equipment	41,583	41,583
	164,420	162,188
Less accumulated depreciation and amortization	149,746	142,371
Property and equipment, net	\$ 14,674	19,817

Depreciation and amortization expense totaled \$7,375 and \$6,637 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 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, 2011 and 2010, the Foundation had 158 and 131 reportable pending wishes respectively, which were all reportable accrued pending wishes included in the statements 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 years ended August 31, 2011 and 2010 totaled \$188,782 and \$184,190, respectively.

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

		<u>Operating leases</u>
Years ending August 31:		
2012	\$	183,816
2013		145,337
2014		<u>130,157</u>
Total minimum lease payments	\$	<u><u>459,310</u></u>

(10) Endowments

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 Uniform Prudent Management of Institutional Funds Act (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
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments

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- 6. Other resources of the Foundation
- 7. The investment policies of the Foundation

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

2011				
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,278)	—	54,444	53,166
Board-designated endowment funds	<u>5,127,821</u>	—	—	<u>5,127,821</u>
Total funds	<u>\$ 5,126,543</u>	<u>—</u>	<u>54,444</u>	<u>5,180,987</u>

2010				
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (5,343)	—	54,444	49,101
Board-designated endowment funds	<u>4,788,548</u>	—	—	<u>4,788,548</u>
Total funds	<u>\$ 4,783,205</u>	<u>—</u>	<u>54,444</u>	<u>4,837,649</u>

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Changes in endowment net assets for the year ended August 31, 2011 and 2010:

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 4,783,205	—	54,444	4,837,649
Investment return:				
Interest and dividend income, net	144,570	—	—	144,570
Net appreciation (realized and unrealized)	461,168	—	—	461,168
Total investment gain, net	605,738	—	—	605,738
Appropriation of endowment assets for expenditure	(262,400)	—	—	(262,400)
Endowment net assets, end of year	<u>\$ 5,126,543</u>	<u>—</u>	<u>54,444</u>	<u>5,180,987</u>
	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 4,664,038	—	54,444	4,718,482
Investment return:				
Interest and dividend income, net	107,057	—	—	107,057
Net appreciation (realized and unrealized)	221,693	—	—	221,693
Total investment gain, net	328,750	—	—	328,750
Appropriation of endowment assets for expenditure	(209,583)	—	—	(209,583)
Endowment net assets, end of year	<u>\$ 4,783,205</u>	<u>—</u>	<u>54,444</u>	<u>4,837,649</u>

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(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 are reported in unrestricted net assets and totaled \$1,278 and \$5,343 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 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 the 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 an average 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.

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(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:

	2011	2010
Wish granting	\$ 190,138	152,393
Time restrictions	140,687	143,373
Total temporarily restricted net assets	\$ 330,825	295,766

For the year ended August 31, 2011, net assets of \$143,375 and \$137,717 were released from time and purpose restrictions. For the year ended August 31, 2010, net assets of \$139,500 and \$181,941 were released from time and purpose restrictions.

At August 31, 2011 and 2010, 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 (the 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 years ended August 31, 2011 and 2010 were \$24,174 and \$24,144, respectively.

(13) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

(14) Litigation and Claims

The Foundation is involved in various other claims and legal actions 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, changes in net assets, or liquidity.

(15) Subsequent Events

The Foundation has evaluated subsequent events from the date of the statement of financial position through January 12, 2012, the date at which the financial statements were available to be issued.