



MAKE-A-WISH FOUNDATION[®] OF MAINE

Financial Statements

August 31, 2009

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF MAINE

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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Make-A-Wish Foundation[®] of Maine (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 Maine as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes 2 and 3 to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, as of September 1, 2008 for fair value measurements of all financial assets and financial liabilities that are recognized at fair value in the financial statements on a recurring basis.

As discussed in note 10 to the financial statements, the Foundation adopted the Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, as of August 31, 2009 for classification of donor-restricted endowment funds.

KPMG LLP

February 4, 2010

MAKE-A-WISH FOUNDATION® OF MAINE

Statement of Financial Position

August 31, 2009

Assets

Cash and cash equivalents	\$	20,260
Contributions receivable, net (note 4)		193,436
Due from related entities (note 5)		11,694
Prepaid expenses		1,897
Investments (note 3)		737,838
Property and equipment, net (note 6)		40,071
Other assets		58,784
Total assets	\$	<u>1,063,980</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$	92,819
Accrued pending wish costs (note 7)		248,771
Due to related entities (note 5)		53,372
Notes payable (note 8)		98,646
Capital lease obligations (note 9)		19,156
Total liabilities		<u>512,764</u>
Net assets (deficit) (note 10):		
Unrestricted		(15,455)
Temporarily restricted (note 11)		42,908
Permanently restricted (note 11)		523,763
Total net assets		<u>551,216</u>
Total liabilities and net assets	\$	<u>1,063,980</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MAINE

Statement of Activities

Year ended August 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains (losses), and other support:				
Public support:				
Contributions	\$ 361,123	719	104,853	466,695
In-kind contributions	118,657	34,566	—	153,223
Grants	46,500	—	—	46,500
Total public support	<u>526,280</u>	<u>35,285</u>	<u>104,853</u>	<u>666,418</u>
Special events	388,643	—	—	388,643
Less direct benefit costs to donor	<u>(52,547)</u>	<u>—</u>	<u>—</u>	<u>(52,547)</u>
Total special events	336,096	—	—	336,096
Investment loss, net (note 3)	(50,843)	—	—	(50,843)
Other income	53,881	—	—	53,881
Net assets released from restrictions (note 11)	<u>27,479</u>	<u>(27,479)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>892,893</u>	<u>7,806</u>	<u>104,853</u>	<u>1,005,552</u>
Expenses:				
Program services:				
Wish granting	817,710	—	—	817,710
Total program services	<u>817,710</u>	<u>—</u>	<u>—</u>	<u>817,710</u>
Support services:				
Fund raising	256,061	—	—	256,061
Management and general	111,342	—	—	111,342
Total support services	<u>367,403</u>	<u>—</u>	<u>—</u>	<u>367,403</u>
Total expenses	<u>1,185,113</u>	<u>—</u>	<u>—</u>	<u>1,185,113</u>
Change in net assets	(292,220)	7,806	104,853	(179,561)
Net assets, beginning of the year	276,765	35,102	418,910	730,777
Net assets, end of the year	<u>\$ (15,455)</u>	<u>42,908</u>	<u>523,763</u>	<u>551,216</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MAINE

Statement of Cash Flows

Year ended August 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ (179,561)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	13,759
Contributions restricted for long-term investment	(104,853)
Net realized and unrealized losses on investments	85,196
Changes in assets and liabilities:	
Contributions receivable	(7,807)
Due from related entities	(8,126)
Prepaid expenses	16,530
Other assets	2,247
Accounts payable and accrued expenses	(49,002)
Accrued pending wish costs	26,951
Due to related entities	53,372
Deferred revenue	(545)
Net cash used in operating activities	<u>(151,839)</u>
Cash flows from investing activities:	
Purchases of investments	(72,011)
Proceeds from sales of investments	199,562
Purchases of property and equipment	(3,126)
Net cash provided by investing activities	<u>124,425</u>
Cash flows from financing activities:	
Contributions restricted for long-term investment	34,326
Proceeds from refinancing debt	100,000
Refinanced line of credit	(86,711)
Principal payments on capital lease obligations	(6,244)
Principal payments on notes payable	(1,354)
Net cash provided by financing activities	<u>40,017</u>
Net increase in cash and cash equivalents	12,603
Cash and cash equivalents, beginning of year	<u>7,657</u>
Cash and cash equivalents, end of year	<u><u>\$ 20,260</u></u>
Supplemental cash flow information:	
Cash paid for interest	\$ 4,589
In-kind gifts	153,223
Acquisition of equipment with capital lease	25,400

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MAINE

Statement of Functional Expenses

Year ended August 31, 2009

	Program services	Support services		Total
	Wish granting	Fund raising	Management and general	
Direct costs of wishes	\$ 525,155	—	—	525,155
Salaries, taxes, and benefits	181,407	132,391	80,074	393,872
Printing, subscriptions, and publications	6,549	52,243	2,603	61,395
Professional fees	11,638	13,073	4,388	29,099
Rent and utilities	18,487	9,877	6,468	34,832
Postage and delivery	4,218	5,821	1,781	11,820
Travel	9,176	14,120	2,860	26,156
Meetings and conferences	1,195	1,429	484	3,108
Office supplies	3,142	3,937	1,125	8,204
Telephone	4,792	2,914	1,790	9,496
Repairs and maintenance	4,932	3,108	2,010	10,050
Membership dues	639	497	284	1,420
National partnership dues	36,120	8,669	3,371	48,160
Miscellaneous	3,380	3,855	1,352	8,587
Depreciation and amortization	6,880	4,127	2,752	13,759
	<u>\$ 817,710</u>	<u>256,061</u>	<u>111,342</u>	<u>1,185,113</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2009

(1) Organization

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Fair Value Measurements

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

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.

(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.

MAKE-A-WISH FOUNDATION® OF MAINE

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(d) **Investments**

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

(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 \$500 and a useful life of more than one year are capitalized 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 10 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the 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, 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, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(g) **Net Assets**

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to donor-imposed restrictions that may be met either by actions of the Foundation or the passage of time.

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- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions.

(h) *Revenue Recognition*

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the 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 included in the accompanying statement of activities as in-kind contributions at an estimated fair market value of \$153,223 in 2009, which consisted of the following:

Frequent flyer miles	\$	10,536
Other wish related donations		<u>142,687</u>
	\$	<u><u>153,223</u></u>

(i) *Income Taxes*

The Foundation is a not-for-profit organization exempt from federal income and Maine taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Title 13-B of the Maine Revised Statutes. 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

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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.

(j) *Functional Expenses*

The Foundation performs the following 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.

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 chapters, out-of-territory wish placement, and administration of the wish program.

Activities performed by the Foundation consisting of national conference workshops and e-learning classes prepared and conducted by the Foundation for the training, development, and implementation of the wish programs of the Foundation, including, but not limited to, the identification of wish candidates and the determination and delivery of the wish.

Activities performed by the Foundation communicating the purpose and services of the Foundation to all potential sources of wish referrals.

Fund Raising

During the fiscal year ended August 31, 2009, the Foundation incurred no significant joint costs for activities that include fund raising appeals.

Management and General

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

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

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Notes to Financial Statements

August 31, 2009

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, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Foundation’s own assumptions in determining the fair value of investments).

The following table presents investments at August 31, 2009:

Description	August 31, 2009	Level 1
Money market funds	\$ 55,058	55,058
Equity securities:		
Domestic equity securities	283,410	283,410
Foreign equity securities	95,710	95,710
Debt securities:		
Foreign governments	35,040	35,040
Corporate	217,740	217,740
Mutual funds – i invested in bonds	50,880	50,880
Total	\$ <u>737,838</u>	<u>737,838</u>

The Foundation did not hold any Level 2 or Level 3 investments at August 31, 2009.

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

Interest and dividend income	\$ 34,353
Realized and unrealized losses, net	<u>(85,196)</u>
Investment loss, net	<u>\$ (50,843)</u>

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2009

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at a rate of 1.5%. The following is a summary of the Foundation's contributions receivable at August 31, 2009:

Total amounts due in:		
One year	\$	103,609
Two to five years		<u>91,174</u>
Gross contributions receivable		194,783
Less discount to present value		<u>(1,347)</u>
Contributions receivable, net	\$	<u><u>193,436</u></u>

Of the total contributions receivable \$719 is temporarily restricted and \$192,717 is permanently restricted.

(5) Transactions with Related Parties

The Foundation pays the National Organization an annual assessment fee, which was \$48,160 for the year ended August 31, 2009. The National Organization supports the Foundation by providing funding and support for the granting of wishes. Such support includes the identification of wish candidates, fundraising, and facilitating the delivery of wishes.

The Foundation participated in the National Organization's wish assist program, where a wish child must travel from their home chapter's territory to another chapter's territory for the purpose of their wish being fulfilled, as it would not otherwise be able to be fulfilled in their home chapter's territory. The visited chapter bills the wish child's home chapter for the incurred wish assist costs and for a wish assist fee (which is to compensate for the administrative costs associated with the wish assist). Under this program, the chapter received \$900 in wish assist fees for the year ended August 31, 2009, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31:		
Due from National Organization	\$	11,600
Due from other chapters		94
Due to National Organization		51,290
Due to other chapters		2,082

Amounts due from the National Organization represent contributions remitted to the National Organization that are specified for the Foundation's use but were not yet transferred to the Foundation as of year end. Amounts due to the National Organization represent the balance of partnership dues payable by the Foundation to the National Organization for its support activities provided during the year ended August 31, 2009. Amounts due to/from other chapters represents wish assist fees and direct wish expenses due to/from those chapters.

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Notes to Financial Statements

August 31, 2009

During 2009, the Foundation received contributions, both cash and in-kind from board members totaling \$24,934. At August 31, 2009, \$45,200 of endowment pledges receivable were outstanding from board members.

(6) Property and Equipment, Net

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

Computer equipment and software	\$	26,773
Other equipment		27,970
Leasehold improvements		13,150
		<u>67,893</u>
Less accumulated depreciation and amortization		<u>(27,822)</u>
Property and equipment, net	\$	<u><u>40,071</u></u>

Depreciation and amortization expense totaled \$13,759 for the year ended August 31, 2009.

(7) Accrued Pending Wish Costs

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

As of August 31, 2009, the Foundation had approximately 32 reportable pending wishes.

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Notes to Financial Statements

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(8) Notes Payable

On July 7, 2009, the Foundation entered into a note payable with a financial institution totaling \$100,000. The note bears interest at 6.00%, requires principal payments in equal monthly installments of \$1,938, and matures on July 7, 2014. The note payable is collateralized by the Foundation's accounts receivable at August 31, 2009. The remaining principal payments subsequent to August 31, 2009 are as follows:

Fiscal year:		
2010	\$	20,000
2011		20,000
2012		20,000
2013		20,000
2014		18,646
		<hr/>
Total	\$	<u>98,646</u>

(9) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through August 31, 2014. As of August 31, 2009, the cost of leased property and equipment under capital lease was \$25,400 and accumulated depreciation was \$6,545. Total rent expense for all operating leases for the year ended August 31, 2009 totaled \$14,689.

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

	<u>Operating leases</u>	<u>Capital leases</u>
Years ending August 31:		
2010	\$ 24,421	5,904
2011	1,986	5,904
2012	90	4,128
2013	—	3,463
2014	—	2,988
	<hr/>	<hr/>
Total minimum lease payments	\$ <u>26,497</u>	22,387
Less amounts representing interest		<hr/> 3,231
Present value of net minimum lease payments		\$ <u><u>19,156</u></u>

(10) Endowments

Effective August 31, 2009, the Foundation adopted the provisions of FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of

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August 31, 2009

the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of approximately 15 individual funds established to support the Foundation's mission of granting wishes. 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

In June 2009, the State of Maine enacted the provisions of UPMIFA. The board of directors of the Foundation has interpreted the Maine UPMIFA and the related accounting guidance in FSP 117-1 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

Endowment net asset composition by type of fund as of August 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (75,787)	523,763	447,976
Total funds	<u>\$ (75,787)</u>	<u>523,763</u>	<u>447,976</u>

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Notes to Financial Statements

August 31, 2009

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

	<u>Unrestricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (37,826)	418,910	381,084
Investment return:			
Net depreciation (realized and unrealized losses)	<u>(21,191)</u>	<u>—</u>	<u>(21,191)</u>
Total investment return	<u>(21,191)</u>	<u>—</u>	<u>(21,191)</u>
Contributions	<u>—</u>	104,853	104,853
Distributions	<u>(16,770)</u>	<u>—</u>	<u>(16,770)</u>
Endowment net assets, end of year	\$ <u><u>(75,787)</u></u>	<u><u>523,763</u></u>	<u><u>447,976</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 \$(75,787) 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.

(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 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 5% 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.

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(e) Spending Policy and How the Investment Objective Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5% of its endowment funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation's objective is 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 at August 31, 2009:

Wish granting	\$	34,566
Time restrictions		<u>8,342</u>
Total temporarily restricted net assets	\$	<u><u>42,908</u></u>

For the year ended August 31, 2009, net assets of \$27,479 were released from purpose restrictions.

At August 31, 2009, permanently restricted net assets are restricted to:

Investments in perpetuity the income from which is expendable to support the Foundation's wish granting activities		<u>523,763</u>
	\$	<u><u>523,763</u></u>

(12) Retirement Plan

The Foundation has a defined contribution retirement plan. Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches employee contributions up to 3% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2009 were \$9,949.

(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.

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(14) Litigation and Claims

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

(15) Subsequent Events

Effective August 31, 2009, the Foundation adopted FASB Statement No. 165, *Subsequent Events*, which establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Foundation evaluated events subsequent to August 31, 2009 and through February 4, 2010, the date on which the financial statements were available for issuance. There were no subsequent events that were required to be disclosed.