



MAKE-A-WISH FOUNDATION[®] OF MAINE

Financial Statements

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF MAINE

Table of Contents

	Page
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	8



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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Make-A-Wish Foundation® of Maine (the Foundation) as of August 31, 2010 and 2009, 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 Maine as of August 31, 2010 and 2009, 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

February 17, 2011

MAKE-A-WISH FOUNDATION® OF MAINE

Statements of Financial Position

August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 19,557	20,260
Investments (note 3)	594,370	737,838
Due from related entities (note 5)	7,942	11,694
Prepaid expenses	1,100	1,897
Contributions receivable, net (note 4)	162,487	193,436
Other assets	39,749	58,784
Property and equipment, net (note 6)	27,458	40,071
Total assets	<u>\$ 852,663</u>	<u>1,063,980</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 89,564	92,819
Accrued pending wish costs (note 7)	289,365	248,771
Due to related entities (note 5)	273	53,372
Capital lease obligations (note 9)	13,560	19,156
Notes payable (note 8)	80,949	98,646
Total liabilities	<u>473,711</u>	<u>512,764</u>
Commitments and contingencies		
Net assets (deficit) (note 10):		
Unrestricted	(197,119)	(15,455)
Temporarily restricted (note 11)	21,202	42,908
Permanently restricted (note 11)	554,869	523,763
Total net assets	<u>378,952</u>	<u>551,216</u>
Total liabilities and net assets	<u>\$ 852,663</u>	<u>1,063,980</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION[®] OF MAINE

Statement of Activities

Year ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 369,034	—	31,106	400,140
In-kind contributions	238,241	19,098	—	257,339
Grants	44,000	—	—	44,000
Total public support	<u>651,275</u>	<u>19,098</u>	<u>31,106</u>	<u>701,479</u>
Special events	469,774	—	—	469,774
Less direct benefit costs to donor	<u>(78,467)</u>	<u>—</u>	<u>—</u>	<u>(78,467)</u>
Total special events, net	391,307	—	—	391,307
Investment income, net (note 3)	67,472	2,104	—	69,576
Other income	1,866	—	—	1,866
Net assets released from restrictions	<u>42,908</u>	<u>(42,908)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>1,154,828</u>	<u>(21,706)</u>	<u>31,106</u>	<u>1,164,228</u>
Expenses:				
Program services:				
Wish granting	<u>1,012,641</u>	<u>—</u>	<u>—</u>	<u>1,012,641</u>
Total program services	<u>1,012,641</u>	<u>—</u>	<u>—</u>	<u>1,012,641</u>
Support services:				
Fund raising	216,320	—	—	216,320
Management and general	<u>107,531</u>	<u>—</u>	<u>—</u>	<u>107,531</u>
Total support services	<u>323,851</u>	<u>—</u>	<u>—</u>	<u>323,851</u>
Total expenses	<u>1,336,492</u>	<u>—</u>	<u>—</u>	<u>1,336,492</u>
Change in net assets (deficit)	(181,664)	(21,706)	31,106	(172,264)
Net assets (deficit), beginning of the year	<u>(15,455)</u>	<u>42,908</u>	<u>523,763</u>	<u>551,216</u>
Net assets (deficit), end of the year	<u>\$ (197,119)</u>	<u>21,202</u>	<u>554,869</u>	<u>378,952</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, net	336,096	—	—	336,096
Investment loss, net (note 3)	(50,843)	—	—	(50,843)
Other income	53,881	—	—	53,881
Net assets released from restrictions	<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	<u>817,710</u>	<u>—</u>	<u>—</u>	<u>817,710</u>
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	<u>111,342</u>	<u>—</u>	<u>—</u>	<u>111,342</u>
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 (deficit)	(292,220)	7,806	104,853	(179,561)
Net assets, beginning of the year	<u>276,765</u>	<u>35,102</u>	<u>418,910</u>	<u>730,777</u>
Net assets (deficit), 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

Statements of Cash Flows

Years ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (172,264)	(179,561)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	12,613	13,759
Contributions restricted for long-term investment	(31,106)	(104,853)
Net realized and unrealized (gains) losses on investments	(45,665)	85,196
Changes in assets and liabilities:		
Contributions receivable	23,811	(7,807)
Due from related entities	3,752	(8,126)
Prepaid expenses	797	16,530
Other assets	19,035	2,247
Accounts payable and accrued expenses	(3,255)	(49,002)
Accrued pending wish costs	40,594	26,951
Due to related entities	(53,099)	53,372
Other liabilities	—	(545)
Net cash used in operating activities	<u>(204,787)</u>	<u>(151,839)</u>
Cash flows from investing activities:		
Purchases of investments	(66,182)	(72,011)
Proceeds from sales of investments	255,315	199,562
Purchases of property and equipment	—	(3,126)
Net cash provided by investing activities	<u>189,133</u>	<u>124,425</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	38,244	34,326
Proceeds from refinancing debt	—	100,000
Refinanced line of credit	—	(86,711)
Principal payments on capital lease obligations	(5,596)	(6,244)
Principal payments on notes payable	(17,697)	(1,354)
Net cash provided by financing activities	<u>14,951</u>	<u>40,017</u>
Net (decrease) increase in cash and cash equivalents	(703)	12,603
Cash and cash equivalents, beginning of year	<u>20,260</u>	<u>7,657</u>
Cash and cash equivalents, end of year	\$ <u>19,557</u>	<u>20,260</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 7,719	4,589
Acquisition of equipment with capital lease agreement	—	25,400
In-kind contributions	257,339	153,223

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MAINE

Statement of Functional Expenses

Year ended August 31, 2010

	Program services	Support services			Total
	Wish granting	Fund raising	Management and general	Total support services	
Direct costs of wishes	\$ 750,611	—	—	—	750,611
Salaries, taxes, and benefits	176,734	130,691	80,640	211,331	388,065
Printing, subscriptions, and publications	2,009	21,217	648	21,865	23,874
Professional fees	9,892	8,868	3,366	12,234	22,126
Rent and utilities	18,338	13,569	8,190	21,759	40,097
Postage and delivery	3,413	5,591	1,294	6,885	10,298
Travel	4,719	10,648	1,799	12,447	17,166
Meetings and conferences	2,271	1,381	850	2,231	4,502
Office supplies	3,048	3,077	1,049	4,126	7,174
Communications	4,673	2,779	1,618	4,397	9,070
Repairs and maintenance	1,512	1,030	636	1,666	3,178
Membership dues	1,259	860	530	1,390	2,649
National partnership dues	22,253	5,340	2,077	7,417	29,670
Miscellaneous	5,602	7,485	2,312	9,797	15,399
Depreciation and amortization	6,307	3,784	2,522	6,306	12,613
	<u>\$ 1,012,641</u>	<u>216,320</u>	<u>107,531</u>	<u>323,851</u>	<u>1,336,492</u>

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	Total support services	
Direct costs of wishes	\$ 525,155	—	—	—	525,155
Salaries, taxes, and benefits	181,407	132,391	80,074	212,465	393,872
Printing, subscriptions, and publications	6,549	52,243	2,603	54,846	61,395
Professional fees	11,638	13,073	4,388	17,461	29,099
Rent and utilities	18,487	9,877	6,468	16,345	34,832
Postage and delivery	4,218	5,821	1,781	7,602	11,820
Travel	9,176	14,120	2,860	16,980	26,156
Meetings and conferences	1,195	1,429	484	1,913	3,108
Office supplies	3,142	3,937	1,125	5,062	8,204
Communications	4,792	2,914	1,790	4,704	9,496
Repairs and maintenance	4,932	3,108	2,010	5,118	10,050
Membership dues	639	497	284	781	1,420
National partnership dues	36,120	8,669	3,371	12,040	48,160
Miscellaneous	3,380	3,855	1,352	5,207	8,587
Depreciation and amortization	6,880	4,127	2,752	6,879	13,759
	<u>\$ 817,710</u>	<u>256,061</u>	<u>111,342</u>	<u>367,403</u>	<u>1,185,113</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 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.

(b) *Cash and Cash Equivalents*

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at August 31, 2010 and 2009 include \$19,557 and \$20,260, respectively, of certificates of deposit with an initial term of less than three months.

(c) *Investments*

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

(d) *Contributions Receivable*

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Risk-free rates are used to discount pledges received prior to September 1, 2008. For pledges received beginning September 1, 2008, pledges are discounted using fair value rates.

(e) *Property and Equipment, Net*

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are stated at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 10 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

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, 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*

On September 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (Statement 157) (included in Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*), for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 (Statement 157) also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

(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 or law that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

(h) *Revenue Recognition*

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

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 contributions of assets other than cash that are included in the accompanying statements of activities as in-kind contributions of \$257,339 in 2010, and \$153,223 in 2009. Program or supporting services were recorded at fair value totaling \$257,339 and \$153,223 in 2010 and 2009, respectively. In-kind contributions consisted of the following:

	<u>2010</u>	<u>2009</u>
Lodging	\$ 48,724	—
Theme parks	47,335	—
Transportation	30,190	10,536
Other wish-related donations	123,175	142,687
Professional services and other donations	7,915	—
Total	<u>\$ 257,339</u>	<u>153,223</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.

ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The Foundation has adopted the deferral and disclosure provisions of ASC 740 for its August 31, 2009 financial statements and has adopted the provisions of ASC 740 for the year ended August 31, 2010. Management asserts that no such uncertain tax position exists for the Foundation at August 31, 2010.

(j) ***Functional Expenses***

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

Wish Granting

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

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

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, 2010 and 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 accounting principles generally accepted in the United States of America 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. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of contributions receivable, property and equipment, and accrued pending wish costs. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(3) Fair Value Measurements

The Foundation adopted ASC Topic 820 (Statement 157) on September 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted 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 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2010 and 2009:

Description	August 31, 2010	Fair value measurements at August 31, 2010 (Level 1)
Cash and cash equivalents	\$ 19,557	19,557
Investments:		
Money market funds	23,003	23,003
Equity securities:		
U.S. corporate equity securities	323,589	323,589
Foreign equity securities	118,215	118,215
Debt securities:		
Corporate	129,563	129,563
Total investments	\$ 594,370	594,370

Description	August 31, 2009	Fair value measurements at August 31, 2009 (Level 1)
Cash and cash equivalents	\$ 20,260	20,260
Investments:		
Money market funds	55,058	55,058
Equity securities:		
U.S. corporate equity securities	283,410	283,410
Foreign equity securities	95,710	95,710
Debt securities:		
Corporate	217,740	217,740
Foreign governments	35,040	35,040
Mutual funds – invested in bonds	50,880	50,880
Total	\$ 737,838	737,838

The Foundation did not hold any Level 2 or Level 3 investments at August 31, 2010 and 2009.

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

Total investment income, gains, and losses for the years ended August 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 23,911	34,353
Realized and unrealized gains (losses), net	<u>45,665</u>	<u>(85,196)</u>
Investment income (loss), net	\$ <u>69,576</u>	<u>(50,843)</u>

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at a rate of 1.5% in August 31, 2010 and 2009. The following is a summary of the Foundation's contributions receivable at August 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Total amounts due in:		
One year	\$ 81,100	103,609
Two to five years	<u>82,626</u>	<u>91,174</u>
Gross contributions receivable	163,726	194,783
Less allowance for doubtful accounts	—	—
Less discount to present value	<u>(1,239)</u>	<u>(1,347)</u>
Contributions receivable, net	\$ <u>162,487</u>	<u>193,436</u>

(5) Transactions with Related Entities

The Foundation pays the National Organization annual dues, which were \$29,670 and \$48,160 for the years ended August 31, 2010 and 2009, respectively. The National Organization supports the Foundation by providing funding and other support for the granting of wishes.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation received support from the Wish Fulfillment Fund with receipts during the year ended August 31, 2009 totaling \$50,000, which is recorded as other income.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$1,800 and \$900 for the years ended August 31, 2010 and 2009, respectively, which is recorded in the accompanying statements of activities as other income.

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

Amounts due from and to related entities are as follows:

	<u>2010</u>	<u>2009</u>
Balance at August 31:		
Due from National Organization	\$ 6,917	11,600
Due from other chapters	<u>1,025</u>	<u>94</u>
Total due from related entities	<u>\$ 7,942</u>	<u>11,694</u>
Due to National Organization	\$ 273	51,290
Due to other chapters	<u>—</u>	<u>2,082</u>
Total due to related entities	<u>\$ 273</u>	<u>53,372</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to National Organization represent the balance of dues payable by the Foundation to the National Organization for its support activities. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation.

During 2010 and 2009, the Foundation received contributions, both cash and in-kind, from board members totaling \$30,700 and \$64,094, respectively. In 2010 and 2009, amounts due from board members totaled \$24,030 and \$34,834, respectively, and are included in contributions receivable in the accompanying statements of financial position. Amounts paid to related parties totaled \$10,862 and \$11,882 during the years ended August 31, 2010 and 2009, respectively, for goods and services used in the Foundation's operations. Amounts due to related parties totaled \$273 and \$53,372 at August 31, 2010 and 2009, respectively.

(6) Property and Equipment, Net

Fixed assets as of August 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Computer equipment and software	\$ 25,346	26,773
Other equipment	27,970	27,970
Leasehold improvements	<u>13,150</u>	<u>13,150</u>
	66,466	67,893
Less accumulated depreciation and amortization	<u>(39,008)</u>	<u>(27,822)</u>
Property and equipment, net	<u>\$ 27,458</u>	<u>40,071</u>

Depreciation and amortization expense totaled \$12,613 and \$13,759 for the years ended August 31, 2010 and 2009, respectively.

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 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, 2010 and 2009, the Foundation had approximately 36 and 32 reportable pending wishes, respectively.

(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%, requires principal payments in equal monthly installments of \$1,938, and matures on July 7, 2014. The remaining principal payments subsequent to August 31, 2010 are as follows:

Fiscal year:		
2011	\$	20,000
2012		20,000
2013		20,000
2014		20,949
		<hr/>
Total	\$	80,949
		<hr/>

(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. The cost of leased property and equipment under capital lease was \$25,400, and accumulated depreciation was \$12,451 and \$6,545, respectively. Total rent expense for all operating leases for the years ended August 31, 2010 and 2009 totaled \$32,046 and \$30,248, respectively.

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

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>
Year ending August 31:		
2011	\$ 19,890	5,904
2012	—	4,128
2013	—	3,463
2014	—	2,988
	<u>\$ 19,890</u>	<u>16,483</u>
Total minimum lease payments		
		<u>(2,923)</u>
Less amounts representing interest		
Present value of net minimum lease payments		<u>\$ 13,560</u>

(10) Endowments

Effective September 1, 2009, the Foundation adopted the provisions of ASC 958, Section 205-50 (FSP 117-1), *Reporting Endowment Funds*. FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of 13 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.

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

(a) Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Maine 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
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, 2010 and 2009 is as follows:

		2010			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	endowment funds	\$ (59,423)	2,104	554,869	497,550
	Total funds	\$ (59,423)	2,104	554,869	497,550

		2009			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	endowment funds	\$ (75,787)	—	523,763	447,976
	Total funds	\$ (75,787)	—	523,763	447,976

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

Changes in endowment net assets for the years ended August 31, 2010 and 2009 are as follows:

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ (75,787)	—	523,763	447,976
Investment return	33,149	2,104	—	35,253
Contributions	—	—	31,106	31,106
Appropriation of endowment assets for expenditure	(16,785)	—	—	(16,785)
Endowment net assets, end of year	<u>\$ (59,423)</u>	<u>2,104</u>	<u>554,869</u>	<u>497,550</u>
	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ (37,826)	—	418,910	381,084
Investment return	(21,191)	—	—	(21,191)
Contributions	—	—	104,853	104,853
Appropriation of endowment assets for expenditure	(16,770)	—	—	(16,770)
Endowment net assets, end of year	<u>\$ (75,787)</u>	<u>—</u>	<u>523,763</u>	<u>447,976</u>

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

Permanently restricted net assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA \$ 554,869

Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:

Without purpose restrictions \$ 2,104

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

(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 \$(59,423) and \$(75,787) as of August 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

(c) Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 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.

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

The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(11) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the years ended August 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Time restrictions	\$ 21,202	42,908
Total temporarily restricted net assets	\$ <u>21,202</u>	<u>42,908</u>

MAKE-A-WISH FOUNDATION® OF MAINE

Notes to Financial Statements

August 31, 2010 and 2009

For the years ended August 31, 2010 and 2009, permanently restricted net assets are restricted to:

	<u>2010</u>	<u>2009</u>
Investments in perpetuity, the income from which is expendable to support any activities of the Foundation	\$ 554,869	523,763
	<u>\$ 554,869</u>	<u>523,763</u>

(12) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of two months 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 years ended August 31, 2010 and 2009 were \$9,358 and \$9,949, 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.

In-kind contributions totaling \$135,861 and \$63,086 were received from a single donor for the years ended August 31, 2010 and 2009, respectively, which represents 19.4% and 9.5%, respectively of total public support during 2010 and 2009. Should these contribution levels decrease, the Foundation may be adversely affected.

(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, change in net assets, or liquidity.

(15) Subsequent Events

The Foundation has evaluated subsequent events from the statement of financial position date through February 17, 2011, the date at which the financial statements were available to be issued, and determined that no events occurred that warrant disclosure.