



Make-A-Wish Foundation
of the Mid-Atlantic, Inc.

Annual Report

For the year ended Aug. 31, 2006

Make-A-Wish Foundation® of the Mid-Atlantic, Inc.

Make-A-Wish Foundation® of the Mid-Atlantic, Inc.

From the Chairman of the Board

Dear Friends,

The experience of a wish fulfilled can create a hope, strength and joy in the heart of a child battling life's greatest challenges. Whether the child wishes to go to a far-away land, to receive a new television or to get a new puppy, every wish is a unique example of that child's imagination, passions and interests. The 2006 fiscal year had more than its share of magical wishes; thrilling special events; and tremendous support from volunteers, donors and the community.

This annual report celebrates each of the 350 wishes completed during the 2006 fiscal year. It also recognizes the many companies and individuals who supported the foundation by generously giving of their time, financial resources and creative efforts.

It is with great excitement and joy that we forward to granting a wish to every eligible child in our area who is fighting a life-threatening medical condition.

The stories of these wishes will brighten your hearts as they have brightened the hearts of the children we serve. You can and do make an immeasurable impact on the life of a child.

Sincerely,



Nancy Kfoury, Ph.D.
Chairman, Board of Directors

Summary of Activities

A wish fulfilled is a magical experience that a child can take with him or her for a lifetime. Whether a child wants to be a princess, to visit Australia, to meet the president, to have a computer or anything else their heart desires, every wish is unique to the child's interests and passions.

Fulfilling a wish is a process that involves many people. The help of wish-granting volunteers, doctors, social workers, parents and staff members allows the foundation to continue to provide moments of hope, strength and joy to children facing life-threatening medical conditions.

In 2006, 350 wishes were fulfilled for children battling life's greatest challenges. Some of these wonderful children include:

In 2002, Chris' older sister was diagnosed with melanoma. A year later, his father was diagnosed with prostate cancer. He had already been through quite a lot when he was diagnosed with osteosarcoma in 2005. When he learned the Make-A-Wish® Foundation would grant his wish, Chris immediately knew what his wish would be – to go on a shopping spree. Chris and his family were picked up at their house in a limousine and were whisked away to Verizon Wireless, where he was given a new phone. He went to Best Buy, which made him an honorary employee for the day. He also shopped at CompUSA, Costco and Sears during his wish. Throughout the day, Chris bought gifts for the nurses, staff members and fellow patients at Johns Hopkins Hospital. He also picked up gifts for his mother, sister and grandfather. The long day ended with a dinner at Chris' favorite restaurant, Outback Steakhouse. After all the purchases were made and the wish came to an end, Chris said his favorite part about the wish was simply being able to spend the time with his family.

Seven-year-old Sylvia was born with a medical condition that, among other things, left her unable to communicate. She struggles to

Make-A-Wish Foundation® of the Mid-Atlantic, Inc.

regulate her body temperature, so Sylvia wished for a way to stay cool in the heat of the summer. Her wish was fulfilled when she had an above-ground pool installed in her backyard. Playing in the water with her parents and her younger brother allows her a chance to move freely and enjoy herself, and by keeping her cool in the heat, the pool allows Sylvia a little more freedom in her day.

Eleven-year-old Maiya’s grandfather was a police officer, and she says she wants to help and protect people when she grows up. Both of those factors helped her decide on her wish – Maiya wished to be an FBI agent. She’s very interested in spy equipment and even has something in her bedroom that lets her know when her parents are coming in. During her wish, Maiya visited the International Spy Museum to learn about espionage, and the Bureau of Engraving and Printing to see how money is made. She also toured the White House and the National Museum of American History. As an FBI agent, Maiya met many members of the bureau, saw different FBI offices and received several “top secret” briefings. In a few years, hopefully Maiya will rejoin the FBI in a more permanent position.

Sterling, an 11-year-old from Mesquite, Texas, had a tough time choosing his wish. He finally decided that his wish would be to take on as much responsibility as possible – he wished to be the President of the United States of America. Sterling left his home to visit the nation’s capital and enjoyed several days in Washington, D.C., culminating in his one-day presidency. He delivered several speeches during his short time in office, highlighting issues of concern to the president: alternative fuel sources, homelessness, national security, education, the environment and drug use. The president’s senior staff – his brothers and sisters – handed out red pencils marked “President Sterling” to his supporters, and Sterling signed his presidential photograph for many of his fans. Sterling was met by large crowds at each stop on his presidential tour, holding signs that said, “Welcome President Sterling,” “Hail to the Chief,” and “We love you Sterling.”

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Agustin, 13, wished to travel to *Walt Disney World*® with his family. His father is a chaplain assistant in the Army, so despite having traveled quite a bit, he had never been to the resort in Orlando, Fla. Agustin was very close to his family and especially wanted to be able to share his wish with them. Agustin, his parents, sister and twin brothers visited several attractions at Disney, and Agustin's favorite was the Magic Kingdom. "You drew a smile on Agustin's face that will last forever by giving him the opportunity to make his dream a reality by going to Disney World," said the family in a letter after the wish. "He spent almost two months fighting day-by-day against his cancer, but he lost his battle on April 23. In Agustin's name and from his family, we would like to thank everyone that made it possible for Agustin to pass his last few days as happy as possible."

Four-year-old Leslie loves playing outside with her friends, and this made her wish an easy decision. Leslie wished for a play set in her yard. The play set came complete with swings, slides and a wall she and her friends can climb on. Leslie is very sensitive to the sun, and the wish team took this into consideration when planning her wish. Her play set is designed to help protect her from the sun while also giving her something fun to do with friends. Leslie even converted a section of the play set into her very own "kitchen," and she filled it with her all of her cooking toys.

Summary of Events

An average wish costs approximately \$7,000 to fulfill; in order to turn wishes into realities to hundreds of children every year, fund-raising events are incredibly important. Involving the community allows more individuals to make real impacts on children's lives, and the foundation organized seven events designed to provide the community with excitement and raise the needed funds to make wishes come true.

April 1 – The Make-A-Wish Scavenger Hunt saw teams of up to five people search through Washington, D.C., seeking out significant people, places and things in a race against each other and the clock. The day included pre- and post-event receptions, gifts and awards.

April 29 – The 8th annual Make-A-Wish 10K/5K Run and Walk trotted through Centreville, Del. in the spring. The event appealed to the competitive and non-competitive alike, and children were able to participate in their own free race. Buckley's Tavern hosted pre- and post-event activities and receptions.

May 18 – The 11th annual Make-A-Wish Golf Tournament hit the links at White Clay Creek Country Club in Wilmington, Del. The afternoon round included lunch on the terrace and an evening reception featuring a silent auction.

May 21 – The Make-A-Wish Kids Triathlon returned to Martin Luther King Jr. Recreational Park in Silver Spring, Md. Featuring a run-bike-run race for children aged 5-8 and a swim-bike-run race for children aged 9-14, the Kids Triathlon offered an opportunity for children to have fun while raising awareness for the foundation in the community.

Make-A-Wish Foundation® of the Mid-Atlantic, Inc.

July 24 – The Make-A-Wish Golf Classic teed off at the Tournament Players Club at Avenel, a famous course in Potomac, Md. Normally host to the PGA Tour’s Booz Allen Classic, Avenel hosted an afternoon round of golf and an evening reception and silent auction.

September 24 – The Make-A-Wish Triathlon at Sea Colony was a USA Triathlon-sanctioned race in Bethany Beach, Del. In addition to the race, competitors and families attended a family-style picnic and awards ceremony at the waterfront in the afternoon.

October 21 – The Charm City Scavenger Hunt led competitors through Baltimore’s historic and colorful neighborhoods. The event included pre- and post-event receptions, gifts and awards for the teams.

Financial Statements and Report of
Independent Certified Public Accountants
Make-A-Wish Foundation of the Mid-Atlantic, Inc.
August 31, 2006 and 2005

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Report of Independent Certified Public Accountants

Board of Directors
Make-A-Wish Foundation of the
Mid-Atlantic, Inc.

We have audited the accompanying statements of financial position of Make-A-Wish Foundation of the Mid-Atlantic, Inc. (the Foundation), as of August 31, 2006 and 2005, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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, as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation of the Mid-Atlantic, Inc., as of August 31, 2006 and 2005, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

McLean, Virginia
November 3, 2006

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

STATEMENTS OF CASH FLOWS

Year ended August 31, 2006

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 503,922	\$ (177,564)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,722	30,500
Loss on disposal of equipment	18,450	—
Net realized and unrealized gains on investments	(7,581)	(57,277)
Donation of investments	(9,338)	1,850
Note receivable applied to wish granting	—	100,000
Allowance for pledges receivable	(13,143)	—
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	(42,963)	216,799
Pledges receivable	7,269	16,077
Due from National Organization	74,255	(46,683)
Inventories	(895)	—
Other assets	7,000	(16,790)
Accounts payable and accrued expenses	(10,092)	(200,871)
Accrued wish costs	142,506	239,241
Unearned revenues	(179,205)	133,947
	<u>518,907</u>	<u>239,229</u>
Net cash provided by operating activities		
Cash Flows from Investing Activities:		
Purchases of investments	(762,158)	(1,855,013)
Proceeds from sales of investments	519,310	861,781
Purchases of equipment	(9,804)	(7,824)
	<u>(252,652)</u>	<u>(1,001,056)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	266,255	(761,827)
Cash and cash equivalents, beginning of year	<u>1,270,490</u>	<u>2,032,317</u>
Cash and cash equivalents, end of year	<u>\$ 1,536,745</u>	<u>\$ 1,270,490</u>

The accompanying notes are an integral part of these statements.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2006 and 2005

NOTE 1 - ORGANIZATION

The Make-A-Wish Foundation of the Mid-Atlantic, Inc. (the Foundation) is a non-profit corporation, organized to grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength, and joy. The Foundation serves children who reside in Maryland, Washington, D.C., Northern Virginia (Arlington, Fairfax, Fauquier, Loudoun and Prince William Counties, as well as the City of Alexandria), and Delaware. The Foundation granted its first wish in 1983, and has fulfilled a total of 5,343 wishes through August 31, 2006. During fiscal year 2006, 394 wishes were granted and the total average direct cost of a wish was approximately \$6,500. During fiscal year 2005, 446 wishes were granted and the total average direct cost of a wish was approximately \$6,300. As of August 31, 2006, the Foundation has 295 pending wishes, of which 167 are reportable accrued pending wishes included on the statements of financial position. As of August 31, 2005, the Foundation has 253 pending wishes, of which 128 are reportable accrued pending wishes included on the statements of financial position.

The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (the National Organization) and is obligated to comply with the Chapter Agreement and Performance Standards as set forth in the Bylaws of the National Organization including rules, regulations, standards, resolutions, and policies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation presents its accounts in accordance with the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Organizations* (the Audit Guide). Under the Audit Guide, voluntary health and welfare organizations are required to provide a statement of financial position, a statement of activities, a statement of cash flows, and a statement of functional expenses which are prepared to focus on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions.

The Foundation maintains its accounts on the accrual basis of accounting. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.
- **Unrestricted Net Assets** - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the 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, liabilities and net assets, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues, gains, and other support and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made for the year ended August 31, 2005, to conform with classifications adopted in 2006.

Cash Equivalents

Cash equivalents include checking, savings, money market funds, and investments with a maturity of 3 months or less when purchased.

Investments

Investments, consisting primarily of certificates of deposit, common stocks, government securities and corporate bonds, with readily determinable market values are measured at fair value as of year-end in the financial statements. Investment income and realized and unrealized gains on investments are recognized in the statements of activities.

Investments include a 9.8 percent limited interest in Montrose Associates, a Pennsylvania Limited Partnership, donated to the Foundation in 1994. The partnership operates an 80 unit rental housing project located in Montrose, Pennsylvania under Section 8 of the National Housing Act which provides for moderate and low income elderly or handicap families. The value of this interest is reported at its value at the time it was donated, and is not adjusted to fair market value as the appraisal costs would not support the value of the interest.

Contributions

Under the Audit Guide, contributions, grants, and bequests, including unconditional promises to give, are recognized as either temporarily or permanently restricted support 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. 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 non-financial assets, or (b) require specialized skills which 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 statements of activities at an estimated fair market value of \$723,487 and \$562,562 for the years ended August 31, 2006 and 2005, respectively.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily Restricted Net Assets

The Foundation has adopted the following optional accounting policies with respect to temporarily restricted net assets:

- **Contributions with Restrictions Met in the Same Year** - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues.
- **Release of Restrictions on Net Assets for Acquisition of Land, Building, and Equipment** - Contributions of land, building, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, building, and equipment with donor stipulations are reported as revenues of temporarily restricted net assets; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions Receivable

Contributions receivable represent contributions acknowledged in writing from third parties prior to August 31, but not transmitted to the Foundation until after that date. The Foundation's contributions receivable are generally collected within one year.

Pledges Receivable

Pledges receivable represent amounts that have been pledged to Make-A-Wish Foundation of America that are to be distributed to the chapter. The Foundation's pledges receivable are generally collected within one year.

Equipment

Equipment is recorded at cost when purchased or fair market value at the date of gift, if contributed, and is depreciated using the straight-line method over five to 10 years. The Foundation generally capitalizes fixed asset purchases with a cost of \$500 or more and an expected useful life greater than one year.

Accrued Pending Wish Costs

The Foundation accrues for the estimated cost of reportable pending wishes if certain measurable wish criteria are met. The reportable pending wish criteria include a medical eligibility form signed by the child's physician and formal approval by the Foundation.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

- **Unearned revenues** represent amounts received by the Foundation on or before August 31, 2006, attributable to internal special events that are scheduled to take place in future periods.
- **Internal special events** are fund raising events hosted by the Foundation. During the fiscal year ending August 31, 2006, the Foundation hosted seven such events. **Direct donor benefits** are the actual costs of the items and services furnished to the attendees of these events as inducements to attend.
- **External special events** are fund raising events hosted by a business, group of individuals, or separate nonprofit organization to benefit the Foundation. The Foundation does not participate in the planning or execution of these events.

Income Taxes

The Foundation received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from State of Virginia, Maryland, and the District of Columbia taxation.

Functional Expenses

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

- **Wish Granting** - Activities performed by the Foundation which fulfill wishes to children between the ages of 2-1/2 and 18 years old with life-threatening medical conditions.
- **Fundraising** - Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2006 and 2005, the Foundation incurred no significant joint costs for activities that included fundraising appeals.
- **General Management** - All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities, and to the Foundation's existence. These include 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 general overhead.

Expenses which benefit more than one function of the Foundation are generally allocated among the functions based on the amount of time spent by employees on each function or on the amount of square footage used for each function.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2006 and 2005

NOTE 3 - INVESTMENTS

A summary of investments as of August 31, is as follows:

	2006	2005
Certificates of deposit	\$ 1,144,143	\$ 994,676
U.S. government securities	277,119	282,759
Corporate bonds	2,134,852	2,198,185
Mutual funds	502,772	450,740
Common stocks	1,302,040	1,174,799
Partnership interest	21,750	21,750
	<u>\$ 5,382,676</u>	<u>\$ 5,122,909</u>

Investment return consisted of the following at August 31:

	2006	2005
Interest and dividend income	\$ 256,151	\$ 225,081
Net realized and unrealized gains	7,581	57,277
	<u>\$ 263,732</u>	<u>\$ 282,358</u>

NOTE 4 - EQUIPMENT

A summary of equipment as of August 31, follows:

	2006	2005
Equipment	\$ 117,562	\$ 185,399
Less: accumulated depreciation	(72,250)	(102,719)
Equipment, net	<u>\$ 45,312</u>	<u>\$ 82,680</u>

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2006 and 2005

NOTE 5 - TRANSACTIONS WITH THE NATIONAL ORGANIZATION

The Foundation pays the National Organization an annual assessment fee, which was \$74,760 and \$30,196 for the years ended August 31, 2006 and 2005, respectively. Amounts due from the National Organization of \$45,145 and \$119,400 at August 31, 2006 and 2005, respectively, represent contributions received by the national office on behalf of the Foundation. During the fiscal year ended August 31, 2005, the Foundation entered into an agreement with the National Organization to extend \$250,000 in the form of a note receivable. At August 31, 2006, the balance of the note receivable was \$150,000. Interest accrues on the principal balance at the rate of 3 percent per annum payable semi-annually. The note receivable must be paid in full on or before March 1, 2007.

NOTE 6 - LEASE

The Foundation leases office facilities under noncancelable operating leases, as well as a month-to-month operating lease. Additionally, the Foundation is provided donated office space on a month-to-month basis. The fair market value of the space is recorded as both a contribution and an expense. Rent expense for the years ended August 31, 2006 and 2005, was \$84,296 and \$83,613, respectively. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of August 31, 2006, are as follows:

2007	\$	72,993
2008		14,435
		<hr/>
Total	\$	87,428
		<hr/>

NOTE 7 - RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the purpose of wish granting. Net assets released from restrictions for the years ended August 31, 2006 and 2005, were for time- and purpose-restricted donations for which time or purpose restriction had been met of \$96,113 and \$131,214, respectively.

NOTE 8 - DEFINED CONTRIBUTION PLAN

The Foundation has a defined contribution retirement plan. All full-time employees are eligible to make employee contributions under the plan. Employee contributions are fully and immediately vested. For employees who meet minimum age and length of service requirements, the Foundation contributes a minimum of 5 percent of the employee's compensation to the plan. Employer contributions are vested pursuant to a service length schedule beginning after one year of service. All contributions are subject to Federal tax law limits. The employer contributions to the plan were approximately \$43,900 and \$36,200 during the years ended August 31, 2006 and August 31, 2005, respectively.

Make-A-Wish Foundation of the Mid-Atlantic, Inc.

Notes to Financial Statements

August 31, 2006 and 2005

NOTE 9 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Foundation places its cash and investments with high credit quality financial institutions, and generally limits the amount of credit exposure to the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$100,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage. The Foundation, however, does not anticipate nonperformance by the institutions.

NOTE 10 - ACCRUED WISH COSTS

Accrued wish costs consist of amounts due on fulfilled wishes and estimated amounts for approved unfulfilled wishes at August 31:

	2006	2005
Unpaid costs on fulfilled wishes	\$ 171,171	\$ 238,691
Unpaid costs on reportable accrued pending wishes	1,113,931	903,905
	<u>\$ 1,285,102</u>	<u>\$ 1,142,596</u>