



**MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE MID-ATLANTIC, INC.**

Financial Statements

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.**

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**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036-3389

## **Independent Auditors' Report**

The Board of Directors  
Make-A-Wish Foundation<sup>®</sup> of the Mid-Atlantic, Inc.:

We have audited the accompanying statements of financial position of Make-A-Wish Foundation<sup>®</sup> of the Mid-Atlantic (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<sup>®</sup> of the Mid-Atlantic 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**

December 21, 2010

**MAKE-A-WISH FOUNDATION® OF MID-ATLANTIC, INC.**

Statements of Financial Position

August 31, 2010 and 2009

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 137,116	382,061
Investments	6,775,901	7,345,525
Due from related entities	91,032	119,902
Prepaid expenses	42,034	42,859
Contributions receivable	377,537	467,616
Other assets	37,397	41,344
Property and equipment, net	205,437	277,299
	<hr/>	<hr/>
Total assets	\$ 7,666,454	8,676,606
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 350,927	207,856
Accrued pending wish costs	3,157,959	2,229,915
Due to related entities	23,471	—
Other liabilities	178,595	226,232
Capital lease obligations	3,045	20,179
	<hr/>	<hr/>
Total liabilities	3,713,997	2,684,182
	<hr/> <hr/>	<hr/> <hr/>
Commitments and contingencies		
Net assets		
Unrestricted	3,574,920	5,552,269
Temporarily restricted	377,537	440,155
	<hr/>	<hr/>
Total net assets	3,952,457	5,992,424
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and net assets	\$ 7,666,454	8,676,606
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE MID-ATLANTIC, INC.**

Statement of Activities

Year ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Public support:			
Contributions	\$ 2,787,860	223,996	3,011,856
In-kind contributions	883,943	109,321	993,264
Grants	15,100	—	15,100
Total public support	<u>3,686,903</u>	<u>333,317</u>	<u>4,020,220</u>
Special events	1,058,060	—	1,058,060
Less direct benefit costs to donor	<u>(210,623)</u>	<u>—</u>	<u>(210,623)</u>
Total special events	847,437	—	847,437
Investment income, net	582,552	—	582,552
Other income	14,400	—	14,400
Net assets released from restrictions	<u>395,935</u>	<u>(395,935)</u>	<u>—</u>
Total revenues, gains, and other support	<u>5,527,227</u>	<u>(62,618)</u>	<u>5,464,609</u>
Expenses:			
Program services:			
Wish granting	<u>5,703,074</u>	<u>—</u>	<u>5,703,074</u>
Total program services	<u>5,703,074</u>	<u>—</u>	<u>5,703,074</u>
Support services:			
Fund raising	1,375,088	—	1,375,088
Management and general	<u>426,414</u>	<u>—</u>	<u>426,414</u>
Total support services	<u>1,801,502</u>	<u>—</u>	<u>1,801,502</u>
Total expenses and losses	<u>7,504,576</u>	<u>—</u>	<u>7,504,576</u>
Change in net assets	(1,977,349)	(62,618)	(2,039,967)
Net assets, beginning of the year	<u>5,552,269</u>	<u>440,155</u>	<u>5,992,424</u>
Net assets, end of the year	<u>\$ 3,574,920</u>	<u>377,537</u>	<u>3,952,457</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE MID-ATLANTIC, INC.**

Statement of Activities

Year ended August 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Public support:			
Contributions	\$ 3,431,130	317,879	3,749,009
In-kind contributions	707,463	122,276	829,739
Grants	41,200	—	41,200
Total public support	<u>4,179,793</u>	<u>440,155</u>	<u>4,619,948</u>
Special events	816,803	—	816,803
Less direct benefit costs to donor	<u>(244,456)</u>	<u>—</u>	<u>(244,456)</u>
Total special events	572,347	—	572,347
Investment income, net	100,387	—	100,387
Other income	10,727	—	10,727
Net assets released from restrictions	<u>459,179</u>	<u>(459,179)</u>	<u>—</u>
Total revenues, gains, and other support	<u>5,322,433</u>	<u>(19,024)</u>	<u>5,303,409</u>
Expenses:			
Program services:			
Wish granting	<u>3,979,428</u>	<u>—</u>	<u>3,979,428</u>
Total program services	<u>3,979,428</u>	<u>—</u>	<u>3,979,428</u>
Support services:			
Fund raising	1,338,321	—	1,338,321
Management and general	<u>307,878</u>	<u>—</u>	<u>307,878</u>
Total support services	<u>1,646,199</u>	<u>—</u>	<u>1,646,199</u>
Total expenses and losses	<u>5,625,627</u>	<u>—</u>	<u>5,625,627</u>
Change in net assets	(303,194)	(19,024)	(322,218)
Net assets, beginning of the year	<u>5,855,463</u>	<u>459,179</u>	<u>6,314,642</u>
Net assets, end of the year	<u>\$ 5,552,269</u>	<u>440,155</u>	<u>5,992,424</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE MID-ATLANTIC, INC.**

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	\$ (2,039,967)	(322,218)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	71,862	62,666
Bad debt expense	44,706	—
Net realized and unrealized (gains) losses on investments	(282,210)	194,881
Changes in assets and liabilities:		
Contributions receivable	45,373	169,238
Due from related entities	28,870	(23,487)
Prepaid expenses	825	(42,859)
Other assets	3,947	70,163
Accounts payable and accrued expenses	143,071	(41,652)
Accrued pending wish costs	928,044	(54,727)
Due to related entities	23,471	—
Other liabilities	(47,637)	148,240
Net cash (used in) provided by operating activities	<u>(1,079,645)</u>	<u>160,245</u>
Cash flows from investing activities:		
Purchases of investments	(698,534)	(1,384,661)
Proceeds from sales of investments	1,550,368	200,000
Purchases of property and equipment	—	(119,151)
Net cash provided by (used in) investing activities	<u>851,834</u>	<u>(1,303,812)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(17,134)	(14,300)
Net cash used in financing activities	<u>(17,134)</u>	<u>(14,300)</u>
Net decrease in cash and cash equivalents	(244,945)	(1,157,867)
Cash and cash equivalents, beginning of year	<u>382,061</u>	<u>1,539,928</u>
Cash and cash equivalents, end of year	\$ <u><u>137,116</u></u>	\$ <u><u>382,061</u></u>
Supplemental cash flow information:		
Cash paid for interest	\$ 1,390	3,187

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.**

Statement of Functional Expenses

Year ended August 31, 2010

	<u>Program services</u>	<u>Support services</u>			
	<u>Wish granting</u>	<u>Fund raising</u>	<u>Management and general</u>	<u>Total support services</u>	<u>Total</u>
Direct costs of wishes	\$ 4,291,916	—	—	—	4,291,916
Salaries, taxes, and benefits	898,561	839,660	112,585	952,245	1,850,806
Printing, subscriptions, and publications	8,924	27,296	4,200	31,496	40,420
Professional fees	88,552	172,173	99,783	271,956	360,508
Rent and utilities	128,637	145,888	110,235	256,123	384,760
Postage and delivery	16,613	9,014	1,527	10,541	27,154
Travel	19,201	15,306	24,691	39,997	59,198
Meetings and conferences	9,595	5,270	3,834	9,104	18,699
Office supplies	35,783	30,792	19,056	49,848	85,631
Communications	29,033	23,059	2,420	25,479	54,512
Advertising and media (cash)	1,919	7,616	1,250	8,866	10,785
Repairs and maintenance	5,439	4,802	4,110	8,912	14,351
Insurance	6,205	5,870	3,484	9,354	15,559
Bad debt expense	—	25,000	19,706	44,706	44,706
Membership dues	577	731	217	948	1,525
National partnership dues	118,775	23,443	14,066	37,509	156,284
Miscellaneous	2,570	11,989	1,341	13,330	15,900
Depreciation and amortization	40,774	27,179	3,909	31,088	71,862
	<u>\$ 5,703,074</u>	<u>1,375,088</u>	<u>426,414</u>	<u>1,801,502</u>	<u>7,504,576</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.**

Statement of Functional Expenses

Year ended August 31, 2009

	<u>Program services</u>	<u>Support services</u>			<u>Total</u>
	<u>Wish granting</u>	<u>Fund raising</u>	<u>Management and general</u>	<u>Total support services</u>	
Direct costs of wishes	\$ 2,576,869	—	—	—	2,576,869
Salaries, taxes, and benefits	736,149	671,477	136,418	807,895	1,544,044
Printing, subscriptions, and publications	200	34,549	—	34,549	34,749
Professional fees	241,292	258,333	42,455	300,788	542,080
Rent and utilities	159,407	146,092	70,803	216,895	376,302
Postage and delivery	7,502	15,504	4,860	20,364	27,866
Travel	21,051	18,255	603	18,858	39,909
Meetings and conferences	5,241	9,728	2,270	11,998	17,239
Office supplies	57,134	69,936	25,817	95,753	152,887
Communications	16,905	13,828	3,051	16,879	33,784
Advertising and media (cash)	473	28,291	32	28,323	28,796
Repairs and maintenance	13,803	7,080	3,851	10,931	24,734
Insurance	3,446	6,432	3,853	10,285	13,731
Bad debt expense	—	—	—	—	—
Membership dues	354	543	20	563	917
National partnership dues	100,312	24,075	9,362	33,437	133,749
Miscellaneous	1,988	11,482	1,835	13,317	15,305
Depreciation and amortization	37,302	22,716	2,648	25,364	62,666
	<u>\$ 3,979,428</u>	<u>1,338,321</u>	<u>307,878</u>	<u>1,646,199</u>	<u>5,625,627</u>

See accompanying notes to financial statements.

# MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.

## Notes to Financial Statements

August 31, 2010 and 2009

### (1) Organization

Make-A-Wish Foundation® of the Mid-Atlantic, Inc. (the Foundation) is a Maryland 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 do not include certificates of deposit or money market mutual funds.

#### (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 \$2,500 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 7 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.

# MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.

## Notes to Financial Statements

August 31, 2010 and 2009

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. Currently the Foundation has no such permanently restricted net assets.
- **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 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

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.**

Notes to Financial Statements

August 31, 2010 and 2009

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 and special events revenue of \$993,264 and \$94,717 respectively, in 2010 and \$829,739 and \$80,098, respectively, in 2009. Program or supporting services expenses were recorded at fair value totaling \$1,087,981 and \$909,837 in 2010 and 2009, respectively. In-kind contributions consisted of the following:

	<u>2010</u>	<u>2009</u>
Cruises	\$ 15,022	16,503
Lodging	166,117	54,683
Theme parks	77,921	34,126
Transportation	71,875	79,895
Other wish-related donations	643,329	535,912
Professional services and other donations	<u>113,717</u>	<u>188,718</u>
Total	<u>\$ 1,087,981</u>	<u>909,837</u>

Advertising and media is used to help the Foundation communicate its message or mission and includes fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue when received and fund raising expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

(i) ***Income Taxes***

The Foundation is a not-for-profit organization exempt from federal income and Maryland taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 81 of the State of Maryland Tax Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

# MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE MID-ATLANTIC, INC.

## Notes to Financial Statements

August 31, 2010 and 2009

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.

#### **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, investments, 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.

**MAKE-A-WISH FOUNDATION<sup>®</sup> OF THE MID-ATLANTIC, INC.**

Notes to Financial Statements

August 31, 2010 and 2009

**(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 THE MID-ATLANTIC, INC.**

Notes to Financial Statements

August 31, 2010 and 2009

**Investments**

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 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 137,116	137,116	—	—
Investments:				
Mutual funds:				
Domestic equity	\$ 1,071,410	1,071,410	—	—
Money market funds	96,583	96,583	—	—
Equity securities:				
U.S. corporate equity securities	895,821	895,821	—	—
Certificates of deposit	914,457	914,457	—	—
Debt securities:				
Corporate	3,775,880	3,775,880	—	—
Limited partnership	21,750	—	—	21,750
Total investments	\$ 6,775,901	6,754,151	—	21,750

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.**

Notes to Financial Statements

August 31, 2010 and 2009

Description	August 31, 2009	Fair value measurements at August 31, 2009 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 382,061	382,061	—	—
Investments:				
Mutual funds:				
Equities	\$ 1,934,470	1,934,470	—	—
Equity securities:				
U.S. corporate equity securities	880,576	880,576	—	—
Certificates of deposit	776,314	—	776,314	—
Debt securities:				
U.S. Treasury	96,868	—	96,868	—
Corporate	3,635,547	—	3,635,547	—
Limited partnership	21,750	—	—	21,750
Total investments	\$ 7,345,525	2,815,046	4,508,729	21,750

For the valuation of certificates of deposits and debt securities at August 31, 2009, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

For the valuation of the Limited partnership in a real estate investment at August 31, 2010 and 2009, the Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3).

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.**

Notes to Financial Statements

August 31, 2010 and 2009

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2010 and 2009:

	<b>Real Estate</b>
Balance at August 31, 2008	\$ 21,750
Total gains or losses (realized/unrealized) included in changes in net assets	—
Purchases, issuances, and settlements	—
Balance at August 31, 2009	\$ 21,750
Total gains or losses (realized/unrealized) included in changes in net assets	—
Purchases, issuances, and settlements	—
Balance at August 31, 2010	\$ 21,750
The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at August 31, 2010	\$ —

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

	<b>2010</b>	<b>2009</b>
Interest and dividend income	\$ 300,710	295,345
Realized and unrealized gains (losses), net	282,210	(194,881)
Less investment expenses	(368)	(77)
Investment income, net	\$ 582,552	100,387

**(4) Contributions Receivable**

The following is a summary of the Foundation's contributions receivable at August 31, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Total amounts due in:		
One year	\$ 377,537	452,616
Two to five years	—	15,000
Contributions receivable	\$ 377,537	467,616

**MAKE-A-WISH FOUNDATION® OF THE MID-ATLANTIC, INC.**

Notes to Financial Statements

August 31, 2010 and 2009

**(5) Transactions with Related Entities**

The Foundation pays the National Organization annual partnership dues, which were \$156,284 and \$133,749 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.

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 \$14,400 and \$10,650 for the years ended August 31, 2010 and 2009, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	<u>2010</u>	<u>2009</u>
Balance at August 31:		
Due from National Organization	\$ 70,310	101,858
Due from other chapters	20,722	18,044
Total due from related entities	<u>\$ 91,032</u>	<u>119,902</u>
Due to National Organization	\$ 3,329	—
Due to other chapters	20,142	—
Total due to related entities	<u>\$ 23,471</u>	<u>—</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 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 \$35,019 and \$40,515, respectively.

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**(6) Property and Equipment, Net**

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

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 86,121	86,121
Computer equipment and software	216,611	216,611
Office furniture	115,746	115,746
	<u>418,478</u>	<u>418,478</u>
Less accumulated depreciation and amortization	<u>(213,041)</u>	<u>(141,179)</u>
Property and equipment, net	<u>\$ 205,437</u>	<u>277,299</u>

Depreciation and amortization expense totaled \$71,862 and \$62,666 for the years ended August 31, 2010 and 2009, respectively.

**(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 386 and 283 reportable pending wishes, respectively.

**(8) Leases**

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through December 31, 2018. As of August 31, 2010 and 2009, the cost of leased property and equipment under capital lease was \$47,496 and \$47,496 respectively, and accumulated depreciation was \$47,207 and \$33,452, respectively. Total rent expense for all operating leases for the years ended August 31, 2010 and 2009 totaled \$318,227 and \$288,910, respectively.

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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	\$ 343,618	3,045
2012	357,536	—
2013	370,983	—
2014	385,572	—
2015	400,280	—
2016 – 2019	<u>1,126,513</u>	<u>—</u>
Total minimum lease payments	\$ <u>2,984,502</u>	3,045
Less amounts representing interest		<u>—</u>
Present value of net minimum lease payments		\$ <u>3,045</u>

**(9) 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	\$ <u>377,537</u>	<u>440,155</u>
Total temporarily restricted net assets	\$ <u>377,537</u>	<u>440,155</u>

**(10) 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 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 contributes 6% of the employee's salary after one year of service. Foundation contributions to the Plan for the years ended August 31, 2010 and 2009 were \$44,706 and \$34,973, respectively.

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Notes to Financial Statements

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**(11) 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 \$561,036 and \$432,389 were received from a single donor for the years ended August 31, 2010 and 2009, respectively, which represents 14% and 9%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

**(12) 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.

**(13) Subsequent Events**

The Foundation has evaluated subsequent events from the statement of financial position date through December 21, 2010, the date at which the financial statements were available to be issued.