

**Financial Statements and Report of Independent  
Certified Public Accountants**

**Make-A-Wish Foundation of Alaska, Montana,  
Northern Idaho and Washington**

**August 31, 2008 and 2007**

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## Report of Independent Certified Public Accountants

### Board of Directors

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

We have audited the accompanying statements of financial position of Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington (the Foundation) as of August 31, 2008 and 2007, 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 American Institute of Certified Public Accountants. 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 the Foundation as of August 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Seattle, Washington  
November 24, 2008

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

STATEMENTS OF FINANCIAL POSITION

August 31,

|   | <u>2008</u>         | <u>2007</u>         |
|---|---------------------|---------------------|
| ASSETS  |                     |                     |
| Cash and cash equivalents                       | \$ 247,923          | \$ 308,209          |
| Investments                                     | 2,135,228           | 1,595,303           |
| Contributions receivable                        | 1,583,563           | 655,181             |
| Due from affiliates                             | 100,322             | 63,624              |
| Beneficial interest in split interest agreement | -                   | 22,450              |
| Prepaid expenses and deposits                   | 16,936              | 25,885              |
| Property and equipment, net                     | 44,206              | 42,093              |
| Other assets                                    | 71,949              | 47,427              |
| Total assets                                    | <u>\$ 4,200,127</u> | <u>\$ 2,760,172</u> |
| LIABILITIES AND NET ASSETS                      |                     |                     |
| Accrued pending wish costs                      | \$ 983,426          | \$ 716,755          |
| Accounts payable and accrued expenses           | 145,315             | 156,216             |
| Deferred contributions - special events         | 53,289              | 8,600               |
| Total liabilities                               | <u>1,182,030</u>    | <u>881,571</u>      |
| NET ASSETS:                                     |                     |                     |
| Total unrestricted net assets                   | 2,319,049           | 1,385,593           |
| Temporarily restricted                          | 662,400             | 456,860             |
| Permanently restricted                          | 36,648              | 36,148              |
| Total restricted net assets                     | <u>699,048</u>      | <u>493,008</u>      |
| Total net assets                                | <u>3,018,097</u>    | <u>1,878,601</u>    |
| Total liabilities and net assets                | <u>\$ 4,200,127</u> | <u>\$ 2,760,172</u> |

The accompanying notes are an integral part of these financial statements.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended August 31, 2008

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Revenues, gains and other support:      |                     |                           |                           |                     |
| Public support:                         |                     |                           |                           |                     |
| Direct public support                   | \$ 502,831          | \$ 8,559                  | \$ 500                    | \$ 511,890          |
| Indirect public support                 | 366,592             | 8,178                     | -                         | 374,770             |
| Corporate gifts                         | 633,218             | 23,230                    | -                         | 656,448             |
| Major/planned gifts                     | 1,831,344           | -                         | -                         | 1,831,344           |
| In-kind gifts                           | 1,360,993           | 444,417                   | -                         | 1,805,410           |
| Grants                                  | 86,025              | 45,400                    | -                         | 131,425             |
| Total public support                    | <u>4,781,003</u>    | <u>529,784</u>            | <u>500</u>                | <u>5,311,287</u>    |
| External special events                 | <u>270,943</u>      | <u>50,369</u>             | <u>-</u>                  | <u>321,312</u>      |
| Internal special events                 | 1,173,099           | 47,260                    | -                         | 1,220,359           |
| Less cost of direct benefit to donor    | <u>(398,464)</u>    | <u>-</u>                  | <u>-</u>                  | <u>(398,464)</u>    |
| Internal special events, net            | <u>774,635</u>      | <u>47,260</u>             | <u>-</u>                  | <u>821,895</u>      |
| Total special events                    | <u>1,045,578</u>    | <u>97,629</u>             | <u>-</u>                  | <u>1,143,207</u>    |
| Distribution from chapters              | (10,662)            | 26,787                    | -                         | 16,125              |
| Program Services Grant                  | 76,511              | -                         | -                         | 76,511              |
| Investment income                       | 139,304             | -                         | -                         | 139,304             |
| Realized loss on investments            | (79)                | -                         | -                         | (79)                |
| Unrealized loss on investments          | (249,581)           | -                         | -                         | (249,581)           |
| Net assets released from restrictions   | 448,660             | (448,660)                 | -                         | -                   |
| Total revenues, gains and other support | <u>6,230,734</u>    | <u>205,540</u>            | <u>500</u>                | <u>6,436,774</u>    |
| Expenses and losses:                    |                     |                           |                           |                     |
| Program services:                       |                     |                           |                           |                     |
| Wish granting                           | 3,734,966           | -                         | -                         | 3,734,966           |
| Volunteer programs and training         | 161,716             | -                         | -                         | 161,716             |
| Public information                      | 225,475             | -                         | -                         | 225,475             |
| Total program services                  | <u>4,122,157</u>    | <u>-</u>                  | <u>-</u>                  | <u>4,122,157</u>    |
| Support services:                       |                     |                           |                           |                     |
| Fund raising                            | 792,995             | -                         | -                         | 792,995             |
| Management and general                  | 382,126             | -                         | -                         | 382,126             |
| Total support services                  | <u>1,175,121</u>    | <u>-</u>                  | <u>-</u>                  | <u>1,175,121</u>    |
| Total expenses                          | <u>5,297,278</u>    | <u>-</u>                  | <u>-</u>                  | <u>5,297,278</u>    |
| Change in net assets                    | 933,456             | 205,540                   | 500                       | 1,139,496           |
| Net assets, beginning of the year       | <u>1,385,593</u>    | <u>456,860</u>            | <u>36,148</u>             | <u>1,878,601</u>    |
| Net assets, end of the year             | <u>\$ 2,319,049</u> | <u>\$ 662,400</u>         | <u>\$ 36,648</u>          | <u>\$ 3,018,097</u> |

The accompanying notes are an integral part of this financial statement.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended August 31, 2007

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenues, gains and other support:      |                     |                                   |                                   |                     |
| Public support:                         |                     |                                   |                                   |                     |
| Direct public support                   | \$ 569,344          | \$ -                              | \$ 2,933                          | \$ 572,277          |
| Indirect public support                 | 393,936             | -                                 | -                                 | 393,936             |
| Corporate gifts                         | 703,867             | -                                 | -                                 | 703,867             |
| Major/planned gifts                     | 854,372             | -                                 | -                                 | 854,372             |
| In-kind gifts                           | 1,185,490           | 297,790                           | -                                 | 1,483,280           |
| Grants                                  | 121,379             | -                                 | -                                 | 121,379             |
| Total public support                    | <u>3,828,388</u>    | <u>297,790</u>                    | <u>2,933</u>                      | <u>4,129,111</u>    |
| External special events                 | <u>298,510</u>      | <u>59,887</u>                     | <u>-</u>                          | <u>358,397</u>      |
| Internal special events                 | 1,335,697           | 53,440                            | -                                 | 1,389,137           |
| Less cost of direct benefit to donor    | <u>(484,757)</u>    | <u>-</u>                          | <u>-</u>                          | <u>(484,757)</u>    |
| Internal special events, net            | <u>850,940</u>      | <u>53,440</u>                     | <u>-</u>                          | <u>904,380</u>      |
| Total special events                    | <u>1,149,450</u>    | <u>113,327</u>                    | <u>-</u>                          | <u>1,262,777</u>    |
| Distribution from chapters              | (6,867)             | 19,792                            | -                                 | 12,925              |
| Investment income                       | 60,795              | -                                 | -                                 | 60,795              |
| Realized gains on investments           | 1,017               | -                                 | -                                 | 1,017               |
| Unrealized gain on investments          | 53,079              | -                                 | -                                 | 53,079              |
| Net assets released from restrictions   | <u>430,179</u>      | <u>(430,179)</u>                  | <u>-</u>                          | <u>-</u>            |
| Total revenues, gains and other support | <u>5,516,041</u>    | <u>730</u>                        | <u>2,933</u>                      | <u>5,519,704</u>    |
| Expenses and losses:                    |                     |                                   |                                   |                     |
| Program services:                       |                     |                                   |                                   |                     |
| Wish granting                           | 3,181,112           | -                                 | -                                 | 3,181,112           |
| Volunteer programs and training         | 113,150             | -                                 | -                                 | 113,150             |
| Public information                      | 198,125             | -                                 | -                                 | 198,125             |
| Total program services                  | <u>3,492,387</u>    | <u>-</u>                          | <u>-</u>                          | <u>3,492,387</u>    |
| Support services:                       |                     |                                   |                                   |                     |
| Fund raising                            | 745,748             | -                                 | -                                 | 745,748             |
| Management and general                  | 326,213             | -                                 | -                                 | 326,213             |
| Total support services                  | <u>1,071,961</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,071,961</u>    |
| Total expenses                          | <u>4,564,348</u>    | <u>-</u>                          | <u>-</u>                          | <u>4,564,348</u>    |
| Change in net assets                    | 951,693             | 730                               | 2,933                             | 955,356             |
| Net assets, beginning of the year       | <u>433,900</u>      | <u>456,130</u>                    | <u>33,215</u>                     | <u>923,245</u>      |
| Net assets, end of the year             | <u>\$ 1,385,593</u> | <u>\$ 456,860</u>                 | <u>\$ 36,148</u>                  | <u>\$ 1,878,601</u> |

The accompanying notes are an integral part of this financial statement.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2008

|                                 | Program services    |                                 |                    | Supporting services |                        | Totals              |
|---------------------------------|---------------------|---------------------------------|--------------------|---------------------|------------------------|---------------------|
|                                 | Wish granting       | Volunteer programs and training | Public information | Fund raising        | Management and general |                     |
| Direct costs of wishes          | \$ 2,890,078        | \$ -                            | \$ -               | \$ -                | \$ -                   | \$ 2,890,078        |
| Direct costs of fundraising     | -                   | -                               | -                  | 169,761             | -                      | 169,761             |
| Salaries, taxes and benefits    | 479,630             | 87,113                          | 77,206             | 427,002             | 274,742                | 1,345,693           |
| Professional fees               | 17,568              | 3,090                           | 3,400              | 13,682              | 26,290                 | 64,030              |
| Office supplies                 | 13,555              | 3,553                           | 1,823              | 10,666              | 4,990                  | 34,587              |
| Telephone / internet            | 16,744              | 3,084                           | 2,203              | 13,659              | 8,372                  | 44,062              |
| Postage / delivery              | 4,853               | 2,629                           | -                  | 10,919              | 1,820                  | 20,221              |
| Rent                            | 58,752              | 12,804                          | 7,532              | 46,701              | 28,623                 | 154,412             |
| Equipment lease and maintenance | 10,379              | 1,912                           | 1,366              | 8,467               | 5,190                  | 27,314              |
| Printing and promotion          | 73                  | -                               | 104,540            | 10,364              | 73                     | 115,050             |
| Travel / conferences            | 97,397              | 44,555                          | 25,279             | 38,923              | 6,809                  | 212,963             |
| Dues and subscriptions          | 558                 | -                               | -                  | 2,103               | 1,631                  | 4,292               |
| National assessment             | 129,222             | -                               | -                  | 27,567              | 15,507                 | 172,296             |
| Miscellaneous                   | 8,579               | 1,580                           | 1,129              | 6,999               | 4,290                  | 22,577              |
| Depreciation and amortization   | 7,578               | 1,396                           | 997                | 6,182               | 3,789                  | 19,942              |
|                                 | <u>\$ 3,734,966</u> | <u>\$ 161,716</u>               | <u>\$ 225,475</u>  | <u>\$ 792,995</u>   | <u>\$ 382,126</u>      | <u>\$ 5,297,278</u> |

The accompanying notes are an integral part of this financial statement.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2007

|                                 | Program services    |                                 |                    | Supporting services |                        | Totals              |
|---------------------------------|---------------------|---------------------------------|--------------------|---------------------|------------------------|---------------------|
|                                 | Wish granting       | Volunteer programs and training | Public information | Fund raising        | Management and general |                     |
| Direct costs of wishes          | \$ 2,462,485        | \$ -                            | \$ -               | \$ -                | \$ -                   | \$ 2,462,485        |
| Direct costs of fundraising     | -                   | -                               | -                  | 165,431             | -                      | 165,431             |
| Salaries, taxes and benefits    | 431,155             | 77,428                          | 64,461             | 405,829             | 220,752                | 1,199,625           |
| Professional fees               | 30,287              | 3,430                           | 2,940              | 18,377              | 32,508                 | 87,542              |
| Office supplies                 | 15,058              | 5,494                           | 2,207              | 10,762              | 4,441                  | 37,962              |
| Telephone / internet            | 15,496              | 2,354                           | 1,923              | 9,810               | 13,567                 | 43,150              |
| Postage / delivery              | 8,174               | 1,988                           | -                  | 10,383              | 1,546                  | 22,091              |
| Rent                            | 58,788              | 12,389                          | 8,830              | 47,095              | 23,548                 | 150,650             |
| Equipment lease and maintenance | 9,571               | 1,718                           | 1,472              | 7,853               | 3,926                  | 24,540              |
| Printing and promotion          | 374                 | -                               | 105,725            | 9,865               | 374                    | 116,338             |
| Travel / conferences            | 39,246              | 4,696                           | 6,444              | 20,167              | 5,596                  | 76,149              |
| Dues and subscriptions          | 124                 | -                               | 992                | 4,279               | 806                    | 6,201               |
| National assessment             | 90,006              | -                               | -                  | 19,201              | 10,801                 | 120,008             |
| Miscellaneous                   | 1,642               | 295                             | 253                | 1,347               | 674                    | 4,211               |
| Depreciation and amortization   | 18,706              | 3,358                           | 2,878              | 15,349              | 7,674                  | 47,965              |
|                                 | <u>\$ 3,181,112</u> | <u>\$ 113,150</u>               | <u>\$ 198,125</u>  | <u>\$ 745,748</u>   | <u>\$ 326,213</u>      | <u>\$ 4,564,348</u> |

The accompanying notes are an integral part of this financial statement.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

STATEMENTS OF CASH FLOWS

Years ended August 31,

|  | <u>2008</u>       | <u>2007</u>       |
|--|-------------------|-------------------|
| Cash flows from operating activities                                       |                   |                   |
| Change in net assets   | \$ 1,139,496      | \$ 955,357        |
| Adjustments to reconcile net loss to net cash used in operating activities |                   |                   |
| Net realized and unrealized (gain) loss on investments                     | 249,660           | (54,096)          |
| Depreciation and amortization  | 19,942            | 47,965            |
| Contributions restricted for endowment                                     | (500)             | (2,933)           |
| Change in beneficial interest in split-interest agreement                  | 22,450            | 17,675            |
| Changes in assets and liabilities  |                   |                   |
| Contributions receivable   | (928,382)         | (273,568)         |
| Due from affiliates  | (36,698)          | (2,402)           |
| Other assets   | (12,384)          | (38,627)          |
| Inventory  | (3,189)           | -                 |
| Accounts payable and accrued expenses                                      | (10,901)          | (113,016)         |
| Deferred contributions   | 44,689            | (88,020)          |
| Accrued pending wish costs   | 266,671           | 222,519           |
|  | <u>750,854</u>    | <u>670,854</u>    |
| Net cash provided by operating activities                                  |                   |                   |
| Cash flows from investing activities                                       |                   |                   |
| Purchase of investments  | (1,913,743)       | (1,284,405)       |
| Proceeds from sales of investments   | 1,124,158         | 766,811           |
| Purchase of equipment  | (22,055)          | (15,775)          |
|  | <u>(811,640)</u>  | <u>(533,369)</u>  |
| Net cash used in investing activities                                      |                   |                   |
| Cash flows from financing activities                                       |                   |                   |
| Payments on capital leases   | -                 | (9,056)           |
| Contributions restricted for endowment                                     | 500               | 2,933             |
|  | <u>500</u>        | <u>(6,123)</u>    |
| Net cash provided by (used in) financing activities                        |                   |                   |
| Net increase (decrease) in cash  | <u>(60,286)</u>   | <u>131,362</u>    |
| Cash at beginning of period  | <u>308,209</u>    | <u>176,847</u>    |
| Cash at end of period  | <u>\$ 247,923</u> | <u>\$ 308,209</u> |

The accompanying notes are an integral part of these financial statements.

# Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

## NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

### NOTE A - ORGANIZATION

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington (the Foundation) is a Washington nonprofit 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 develops and implements national programs in public relations and fund raising for the benefit of all local chapters. The Foundation is obligated to comply with the National Organization's bylaws, chapter agreement and such guidelines, resolutions, and policies as may be adopted by the national board.

The Foundation granted its first wish in 1987 and has granted a total of 3,756 wishes through August 31, 2008. For the year ended August 31, 2008, the Foundation granted 285 wishes within their territory at an average cost per wish of approximately \$8,400. For the year ended August 31, 2007, the Foundation granted 283 wishes at an average cost per wish of approximately \$8,000. Of the 285 and 283 wishes granted within their territory during the years ended August 31, 2008 and 2007, respectively, 22 and 0 wishes were funded by affiliated Make-A-Wish chapters. As of August 31, 2008, the Foundation had 259 total pending wishes, of which 168 are reportable pending wishes included in the accompanying statements of financial position.

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### 1. 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 (Audit Guide). Under the Audit Guide, not-for-profit organizations are required to provide a statement of financial position, a statement of activities, and a statement of cash flows which are prepared to focus on the organization as a whole and to 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:

- Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.
- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that require the Foundation to maintain net assets in perpetuity. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Support and revenue 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. Expirations of temporary restrictions on net assets, i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with an initial maturity of three months or less. Certain money market funds are held for investment purposes and have been classified as investments on the balance sheet.

3. Contributions

Contributions, grants, and bequests, including unconditional promises to give and split interest agreements, 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 services shall be recognized if the services received (a) create or enhance nonfinancial 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 approximately \$1,847,000 in 2008 and approximately \$1,503,000 in 2007. The services and material donations are comprised of the following in 2008 and 2007:

|                                  | <u>2008</u>         | <u>2007</u>         |
|----------------------------------|---------------------|---------------------|
| Direct cost of wishes            | \$ 1,605,000        | \$ 1,350,000        |
| Public relations and advertising | 3,000               | 28,000              |
| Printing and publications        | 107,000             | 56,000              |
| Professional fees                | 7,000               | 3,000               |
| Miscellaneous                    | 125,000             | 66,000              |
|                                  | <u>\$ 1,847,000</u> | <u>\$ 1,503,000</u> |
| Public support                   | \$ 1,806,000        | \$ 1,483,000        |
| Special events                   | 41,000              | 20,000              |
|                                  | <u>\$ 1,847,000</u> | <u>\$ 1,503,000</u> |

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-kind contributions related to special events scheduled subsequent to the fiscal year end are recorded as inventory and deferred contributions - special events.

4. Revenue Recognition

All contributions and grants are considered unrestricted unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned. Bequests are recorded as revenue at the time the Foundation has an established right to the bequest and the proceeds are measurable.

5. Investments

Consistent with SFAS 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*, the Foundation's investments with readily determinable market values are accounted for and reported at fair value. Gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor imposed restrictions. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same period as the gains and income are recognized.

6. Investment Income

Income and net gains (losses) on investments of board designated endowment and similar funds are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift or the Foundation's Board interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; or
- As increases (decreases) in unrestricted net assets in all other cases.

7. Temporarily Restricted Net Assets

The Foundation has adopted the following 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 contributions of unrestricted net assets.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- 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 at fair market value on the contribution date. Contributions of cash or other assets to be used to acquire land, building and equipment with donor stipulations are reported as contributions of temporarily restricted net assets; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

- Release of Temporary Restrictions on Net Assets

Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions included in total revenues, gains, and other support.

8. 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. The allowance for uncollectible receivables represents management's estimated uncollectible amounts from radiothon pledges. The Foundation determines its allowance primarily by considering its previous loss history.

9. Furniture and Equipment

Furniture and equipment are stated at cost when purchased or fair market value at the date of gift, if contributed, and are depreciated using the straight-line method from three to five years. Leasehold improvements are amortized over the life of the respective lease or the service life of the improvement, whichever is shorter.

10. Accrued Pending Wish Costs

The Chapter accrues for the estimated costs of reportable pending wishes when five certain, measurable wish criteria are met. Reportable pending wish criteria as of August 31, 2007 include receiving a referral, obtaining the medical eligibility form, contact with the wish family to determine the wish, approval by the local Chapter through its normal process, and that the wish is expected to be granted within the next fiscal year. The accruals are based on the budgeted wish costs. To the extent that the in-kind donations have been pledged to help underwrite the Foundation's granting of a wish, they are also accrued as contributions receivable.

Reportable pending wish criteria as of August 31, 2008 are the same with the exception of the criteria for approval by the local Chapter through its normal process. During 2008, the Foundation provided more specific guidance on the intent of these criteria. The criteria change ensures that wishes fall within the Foundation's wish granting policy rather than focusing on approval processes that vary across chapters. The new policy did not change amounts accrued for the Foundation.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. 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 Washington taxation.

12. Use of Estimates

In preparing the Foundation's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and support and expenses during the reporting period. Actual results could differ from those estimates.

13. Functional Expenses

The Foundation performs five functions: wish granting, volunteer programs and training, public information, fund raising, and management and general. 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 prior to their 18<sup>th</sup> birthday with life-threatening medical conditions to enrich the human experience with hope, strength and joy. In addition, activities performed by the Foundation, which promote administration of the wish program, the development of wish resources, handling of wish referrals, and medical outreach as well as activities related to board of directors' meetings.

***Volunteer Programs and Training*** Activities performed by the Foundation in development and implementation of all specific volunteer training functions of the Foundation.

***Public Information***: Activities performed by the Foundation communicating the purpose and services of the Foundation to all potential sources of referrals.

***Fund Raising*** Activities performed by the Foundation to generate funds and/or resources to support its programs and operations.

***Management and General***: All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to the organization's existence. This includes expenses for the overall direction of the organization, 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 allocated among the functions based generally on the amount of time spent by employees on each function.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at August 31:

|   | <u>2008</u>         | <u>2007</u>       |
|---|---------------------|-------------------|
| Contributions receivable                  | \$ 1,588,993        | \$ 664,089        |
| Less allowance for uncollectible accounts | <u>5,430</u>        | <u>8,908</u>      |
| Contributions receivables, net            | <u>\$ 1,583,563</u> | <u>\$ 655,181</u> |

Changes in the Foundation's allowance for uncollectible accounts are as follows for the years ended August 31:

|                      | <u>2008</u>     | <u>2007</u>     |
|----------------------|-----------------|-----------------|
| Beginning of year    | \$ 8,908        | \$ 2,804        |
| Bad debt expense     | 25,184          | 11,582          |
| Accounts written-off | <u>(28,662)</u> | <u>(5,478)</u>  |
| End of year          | <u>\$ 5,430</u> | <u>\$ 8,908</u> |

NOTE D - INVESTMENTS

Investments consist of the following at August 31:

|                       | <u>2008</u>         | <u>2007</u>         |
|-----------------------|---------------------|---------------------|
| Mutual funds          | \$ 1,730,261        | \$ 1,467,846        |
| Money market accounts | <u>404,967</u>      | <u>127,457</u>      |
| Long-term investments | <u>\$ 2,135,228</u> | <u>\$ 1,595,303</u> |

The Foundation had realized gains (losses) on investments of (\$79) and \$1,017 and unrealized gains (losses) of (\$249,581) and \$53,079 during fiscal 2008 and 2007, respectively.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31:

|  | <u>2008</u>      | <u>2007</u>      |
|--|------------------|------------------|
| Equipment and computer software                | \$ 489,933       | \$ 474,398       |
| Office furniture                               | 100,649          | 98,461           |
| Leasehold improvements                         | 43,343           | 39,011           |
|  | <u>633,925</u>   | <u>611,870</u>   |
| Less accumulated depreciation and amortization | 589,719          | 569,777          |
| Property and equipment, net                    | <u>\$ 44,206</u> | <u>\$ 42,093</u> |

NOTE F - RELATED PARTY TRANSACTIONS

The Foundation pays the National Organization an annual assessment fee, which was \$172,296 and \$120,008 for the years ended August 31, 2008 and 2007, respectively.

Due from affiliates of \$100,322 and \$63,624 at August 31, 2008 and 2007, respectively, includes amounts due from National Organization and other chapters. Due from other chapters of \$20,787 and \$19,792 at August 31, 2008 and 2007, respectively, represents receivables related to wish assists. Due from National Organization of \$79,535 and \$43,832 at August 31, 2008 and 2007, respectively, represents contributions received by the National Organization on behalf of the Foundation and in 2008, a grant from the National Organization.

As part of the National Organization's wish brokering program, chapters may apply for funds, which have been donated by other chapters to underwrite the cost of wishes. Under this program, the chapter received \$76,511 for the year ended August 31, 2008, which is recorded as program services grant revenue in the accompanying Statement of Activities and Changes in Net Assets.

NOTE G - BENEFICIAL INTEREST IN SPLIT-INTEREST AGREEMENT

In 1998, a donor granted the Foundation an interest in a charitable lead unitrust under which the Foundation receives 3% of the fair market value of the unitrust each year for ten years, ending in 2008. Prior to this year, the Foundation had recorded its beneficial interest in this unitrust as a receivable at fair value based on estimated future cash receipts at a discounted rate of 7%. Gains or losses resulting from changes in estimated fair value of underlying trust assets and accretions of the discount were recorded as increases or decreases in the respective net asset class in the statements of activities. The carrying value of the beneficial interest in split-interest agreement was \$0 and \$22,450 as of August 31, 2008 and 2007, respectively.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE H - LEASE COMMITMENTS

The Foundation conducts a portion of its operations utilizing leased facilities and equipment under operating leases expiring through 2014. The following is a schedule of future minimum lease payments under the noncancelable operating leases as of August 31, 2008:

| <u>Year ending August 31,</u> | <u>Operating lease</u> |
|-------------------------------|------------------------|
| 2009                          | \$ 104,904             |
| 2010                          | 28,838                 |
| 2011                          | 9,427                  |
| 2012                          | 8,755                  |
| 2013                          | 8,617                  |
| Thereafter                    | <u>1,982</u>           |
| Future minimum lease payments | <u>\$ 162,523</u>      |

Rent expense and equipment lease expense were approximately \$163,000 and \$159,000 for the years ended August 31, 2008 and 2007, respectively.

Property and equipment includes assets acquired under capital lease obligations that were completed in 2007. At August 31, 2007, leased assets had a cost of \$99,529 and were fully depreciated.

NOTE I - RESTRICTED NET ASSETS

Restricted net assets are restricted for the following purposes or reasons at August 31:

|                        | <u>2008</u>       | <u>2007</u>       |
|------------------------|-------------------|-------------------|
| Permanently restricted | \$ 36,648         | \$ 36,148         |
| Temporarily restricted |                   |                   |
| Time restriction       | 217,983           | 159,069           |
| Specific wishes        | <u>444,417</u>    | <u>297,791</u>    |
|                        | <u>\$ 699,048</u> | <u>\$ 493,008</u> |

Net assets released from restrictions for the year ended August 31, 2008 were for specific wish granting expenses of \$297,791 and for release of time restrictions of \$150,809. Net assets released from restrictions for the year ended August 31, 2007 were for specific wish granting expenses of \$199,868 and for release of time restrictions of \$230,311.

Make-A-Wish Foundation of Alaska, Montana, Northern Idaho and Washington

NOTES TO FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE J - RETIREMENT PLAN

The Foundation adopted a 403(b) retirement plan (the Plan) in April 1995. Under terms of the Plan, employees may elect to reduce their salary by an amount up to that allowed by statute. Employees are eligible for participation in the Plan upon hire. The Foundation matches 100% of the participant's deferral contributions up to 6% of their gross compensation. Employees are eligible to receive the matching contribution after completing one year and 1000 hours of service. Retirement plan expense was \$43,429 and \$40,451 for the years ended August 31, 2008 and 2007, respectively.

NOTE K - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations 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 to the amount in excess of the FDIC insurance coverage limit of \$250,000. Periodically throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In addition, significant contributions receivable subject the Foundation to concentrations of credit risk.

NOTE L - RISKS AND UNCERTAINTIES

The Chapter invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, overall market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Chapter's account balances and the amounts reported in the Statements of Financial Position.