



**MAKE-A-WISH FOUNDATION<sup>®</sup> OF  
PHILADELPHIA & SUSQUEHANNA VALLEY**

Financial Statements

August 31, 2009

(With Independent Auditors' Report Thereon)

# MAKE-A-WISH FOUNDATION<sup>®</sup> OF PHILADELPHIA & SUSQUEHANNA VALLEY

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KPMG LLP  
1601 Market Street  
Philadelphia, PA 19103-2499

## Independent Auditors' Report

The Board of Directors  
Make-A-Wish Foundation<sup>®</sup> of Philadelphia and Susquehanna Valley

We have audited the accompanying statement of financial position of Make-A-Wish Foundation<sup>®</sup> of Philadelphia and Susquehanna Valley (the Foundation) as of August 31, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation<sup>®</sup> of Philadelphia and Susquehanna Valley as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

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

**KPMG LLP**

January 29, 2010

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA & SUSQUEHANNA VALLEY**

Statement of Financial Position

August 31, 2009

**Assets**

Cash and cash equivalents	\$	43,250
Investments		4,057,971
Contributions receivable		322,223
Due from related entities		65,076
Property and equipment, net		34,210
Other assets		13,551
		<hr/>
Total assets	\$	<u>4,536,281</u>

**Liabilities and Net Assets**

Accounts payable and accrued expenses	\$	101,296
Accrued pending wish costs		908,925
Other liabilities		19,364
		<hr/>
Total liabilities		<u>1,029,585</u>
Commitments and contingencies		
Net assets:		
Unrestricted		3,284,928
Temporarily restricted		221,768
		<hr/>
Total net assets		<u>3,506,696</u>
		<hr/>
Total liabilities and net assets	\$	<u>4,536,281</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA & SUSQUEHANNA VALLEY**

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	\$ 2,203,009	—	2,203,009
In-kind contributions	747,005	221,768	968,773
Grants	147,692	—	147,692
Total public support	<u>3,097,706</u>	<u>221,768</u>	<u>3,319,474</u>
Special events	315,660	—	315,660
Less direct benefit costs to donor	(33,650)	—	(33,650)
Total special events	<u>282,010</u>	<u>—</u>	<u>282,010</u>
Investment income, net	166,554	—	166,554
Other income	3,503	—	3,503
Net assets released from restrictions	328,708	(328,708)	—
Total revenues, gains, and other support	<u>3,878,481</u>	<u>(106,940)</u>	<u>3,771,541</u>
Expenses:			—
Program services:			—
Wish granting	3,457,992	—	3,457,992
Program-related support	120,957	—	120,957
Public information	131,099	—	131,099
Total program services	<u>3,710,048</u>	<u>—</u>	<u>3,710,048</u>
Support services:			—
Fund raising	286,824	—	286,824
Management and general	251,060	—	251,060
Total support services	<u>537,884</u>	<u>—</u>	<u>537,884</u>
Total expenses	<u>4,247,932</u>	<u>—</u>	<u>4,247,932</u>
Change in net assets	(369,451)	(106,940)	(476,391)
Net assets, beginning of the year	<u>3,654,379</u>	<u>328,708</u>	<u>3,983,087</u>
Net assets, end of the year	\$ <u><u>3,284,928</u></u>	<u><u>221,768</u></u>	<u><u>3,506,696</u></u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA & SUSQUEHANNA VALLEY**

Statement of Cash Flows

Year ended August 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ (476,391)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	18,361
Net realized and unrealized gains on investments	(19,569)
Changes in assets and liabilities:	
Contributions receivable	68,555
Due from related entities	93,396
Other assets	16,611
Accounts payable and accrued expenses	(50,021)
Accrued pending wish costs	176,616
Other liabilities	852
Net cash used in operating activities	<u>(171,590)</u>
Cash flows from investing activities:	
Purchases of investments	(4,066,810)
Proceeds from sales of investments	4,105,443
Purchases of property and equipment	<u>(8,608)</u>
Net cash provided by investing activities	<u>30,025</u>
Net decrease in cash and cash equivalents	(141,565)
Cash and cash equivalents, beginning of year	<u>184,815</u>
Cash and cash equivalents, end of year	<u>\$ 43,250</u>
Supplemental cash flow information:	
In-kind gifts	\$ 968,773

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF PHILADELPHIA & SUSQUEHANNA VALLEY**

Statement of Functional Expenses

Year ended August 31, 2009

	<b>Program services</b>			<b>Support services</b>		<b>Total</b>
	<b>Wish granting</b>	<b>Program-related support</b>	<b>Public information</b>	<b>Fund raising</b>	<b>Management and general</b>	
Direct costs of wishes	\$ 2,872,794	—	—	—	—	2,872,794
Distributions to related entities	200,000	—	—	—	—	200,000
Salaries, taxes, and benefits	223,583	84,603	101,040	183,151	186,656	779,033
Printing, subscriptions, and publications	6,546	2,477	2,958	5,362	5,464	22,807
Professional fees	638	241	288	522	532	2,221
Rent and utilities	22,860	8,650	10,331	18,726	19,085	79,652
Postage and delivery	3,208	1,214	1,450	2,628	2,678	11,178
Travel	4,263	1,613	1,926	3,492	3,559	14,853
Meetings and conferences	2,194	12,017	991	28,161	1,831	45,194
Office supplies	7,506	2,840	3,392	6,149	6,266	26,153
Telephone	4,208	1,592	1,902	3,447	3,513	14,662
Repairs and maintenance	7,237	2,739	3,271	5,928	6,042	25,217
Dues and subscriptions	725	274	327	594	605	2,525
National partnership dues	95,104	—	—	22,825	8,876	126,805
Miscellaneous	1,856	703	842	1,522	1,554	6,477
Depreciation and amortization	5,270	1,994	2,381	4,317	4,399	18,361
	<u>\$ 3,457,992</u>	<u>120,957</u>	<u>131,099</u>	<u>286,824</u>	<u>251,060</u>	<u>4,247,932</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF  
PHILADELPHIA & SUSQUEHANNA VALLEY**

Notes to Financial Statements

August 31, 2009

**(1) Organization**

Make-A-Wish Foundation® of Philadelphia & Susquehanna Valley (the Foundation) is a Pennsylvania not-for-profit entity, 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) Fair Value Measurements**

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

**(c) Cash and Cash Equivalents**

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**(d) Investments**

Investments are recorded at fair value and consist of certificates of deposit, money market funds, and corporate bonds. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions or law.

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**(e) Contributions Receivable**

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

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

Property and equipment having a unit cost greater than \$250 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 over time in an amount equivalent to annual depreciation. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Foundation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

**(g) Net Assets**

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

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes. The Foundation does not have any permanently restricted net assets at August 31, 2009.
- **Temporarily restricted net assets** – Net assets subject to donor-imposed restrictions that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions.

**(h) Revenue Recognition**

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received

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August 31, 2009

with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Foundation received service and material donations included in the accompanying statement of activities as in-kind contributions at an estimated fair market value of \$968,773 in 2009.

**(i) Income**

The Foundation is a not-for-profit organization exempt from federal income and Pennsylvania taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 5 of the Laws of Pennsylvania, Institutions of Purely Public Charity Act. 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 there is no unrelated trade or business income.

In June 2006, the FASB issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which permits an additional one-year deferral of the effective date of FIN 48 for most nonpublic entities. FSP FIN 48-3 defers the effective date of FIN 48 for entities within its scope to annual financial statements for fiscal years beginning after December 15, 2008. A nonpublic entity that takes advantage of the deferral in FSP FIN 48-3 must explicitly disclose that fact, as well as its accounting policy for evaluating uncertain tax positions, in each set of financial statements affected by the deferral. During the deferral period, FASB intends to issue a separate FSP to explain how not-for-profit organizations should apply the provisions of FIN 48. It also plans to amend FIN 48's disclosure provisions for nonpublic entities. The Foundation has adopted the deferral and disclosure provisions of FIN 48-3 for its August 31, 2009 financial statements and will adopt the provisions of FIN 48 for the year ended August 31, 2010.

**(j) Functional Expenses**

The Foundation performs five functions: wish granting, program-related support, public information, fund raising, and management and general. Definitions of these functions are as follows:

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Notes to Financial Statements

August 31, 2009

**Wish Granting**

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

**Program-Related Support**

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, providing wish assistance for financially challenged chapters, out-of-territory wish placement, and administration of the wish program.

**Public Information**

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

**Fund Raising**

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

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

**Management and General**

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

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

**(k) Management Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

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August 31, 2009

**(3) Investments**

The Foundation adopted SFAS No. 157 on September 1, 2008 for fair value measurements of investments that are recognized at fair value in the financial statements. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Foundation’s own assumptions in determining the fair value of investments).

The following table presents investments at August 31, 2009:

<u>Description</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 43,250	43,250	—	—
Corporate bonds	438,750	438,750	—	—
Certificates of deposit	3,619,221	—	3,619,221	—
Total	<u>\$ 4,101,221</u>	<u>482,000</u>	<u>3,619,221</u>	<u>—</u>

For the valuation of corporate bonds at August 31, 2009, the Foundation used quoted prices in active markets for the underlying securities in the funds as of the valuation date (Level 1).

For the valuation of certificates of deposit at August 31, 2009, the Foundation used a pricing service using interest rates to determine fair market value as of the valuation date (Level 2).

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

Interest and dividend income	\$ 146,985
Realized and unrealized gains, net	<u>19,569</u>
Investment income, net	<u>\$ 166,554</u>

**(4) Contributions Receivable**

All amounts included in contributions receivable are considered to be collectible within one year.

**(5) Transactions with Related Parties**

The Foundation pays the National Organization an annual assessment fee, which was \$126,805 for the year ended August 31, 2009. The National Organization supports the Foundation by providing funding and

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August 31, 2009

support for the granting of wishes. Such support includes the identification of wish candidates, fundraising, and facilitating the delivery of wishes.

As part of the National Organization's Wish Fulfillment fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation supported four other chapters with contributions during the year totaling \$200,000, which is recorded as a direct wish expense.

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 \$3,300 for the year ended August 31, 2009, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31:		
Due from National Organization	\$	60,533
Due from other chapters		4,543

Amounts due from the National Organization represent contributions that are specified for the Foundation's use but were not yet transferred to the Foundation as of year-end.

During 2009, the Foundation received contributions, both cash and in-kind, from board members totaling \$10,030.

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

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

Computer equipment and software	\$	25,568
Office furniture		2,094
Other equipment		133,188
		<u>160,850</u>
Less accumulated depreciation and amortization		<u>(126,640)</u>
Property and equipment, net	\$	<u><u>34,210</u></u>

Depreciation and amortization expense totaled \$18,361 for the year ended August 31, 2009.

**(7) Accrued Pending Wish Costs**

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is

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considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

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

As of August 31, 2009, the Foundation had 114 reportable pending wishes.

**(8) Leases**

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through May 2012. Rent and utilities expense for the year ended August 31, 2009 totaled \$79,652.

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

	<b>Operating leases</b>
Years ending August 31:	
2010	\$ 77,611
2011	71,074
2012	58,844
Total minimum lease payments	\$ <u>207,529</u>

**(9) Temporarily Restricted Net Assets**

Temporarily restricted net assets in the amount of \$221,768 are available for the purpose of wish granting at August 31, 2009. For the year ended August 31, 2009, net assets of \$328,708 were released from purpose restriction.

**(10) Retirement Plan**

The Foundation has a defined contribution retirement plan. Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. This fiscal year, the Foundation matched employee contributions up to 3% of the participating employee's salary. Foundation contributions to the Plan for the year ended August 31, 2009 were \$11,891.

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August 31, 2009

**(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.

**(12) Litigation and Claims**

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

**(13) Subsequent Events**

Effective August 31, 2009, the Foundation adopted FASB Statement No. 165, *Subsequent Events* (SFAS 165), which establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Foundation evaluated subsequent events subsequent to August 31, 2009 and through January 29, 2010, the date on which the financial statements were approved for issuance.