KPMG

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE

Financial Statements

August 31, 2009

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE

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KPMG LLP
Suite 2000
303 Peachtree Street, NE
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Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation® of Middle Tennessee:

We have audited the accompanying statement of financial position of Make-A-Wish Foundation® of Middle Tennessee (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® of Middle Tennessee 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 described in note 3 to the financial statements net assets as of August 31, 2008 have been restated to correct misstatements from the Foundation's previously issued financial statements, which were audited by other auditors.

As discussed in notes 2 and 4 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

March 12, 2010

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE

Statement of Financial Position

August 31, 2009

Assets		
Cash and cash equivalents	$	278,837
Investments		150,000
Contributions receivable		58,560
Due from related entities		18,059
Property and equipment, net		20,055
Other assets		2,141
Total assets	$	527,652
Liabilities and Net Assets		
Accounts payable and accrued expenses	$	18,237
Accrued pending wish costs		160,720
Due to related entities		1,917
Capital lease obligations		6,622
Total liabilities		187,496
Commitments and contingencies		
Net assets:		
Unrestricted		255,596
Temporarily restricted		84,560
Total net assets		340,156
Total liabilities and net assets	$	527,652

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE

Statement of Activities

Year ended August 31, 2009

		Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$	418,799	5,000	423,799
In-kind contributions		276,803	43,810	320,613
Grants		12,560	35,000	47,560
Total public support		708,162	83,810	791,972
Special events		363,004	—	363,004
Less direct benefit costs to donor		(10,284)	—	(10,284)
Total special events		352,720	—	352,720
Investment income		8,054	—	8,054
Other income		4,151	—	4,151
Net assets released from restrictions		43,363	(43,363)	—
Total revenues, gains, and other support		1,116,450	40,447	1,156,897
Expenses:				
Program services:				
Wish granting		914,918	—	914,918
Total program services		914,918	—	914,918
Support services:				
Fund raising		127,720	—	127,720
Management and general		79,171	—	79,171
Total support services		206,891	—	206,891
Total expenses		1,121,809	—	1,121,809
Change in net assets		(5,359)	40,447	35,088
Net assets, beginning of the year, as restated (note 3)		260,955	44,113	305,068
Net assets, end of the year	$	255,596	84,560	340,156

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE

Statement of Cash Flows

Year ended August 31, 2009

Cash flows from operating activities:		
Change in net assets	$	35,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		7,507
Bad debt expense		69
Changes in assets and liabilities:		
Contributions receivable		488
Due from related entities		13,580
Other assets		2,711
Accounts payable and accrued expenses		(15,377)
Accrued pending wish costs		(21,348)
Due to related entities		1,917
Deferred grant revenue		(560)
Net cash provided by operating activities		24,075
Cash flows from investing activities:		
Purchases of investments		(150,000)
Proceeds from sale of investments		250,000
Purchases of property and equipment		(8,913)
Net cash provided by investing activities		91,087
Cash flows from financing activities:		
Principal repayments on capital lease obligations		(1,994)
Net decrease in cash and cash equivalents		113,168
Cash and cash equivalents, beginning of year		165,669
Cash and cash equivalents, end of year	$	278,837
Supplemental cash flow information:		
Cash paid for interest	$	1,186
In-kind gifts		320,613

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF MIDDLE TENNESSEE

Statement of Functional Expenses

Year ended August 31, 2009

	Program Services	Support services		
	Wish granting	Fund raising	Management and general	Total
Direct costs of wishes	$ 652,792	—	—	—
Salaries, taxes, and benefits	189,792	59,758	50,100	109,858
Printing, subscriptions, and publications	1,582	4,153	382	4,535
Professional fees	520	241	3,192	3,433
Rent and utilities	21,595	9,986	8,380	18,366
Postage and delivery	1,385	1,638	529	2,167
Travel	564	5,324	404	5,728
Meetings and conferences	2,549	3,355	3,395	6,750
Office supplies	2,452	1,303	792	2,095
Telephone	3,231	1,699	870	2,569
Media and advertising – Cash	—	12,600	—	12,600
Media and advertising – In-kind	—	12,995	—	12,995
Repairs and maintenance	1,990	968	796	1,764
Insurance	1,128	523	438	961
Bad debt expense	—	69	—	69
Membership dues	230	175	300	475
National partnership dues	26,283	6,308	2,453	8,761
Miscellaneous	4,770	4,746	5,567	10,313
Depreciation and amortization	4,055	1,879	1,573	3,452
	$ 914,918	127,720	79,171	206,891

See accompanying notes to financial statements.

(1) Organization

Make-A-Wish Foundation® of Middle Tennessee (the Foundation) is a Tennessee not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating local chapter of Make-A-Wish Foundation of America (the 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 Foundation 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 those that reflect the reporting entity's own views 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 in the accompanying statement of financial position. 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.

(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 unconditional promises to give received prior to September 1, 2008. Unconditional promises to give received beginning September 1, 2008, are discounted using fair value rates.

(f) Property and Equipment, Net

Property and equipment with a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and any 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 5 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, 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 designated or unrestricted purposes.
- **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 contribution 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 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

(Continued)

the expense as unrestricted net assets. 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 the following service and material donations which are included in the accompanying statement of activities as in-kind contributions and program or supporting services expenses in 2009:

Advertising and media	$	12,995
Limousine Services		13,575
Frequent flyer miles		28,964
Theme park admission and related lodging		184,062
Other wish related donations		81,017
Total	$	320,613

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). 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.

In June 2006, the FASB issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN No. 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 No. 48 for most nonpublic entities. FSP FIN 48-3 defers the effective date of FIN No. 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 No. 48. It also plans to amend FIN No. 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 No. 48 for the year ended August 31, 2010.

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(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 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.

(3) Restatement

The Foundation's August 31, 2008 net assets have been restated for the following:

		Unrestricted net assets	Temporarily restricted net assets	Total net assets
Net assets, as reported at August 31, 2008	$	270,432	70,409	340,841
Net asset classification error		(9,477)	9,477	—
In-kind contributions receivable error		—	(35,773)	(35,773)
Total correction to net assets		(9,477)	(26,296)	(35,773)
Net assets at August 31, 2008, as restated	$	260,955	44,113	305,068

The Foundation restated its net assets as of August 31, 2008 to correctly reflect unconditional promises to give expected to be received in future periods as temporarily restricted net assets and to record in-kind contributions receivable during the period in which sufficient evidence of a promise to give was received. The impact of the correction of the error on the August 31, 2008 statement of activities would have decreased total change in net assets from $58,873 to $23,100.

(4) Cash and Cash Equivalents and Investments

The Foundation adopted SFAS No. 157 on September 1, 2008 for fair value measurements of cash and cash equivalents and 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, prepayments speeds, 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 the Foundation's fair value measurements at August 31, 2009:

Description		August 31, 2009	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	$	278,837	278,837	—	—
Certificates of deposit		150,000	—	150,000	—
Total	$	428,837	278,837	150,000	—

For the valuation of certificates of deposits 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).

Investment income for the year ended August 31, 2009 consist of interest and dividend income totaling $8,054.

(5) Contributions Receivable

Contributions receivable at August 31, 2009 totaled $58,560, all of which is due from donors in one year. All contributions receivable at August 31, 2009 are deemed fully collectible.

(6) Transactions with Related Entities

The Foundation pays the National Organization an annual assessment fee, which was $35,044 for the year ended August 31, 2009. The National Organization supports the Foundation by providing funding and support for the granting of wishes. Such support includes the identification of wish candidates, fundraising, and facilitating the delivery of wishes.

Chapters who assist with the organization and granting of wishes from other local chapters are paid a "fee for service." Under this program, the Foundation received $4,051 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 at August 31, 2009 are as follows:

Due from National Organization	$	15,375
Due from other chapters		2,684
	$	18,059
Due to National Organization	$	1,917

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

Amounts due from other chapters represent wish assist fees. Amounts due to the National Organization represent future payments for employee benefits.

During 2009, the Foundation received contributions, both cash and in-kind, from board members totaling $9,950. Amounts due to related parties totaled $1,917 and are included in due to related entities in the accompanying statement of financial position.

(7) Property and Equipment, Net

Property and Equipment of August 31, 2009 consist of the following:

Computer equipment and software	$	21,716
Office furniture		3,679
Other equipment		15,489
		40,884
Less accumulated depreciation and amortization		(20,829)
Property and equipment, net	$	20,055

Depreciation and amortization expense totaled $7,507 for the year ended August 31, 2009.

(8) 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, 2009, the Foundation had approximately 28 reportable pending wishes.

(9) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through November 2011. As of August 31, 2009, the cost of leased property and equipment under capital lease was $11,795 and accumulated amortization was $6,487. Total rent expense for all operating leases for the year ended August 31, 2009 totaled $28,600.

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

		Operating leases		Capital leases
Years ending August 31:				
2010	$	28,600		3,757
2011		23,833		3,468
2012		—		867
Total minimum lease payments	$	52,433		8,092
Less amounts representing interest				(1,470)
Present value of net minimum lease payments			$	6,622

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets totaling $84,560 as of August 31, 2009 are time restricted and will be released from restriction in future periods.

For the year ended August 31, 2009, net assets of $43,363 were released from time restrictions.

(11) Significant Risks and Uncertainties Including Credit Concentrations

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 $184,062 were received from a single donor during 2009, which represents 23% of total public support. Should contribution levels decrease, the Foundation may be adversely affected.

(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*, 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 events subsequent to August 31, 2009 and through March 12, 2010, the date on which the financial statements were issued.