Financial Statements and Report of
Independent Certified Public Accountants

Make-A-Wish Foundation of Middle Tennessee, Inc.

August 31, 2008 and 2007

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Audit • Tax • Advisory

Grant Thornton LLP
201 S College Street, Suite 2500
Charlotte, NC 28244-0100

T 704.632.3500
F 704.334.7701

www.GrantThornton.com

Report of Independent Certified Public Accountants

To the Board of Directors of
Make-A-Wish Foundation of Middle Tennessee, Inc.:

We have audited the accompanying statements of financial position of **Make-A-Wish Foundation of Middle Tennessee, Inc.** (the Foundation) as of August 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation of Middle Tennessee, Inc. 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.

Grant Thornton LLP

Charlotte, North Carolina
December 24, 2008

Statements of financial position

August 31	2008	2007
	$	$
Assets		
Cash	165,669	332,063
Certificates of deposit	250,000	-
Contributions receivable, net	94,890	126,177
Due from National Organization	31,639	14,332
Other assets	4,852	1,591
Furniture and equipment, net	18,649	17,970
	565,699	492,133
Liabilities and net assets		
Accounts payable and accrued expenses	33,614	32,634
Deferred grant revenue	560	34,500
Accrued pending wish costs	182,068	132,585
Capital lease obligation	8,616	10,446
Total liabilities	224,858	210,165
Commitments and contingencies		
Net assets:		
Unrestricted	270,432	225,966
Temporarily restricted	70,409	56,002
Total net assets	340,841	281,968
	565,699	492,133

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

Statements of activities

For the year ended August 31, 2008	Unrestricted	Temporarily Restricted	Total
	$	$	$
Revenues and other support:			
Public support:			
Direct public support	253,099	-	253,099
Corporate gifts	160,003	-	160,003
In-kind gifts	186,579	70,409	256,988
Grants	46,740	-	46,740
Total public support	646,421	70,409	716,830
External special events	315,173	-	315,173
Internal special events	118,704	-	118,704
Less - Costs of direct benefits to donors	(19,660)	-	(19,660)
Internal special events, net	99,044	-	99,044
Total special events	414,217	-	414,217
Other income	13,015	-	13,015
Net assets released from restrictions	56,002	(56,002)	-
Total revenues, gains and other support	1,129,655	14,407	1,144,062
Expenses:			
Program services – Wish granting	853,195	-	853,195
Support services:			
Fund raising	152,872	-	152,872
Management and general	79,122	-	79,122
Total support services	231,994	-	231,994
Total expenses	1,085,189	-	1,085,189
Change in net assets	44,466	14,407	58,873
Net assets, beginning of year	225,966	56,002	281,968
Net assets, end of year	270,432	70,409	340,841

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

Statements of activities (cont'd)

For the year ended August 31, 2007	Unrestricted	Temporarily Restricted	Total
	$	$	$
Revenues and other support:			
Public support:			
Direct public support	254,154	-	254,154
Corporate gifts	128,867	-	128,867
In-kind gifts	122,587	56,002	178,589
Grants	79,350	-	79,350
Total public support	584,958	56,002	640,960
External special events	191,908	-	191,908
Internal special events	170,999	-	170,999
Less - Costs of direct benefits to donors	(26,086)	-	(26,086)
Internal special events, net	144,913	-	144,913
Total special events	336,821	-	336,821
Other income	6,583	-	6,583
Net assets released from restrictions	51,446	(51,446)	-
Total revenues, gains and other support	979,808	4,556	984,364
Expenses:			
Program services – Wish granting	594,530	-	594,530
Support services:			
Fund raising	103,085	-	103,085
Management and general	91,499	-	91,499
Total support services	194,584	-	194,584
Total expenses	789,114	-	789,114
Change in net assets	190,694	4,556	195,250
Net assets, beginning of year	35,272	51,446	86,718
Net assets, end of year	225,966	56,002	281,968

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

Statements of functional expenses

	Progarm Services	Support Services		
For the year ended August 31, 2008	Wish Granting	Fund Raising	Management and General	Total
	$	$	$	$
Direct cost of wishes	619,294	-	-	619,294
Direct cost of fund raising	-	14,140	-	14,140
Salaries, taxes and benefits	169,877	54,393	52,359	276,629
Professional fees	783	754	739	2,276
Office supplies	2,555	1,270	1,250	5,075
Telephone	3,124	1,734	1,034	5,892
Postage and delivery	1,286	6,274	447	8,007
Rent	18,075	8,480	8,456	35,011
Equipment lease and maintenance	2,459	1,412	1,209	5,080
Printing and publications	1,309	8,110	205	9,624
Travel/conferences	3,771	5,990	3,164	12,925
Dues and subscriptions	175	550	140	865
National assessment	24,163	5,799	2,255	32,217
Insurance	991	485	503	1,979
Bad debt expense	-	36,255	-	36,255
Miscellaneous expense	1,924	5,647	6,038	13,609
Depreciation and amortization	3,409	1,579	1,323	6,311
	853,195	152,872	79,122	1,085,189

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

Statements of functional expenses (cont'd)

	Program Services	Support Services		
For the year ended August 31, 2007	Wish Granting	Fund Raising	Management and General	Total
	$	$	$	
Direct cost of wishes	428,946	-	-	428,946
Direct cost of fund raising	-	3,706	-	3,706
Salaries, taxes and benefits	108,183	52,934	61,553	222,670
Professional fees	3,222	1,709	1,724	6,655
Office supplies	3,611	2,285	1,780	7,676
Telephone	2,821	1,394	912	5,127
Postage and delivery	1,466	3,623	740	5,829
Rent	14,757	7,638	7,838	30,233
Equipment lease and maintenance	608	280	750	1,638
Printing and publications	5,106	2,528	2,732	10,366
Travel/conferences	3,436	5,789	6,129	15,354
Dues and subscriptions	448	448	-	896
National assessment	15,763	3,783	1,471	21,017
Insurance	925	458	494	1,877
Bad debt expense	-	12,223	-	12,223
Miscellaneous expense	3,202	3,279	4,286	10,767
Depreciation and amortization	2,036	1,008	1,090	4,134
	594,530	103,085	91,499	789,114

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

Statements of cash flows

For the years ended August 31	2008	2007
	$	$
Cash flows from operating activities:		
Change in net assets	58,873	195,250
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,311	4,134
Bad debt expense	36,255	12,221
Loss on disposal of assets	-	28
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	(4,968)	4,204
Due from/to National Organization	(17,307)	(25,344)
Other assets	(3,261)	3,139
Accounts payable and accrued expenses	980	1,262
Deferred grant revenue	(33,940)	(10,500)
Accrued pending wish costs	49,483	10,328
Net cash provided by operating activities	92,426	194,722
Cash flows from investing activities:		
Purchase of furniture and equipment	(6,990)	(6,744)
Purchase of short-term investments	(250,000)	-
Net cash used in investing activities	(256,990)	(6,744)
Cash flows from financing activities:		
Payments on capital lease	(1,830)	(1,710)
Net cash used in financing activities	(1,830)	(1,710)
(Decrease) increase in cash	(166,394)	186,268
Cash, beginning of year	332,063	145,795
Cash, end of year	165,669	332,063
Cash paid for interest	1,637	1,252
Noncash – Capital lease obligation	-	11,795

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

Notes to financial statements

1 Organization

Make-A-Wish Foundation of Middle Tennessee, Inc. (the Foundation) is a Tennessee not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening illnesses. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization) which is obligated 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 the National Organization's bylaws, chapter agreement and such guidelines, resolutions and policies as may be adopted by the National Organization.

The Foundation granted its first wish in 2000 and has granted a total of approximately 674 wishes through August 31, 2008. The Foundation granted 94 and 78 wishes during the fiscal years ended August 31, 2008 and 2007, respectively. The average direct cost of a wish was approximately $6,588 and $5,499 for the years ended August 31, 2008 and 2007, respectively. As of August 31, 2008 and 2007, the Foundation had 33 and 37 total pending wishes, respectively, which are reported as accrued pending wishes in the accompanying statements of financial position.

In addition to the 94 and 78 wishes granted in fiscal years 2008 and 2007, respectively, the Make-A-Wish Foundation of Middle Tennessee also assisted in 15 and 22 wishes on behalf of other chapters in fiscal 2008 and 2007, respectively.

2 Summary of Significant Accounting Policies

Basis of Presentation

The Foundation presents its accounts in accordance with the American Institute of Certified Public Accountants (AICPA) 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:

Permanently Restricted Net Assets **-** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. 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. The Foundation has no permanently restricted assets.

Temporarily Restricted Net Assets **-** Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Unrestricted Net Assets **-** Net assets not subject to donor-imposed stipulations.

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

The Foundation follows the provisions of AICPA Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fund Raising* (SOP 98-2). The statement requires that, if the criteria of purpose, audience and content as defined by the SOP are met, the costs of joint activities that are identifiable with a particular function should be charged to that function and joint costs should be allocated between fund raising and the appropriate program or management and general function.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, and other support and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less and restricted cash available for current use to be cash equivalents. As of August 31, 2008, the Foundation held one certificate of deposit with an original maturity of three months from maturity in the amount of $50,000, which has been recorded as a cash equivalent. There were no cash equivalents as of August 31, 2007.

Certificates of Deposit

The Foundation has two certificate of deposit (CD) arrangements which have a fixed interest rate. Early withdrawal of either CD would result in a forfeiture of interest, based on formulas fixed by the issuer. Interest accrued at August 31, 2008, was approximately $1,100. There were no CDs held at August 31, 2007.

Contributions

Under the Audit Guide, contributions, grants and bequests, including unconditional promises to give, are recognized as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities. Contributions of assets other than cash are recorded at their estimated fair value. 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 in-kind gifts of services and material donations, included in the accompanying statements of activities at an estimated fair market value, of approximately $257,000 and $179,000 for the years ended August 31, 2008 and 2007, respectively.

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 revenues of unrestricted net assets.

Release of Restrictions on Net Assets for Acquisition of Land, Building and Equipment

Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, building and equipment with donor stipulations are reported as revenues of temporarily restricted net assets; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions Receivable, Net

Contributions receivable represent contributions acknowledged in writing from third parties prior to August 31, but not transmitted to the Foundation until after that date. A provision for doubtful accounts on contributions receivable is provided based on analysis of historical losses, anticipated collections and recoveries. Contributions receivable are written off when deemed uncollectible.

Contributions receivable are summarized as follows:

At August 31	**2008**	**2007**
	$	**$**
Unconditional promises expected to be collected in:		
Less than one year	98,521	120,829
One to five years	500	18,550
Total	99,021	139,379
Less – Unamortized discount	-	(2,801)
Less – Allowance for uncollectibles	(4,131)	(10,401)
Contributions receivable, net	94,890	126,177

Furniture and Equipment, Net

Furniture and equipment are recorded at cost when purchased or at fair value at the date of gift, if contributed, and are depreciated or amortized using the straight-line method over three to five years.

Deferred Grant Revenue

The Foundation received cash from three separate grants to fulfill wishes; however, the grants require certain conditions to be met. The Foundation recorded $560 and $34,500 as deferred revenue until the conditions of the grants have been met as of August 31, 2008 and 2007, respectively.

Accrued Pending Wish Costs

The Foundation 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, having contact with the wish family to determine the wish, obtaining approval by the local Foundation through its normal process and having an expectation that the wish is to be granted within the next fiscal year.

Reportable pending wish criteria as of August 31, 2008, are the same with the exception of the criteria for approval by the local Foundation 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 Foundations' wish granting policy rather than focusing on approval processes that vary across chapters.

National Foundation restrictions prohibit wishes for firearms, money, medical treatment or wishes involving large-scale support. Further guidance has also been given in the determination of whether a wish meets the fiscal criteria. Wishes that may not meet this criterion include specific sporting events such as the Olympics, celebrities with an unusually long waiting list or wishes that are on medical hold as a child's condition worsens.

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 Tennessee taxation.

Impairment of Long-lived Assets

The Foundation reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value less costs to sell. There were no impaired assets as determined by the Foundation for fiscal years August 31, 2008 and 2007.

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 fulfill wishes to children with life-threatening medical conditions.

Fund Raising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2008 and 2007, the Foundation incurred no joint costs for activities that included 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. These costs include expenses for the overall direction of the Foundation, business management, general record-keeping, budgeting, financial reporting and activities relating to these functions such as salaries, rent, supplies, equipment and other general overhead.

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

3 Furniture and Equipment, Net

A summary of furniture and equipment, net as of August 31, 2008 and 2007, follows:

At August 31	2008	2007
	$	$
Computer equipment and software	13,702	11,338
Office furniture	2,779	2,779
Office equipment	15,489	15,489
Total	31,970	29,606
Less – Accumulated depreciation and amortization	(13,321)	(11,636)
Furniture and equipment, net	18,649	17,970

4 Transactions with National Organization

The Foundation pays the National Organization an annual assessment fee, which was $32,217 and $21,017 for the years ended August 31, 2008 and 2007, respectively.

5 Due from National Organization and Due to National Organization

The due from National Organization's balance of $31,639 and $14,332 as of August 31, 2008 and 2007, represents contributions received by the National Office on behalf of the Foundation. During fiscal 2008, the National Organization changed its policy regarding how the Foundation receives payments under the direct mail program. The National Organization chose to estimate the total each chapter will receive for an entire calendar year and make payments to the chapter in advance.

6 Commitments and Contingencies

Operating Leases

The Foundation leases office facilities under a lease that expires June 2011. In addition, the Foundation leases a mailing machine, which said lease expires January 2009. Total rent expense for the years ended August 31, 2008 and 2007, was $35,011 and $30,233, respectively. The monthly lease payments for the office space increased from 2007 to 2008 by 4%, per the terms of the lease agreement. The monthly lease payments will remain constant through the remainder of the lease. The future minimum lease payments under the operating lease arrangements are as follows:

Future minimum lease payments under the operating lease arrangements are scheduled as follows:

	Amount
Years ended August 31:	$
2009	28,710
2010	28,600
2011	23,833
	81,143

Capital Leases

The Foundation leases a printer copier under a capital lease that expires in 2011. The total value of the asset under the capital lease is $11,795, included in office equipment on the current year statement of financial position, and the associated accumulated depreciation is $4,128. The related obligation under the capital lease is $8,616.

The future minimum lease payments under the capital lease arrangements are scheduled as follows:

	Amount
Years ended August 31:	**$**
2009	3,468
2010	3,468
2011	3,468
2012 and after	867
	11,271
Less - Amounts representing interest	(2,655)
Total capital lease obligation	8,616

7 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose:

	2008	2007
	$	$
Specific types of wishes	70,409	56,002

8 Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2008	2007
	$	$
Purpose restrictions accomplished for specific types of wishes	56,002	51,446

9 Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, cash equivalents, certificates of deposit and investments. The Foundation places its cash, cash equivalents 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 $100,000. From time to time throughout the year, the Foundation's cash, cash equivalents, certificates of deposit and investment balances may exceed the amount of the FDIC insurance coverage. However, the Foundation does not anticipate nonperformance by the financial institutions.