

Financial Statements and Report of  
Independent Certified Public Accountants  
**Make-A-Wish Foundation of Middle Tennessee, Inc.**  
August 31, 2005 and 2004

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

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## 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, 2005 and 2004, 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 Auditing Standards Board of 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, 2005 and 2004, 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  
November 2, 2005

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

## Statements of Financial Position

August 31, 2005 and 2004

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	<u>Assets</u>	<u>2005</u>	<u>2004</u>
Cash and cash equivalents		\$131,342	\$ 26,737
Contributions receivable, net		59,923	60,560
Due from National Organization		13,854	45,463
Furniture and equipment, net		5,826	6,231
Other assets		14,015	20,176
		<u>\$224,960</u>	<u>\$159,167</u>
	<u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses		\$ 21,811	\$ 22,944
Accrued pending wish costs		32,407	184,852
Due to National Organization		25,000	0
Total liabilities		<u>79,218</u>	<u>207,796</u>
Commitments and contingencies			
Net assets (deficit):			
Unrestricted		130,327	(102,025)
Temporarily restricted		15,415	53,396
Total net assets (deficit)		<u>145,742</u>	<u>(48,629)</u>
		<u>\$224,960</u>	<u>\$159,167</u>

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

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

## Statement of Activities

For the Year Ended August 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and other support:</b>			
Public support:			
Direct public support	\$119,396	\$ 0	\$119,396
Corporate gifts	67,766	0	67,766
In-kind gifts	112,428	15,415	127,843
Grants	27,400	0	27,400
Total public support	<u>326,990</u>	<u>15,415</u>	<u>342,405</u>
External special events	<u>153,450</u>	<u>0</u>	<u>153,450</u>
Internal special events	<u>132,024</u>	<u>0</u>	<u>132,024</u>
Less costs of direct benefits to donors	<u>(8,896)</u>	<u>0</u>	<u>(8,896)</u>
Internal special events, net	<u>123,128</u>	<u>0</u>	<u>123,128</u>
Total special events	<u>276,578</u>	<u>0</u>	<u>276,578</u>
Other income	<u>3,289</u>	<u>0</u>	<u>3,289</u>
Net assets released from restrictions	<u>53,396</u>	<u>(53,396)</u>	<u>0</u>
Total revenues, gains and other support	<u>660,253</u>	<u>(37,981)</u>	<u>622,272</u>
<b>Expenses:</b>			
Program services – Wish granting	<u>206,467</u>	<u>0</u>	<u>206,467</u>
Support services:			
Fund raising	<u>123,198</u>	<u>0</u>	<u>123,198</u>
Management and general	<u>98,236</u>	<u>0</u>	<u>98,236</u>
Total support services	<u>221,434</u>	<u>0</u>	<u>221,434</u>
Total expenses	<u>427,901</u>	<u>0</u>	<u>427,901</u>
<b>Increase (decrease) in net assets</b>	<u>232,352</u>	<u>(37,981)</u>	<u>194,371</u>
<b>Net (deficit) assets, beginning of year</b>	<u>(102,025)</u>	<u>53,396</u>	<u>(48,629)</u>
<b>Net assets, end of year</b>	<u><u>\$130,327</u></u>	<u><u>\$ 15,415</u></u>	<u><u>\$145,742</u></u>

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

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

## Statement of Activities

For the Year Ended August 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and other support:</b>			
Public support:			
Direct public support	\$ 69,042	\$ 0	\$ 69,042
Corporate gifts	108,308	0	108,308
In-kind gifts	67,180	53,396	120,576
Grants	73,000	0	73,000
Total public support	<u>317,530</u>	<u>53,396</u>	<u>370,926</u>
External special events	<u>135,464</u>	<u>0</u>	<u>135,464</u>
Internal special events	<u>65,257</u>	<u>0</u>	<u>65,257</u>
Less costs of direct benefits to donors	<u>(6,803)</u>	<u>0</u>	<u>(6,803)</u>
Internal special events, net	<u>58,454</u>	<u>0</u>	<u>58,454</u>
Total special events	<u>193,918</u>	<u>0</u>	<u>193,918</u>
Other income	<u>4,163</u>	<u>0</u>	<u>4,163</u>
Net assets released from restrictions	<u>32,011</u>	<u>(32,011)</u>	<u>0</u>
Total revenues and other support	<u>547,622</u>	<u>21,385</u>	<u>569,007</u>
<b>Expenses:</b>			
Program services – Wish granting	<u>411,925</u>	<u>0</u>	<u>411,925</u>
Support services:			
Fund raising	<u>129,174</u>	<u>0</u>	<u>129,174</u>
Management and general	<u>92,613</u>	<u>0</u>	<u>92,613</u>
Total support services	<u>221,787</u>	<u>0</u>	<u>221,787</u>
Total expenses	<u>633,712</u>	<u>0</u>	<u>633,712</u>
<b>(Decrease) increase in net assets</b>	<u>(86,090)</u>	<u>21,385</u>	<u>(64,705)</u>
<b>Net (deficit) assets, beginning of year</b>	<u>(15,935)</u>	<u>32,011</u>	<u>16,076</u>
<b>Net (deficit) assets, end of year</b>	<u><u>\$(102,025)</u></u>	<u><u>\$53,396</u></u>	<u><u>\$ (48,629)</u></u>

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

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

## Statement of Functional Expenses For the Year Ended August 31, 2005

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	Program Services	Support Services		
	Wish Granting	Fund Raising	Management and General	Total
Direct cost of wishes	\$139,079	\$ 0	\$ 0	\$139,079
Direct cost of fund raising	0	8,381	0	8,381
Salaries, taxes and benefits	48,724	84,072	60,648	193,444
Professional fees	730	839	9,900	11,469
Office supplies	961	1,591	1,147	3,699
Telephone	2,233	2,892	1,826	6,951
Postage and delivery	957	1,587	1,145	3,689
Rent	6,886	11,545	8,299	26,730
Equipment lease and maintenance	710	1,286	1,637	3,633
Printing and publications	959	1,536	1,132	3,627
Travel/conferences	1,860	3,430	5,017	10,307
Dues and subscriptions	198	389	238	825
National assessment	1,001	1,971	1,208	4,180
Insurance	960	1,610	1,158	3,728
Miscellaneous expense	1,209	2,069	2,254	5,532
Depreciation and amortization	0	0	2,627	2,627
	<u>\$206,467</u>	<u>\$123,198</u>	<u>\$98,236</u>	<u>\$427,901</u>

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

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

## Statement of Functional Expenses For the Year Ended August 31, 2004

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	Program Services	Support Services		
	Wish Granting	Fund Raising	Management and General	Total
Direct cost of wishes	\$332,208	\$ 0	\$ 0	\$332,208
Salaries, taxes and benefits	50,597	84,819	60,972	196,388
Professional fees	5,450	9,149	6,580	21,179
Office supplies	1,742	2,921	2,100	6,763
Telephone	1,809	3,032	2,180	7,021
Postage and delivery	1,081	1,814	1,303	4,198
Rent	6,728	11,282	8,111	26,121
Equipment lease and maintenance	422	709	510	1,641
Printing and publications	3,095	5,191	3,730	12,016
Travel/conferences	2,651	4,444	3,195	10,290
National assessment	2,953	719	283	3,955
Dues and subscriptions	183	45	18	246
Insurance	577	968	696	2,241
Miscellaneous expense	1,833	3,083	2,216	7,132
Depreciation and amortization	596	998	719	2,313
	<u>\$411,925</u>	<u>\$129,174</u>	<u>\$92,613</u>	<u>\$633,712</u>

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



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

## Statements of Cash Flows

For the Years Ended August 31, 2005 and 2004

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	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$194,371	\$(64,705)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,627	2,313
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	637	33,905
Due from National Organization	31,609	(20,946)
Other assets	6,161	(13,744)
Accounts payable and accrued expenses	(1,133)	3,163
Accrued pending wish costs	(152,445)	71,361
Net cash provided by operating activities	<u>81,827</u>	<u>11,347</u>
<b>Cash flows from investing activities – Acquisition of furniture and equipment</b>	<u>(2,222)</u>	<u>(210)</u>
<b>Cash flows from financing activities – Borrowing from (repayment to) National Organization</b>	<u>25,000</u>	<u>(3,482)</u>
<b>Increase in cash and cash equivalents</b>	<u>104,605</u>	<u>7,655</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>26,737</u>	<u>19,082</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$131,342</u></u>	<u><u>\$ 26,737</u></u>

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

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

## **Notes to Financial Statements August 31, 2005 and 2004**

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### **Note A – 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 420 wishes through August 31, 2005. The Foundation granted 49 and 48 wishes during the fiscal years ended August 31, 2005 and 2004, respectively. The average direct cost of a wish was approximately \$5,949 and \$5,226 for the years ended August 31, 2005 and 2004, respectively. As of August 31, 2005 and 2004, respectively, the Foundation had 8 and 46 total accrued pending wishes which are included in the statements of financial position.

In addition to the 49 and 48 wishes granted in fiscal years 2005 and 2004, respectively, an additional 23 and 25 wishes were granted to Middle Tennessee children through the Make-A-Wish Foundation of America brokered wish program. The Make-A-Wish Foundation of Middle Tennessee also assisted in 12 and 7 wishes on behalf of other chapters in fiscal 2005 and 2004, respectively.

### **Note B – Summary of Significant Accounting Policies**

#### **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. In addition, voluntary health and welfare organizations are also required to provide a statement of functional expenses.

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

## Notes to Financial Statements

August 31, 2005 and 2004

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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.

### 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.

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

## Notes to Financial Statements August 31, 2005 and 2004

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### 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 as net assets released from restrictions. 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 \$128,000 and \$121,000 for the years ended August 31, 2005 and 2004, respectively.

### Temporarily Restricted Net Assets

The Foundation has adopted the following optional 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. The amounts are summarized as follows at August 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Unconditional promises expected to be collected in:		
Less than one year	\$37,718	\$60,560
One to five years	31,405	0
Total	69,123	60,560
Less – Unamortized discount	(1,993)	0
Less – Allowance for uncollectibles	(7,207)	0
Contributions receivable, net	<u>\$59,923</u>	<u>\$60,560</u>

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

## **Notes to Financial Statements August 31, 2005 and 2004**

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### **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.

### **Accrued Pending Wish Costs**

The Foundation accrues for the estimated costs of reportable pending wishes if certain measurable wish criteria are met. The reportable pending wish criteria include obtaining the medical eligibility form, formal approval by the Foundation, contact from the wish family, the wish has been determined and the wish is expected to be granted within the next year.

### **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 by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

### **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 which fulfills 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, 2005 and 2004, the Foundation incurred no joint costs for activities that included fund raising appeals.

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

## Notes to Financial Statements August 31, 2005 and 2004

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### 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.

### Reclassification

Certain amounts on the August 31, 2004, financial statements have been reclassified to conform to the 2005 presentation.

### Note C – Furniture and Equipment, Net

A summary of furniture and equipment, net as of August 31, 2005 and 2004, follows:

	<u>2005</u>	<u>2004</u>
Computer equipment and software	\$ 7,818	\$ 5,498
Office furniture	2,779	2,779
Office equipment	3,890	4,091
	<u>14,487</u>	<u>12,368</u>
Less – Accumulated depreciation and amortization	<u>(8,661)</u>	<u>(6,137)</u>
Furniture and equipment, net	<u>\$ 5,826</u>	<u>\$ 6,231</u>

### Note D – Transactions with National Organization

The Foundation pays the National Organization an annual assessment fee which was \$4,180 and \$3,955 for the years ended August 31, 2005 and 2004, respectively.

### Note E – Due from National Organization and Due to National Organization

The due from National Organization's balance of \$13,854 and \$45,463 as of August 31, 2005 and 2004, represents contributions received by the National office on behalf of the Foundation.

On April 30, 2005, the Foundation borrowed \$25,000 from the National Organization. After 90 days, the unpaid balance accrues interest at the prime rate plus 1% (7.25% as of August 31, 2005). The outstanding principal at August 31, 2005, was \$25,000.

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

## Notes to Financial Statements August 31, 2005 and 2004

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### Note F – Commitments and Contingencies

#### Operating Leases

The Foundation leases office facilities under a cancelable lease which expires June 2006. In addition, the Foundation leases a mailing machine, which expires August 2008. Total rent expense for the years ended August 31, 2005 and 2004, was \$26,730 and \$26,121, respectively.

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

Years ended August 31:	
2006	\$22,447
2007	264
2008	264
Total	<u>\$22,975</u>

### Note G – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose:

	<u>2005</u>	<u>2004</u>
Specific types of wishes	<u>\$15,415</u>	<u>\$53,396</u>

### Note H – 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:

	<u>2005</u>	<u>2004</u>
Purpose restrictions accomplished for specific types of wishes	<u>\$53,396</u>	<u>\$32,011</u>

### Note I – 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, 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 and investment balances may exceed the amount of the FDIC insurance coverage. However, the Foundation does not anticipate nonperformance by the financial institutions.