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***MAKE-A-WISH FOUNDATION  
INTERNATIONAL***

**Financial Statements**

**December 31, 2004 and 2003**

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CPAs & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
*Make-A-Wish Foundation International*  
Phoenix, Arizona

We have audited the accompanying statements of financial position of *Make-A-Wish Foundation International*, as of December 31, 2004 and 2003, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2004 and the sixteen month period ended December 31, 2003. These financial statements are the responsibility of *Make-A-Wish Foundation International's* management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 International* as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the year ended December 31, 2004 and the sixteen month period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "EideBailly LLP".

Phoenix, Arizona  
January 30, 2005

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**MAKE-A-WISH FOUNDATION INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2004 AND 2003**

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 837,526	\$ 1,408,123
Accounts receivable	184,509	2,753
Due from affiliates	157,146	176,128
Prepaid expenses	11,461	9,937
	<u>1,190,642</u>	<u>1,596,941</u>
<b>EQUIPMENT</b> , net of accumulated depreciation of \$16,100 and \$11,597	<u>29,467</u>	<u>20,613</u>
	<u>\$ 1,220,109</u>	<u>\$ 1,617,554</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 19,996	\$ 25,285
Deferred revenue	18,909	-
Due to affiliates	61,425	550,246
	<u>100,330</u>	<u>575,531</u>
<b>NET ASSETS</b>		
Unrestricted	745,610	479,235
Board designated funds - future operations and programs	356,115	531,115
	<u>1,101,725</u>	<u>1,010,350</u>
Temporarily restricted	18,054	31,673
	<u>1,119,779</u>	<u>1,042,023</u>
	<u>\$ 1,220,109</u>	<u>\$ 1,617,554</u>

See Notes to Financial Statements

**MAKE-A-WISH FOUNDATION INTERNATIONAL**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004 AND**  
**THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

	2004		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 1,901,452	\$ -	\$ 1,901,452
Member dues	247,987	-	247,987
Conference income	30,515	-	30,515
Interest income	342	-	342
Net assets released from restrictions	13,619	(13,619)	-
	<u>2,193,915</u>	<u>(13,619)</u>	<u>2,180,296</u>
<b>EXPENSES</b>			
Program services	1,881,012	-	1,881,012
Supporting services			
Management and general	130,265	-	130,265
Fundraising	91,263	-	91,263
	<u>2,102,540</u>	<u>-</u>	<u>2,102,540</u>
<b>CHANGE IN NET ASSETS</b>	91,375	(13,619)	77,756
<b>NET ASSETS, beginning of year</b>	<u>1,010,350</u>	<u>31,673</u>	<u>1,042,023</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,101,725</u>	<u>\$ 18,054</u>	<u>\$ 1,119,779</u>

See Notes to Financial Statements

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2003

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 3,235,764	\$ 5,390	\$ 3,241,154
184,635	-	184,635
30,897	-	30,897
902	-	902
14,395	(14,395)	-
<u>3,466,593</u>	<u>(9,005)</u>	<u>3,457,588</u>
2,196,607	-	2,196,607
135,475	-	135,475
399,017	-	399,017
<u>2,731,099</u>	<u>-</u>	<u>2,731,099</u>
735,494	(9,005)	726,489
274,856	40,678	315,534
<u>\$ 1,010,350</u>	<u>\$ 31,673</u>	<u>\$ 1,042,023</u>

**MAKE-A-WISH FOUNDATION INTERNATIONAL**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004 AND**  
**THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

	2004				Total Expenses
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 264,740	\$ 67,607	\$ 34,471	\$ 102,078	\$ 366,818
Employee benefits and payroll taxes	44,742	12,024	5,461	17,485	62,227
	<u>309,482</u>	<u>79,631</u>	<u>39,932</u>	<u>119,563</u>	<u>429,045</u>
Professional fees	62,858	11,163	37,166	48,329	111,187
Supplies	11,891	2,214	674	2,888	14,779
Telephone	19,500	8,372	470	8,842	28,342
Postage and delivery	3,683	977	555	1,532	5,215
Printing and duplication	2,291	-	1,524	1,524	3,815
Advertising	449,832	-	910	910	450,742
Travel	80,243	16,482	5,216	21,698	101,941
Programs	813,934	-	-	-	813,934
Training	94,449	-	-	-	94,449
Dues and subscriptions	2,050	-	630	630	2,680
Rent	19,424	5,550	2,774	8,324	27,748
Insurance	-	2,612	-	2,612	2,612
Bad debt	-	332	-	332	332
Other	5,655	1,298	595	1,893	7,548
	<u>1,875,292</u>	<u>128,631</u>	<u>90,446</u>	<u>219,077</u>	<u>2,094,369</u>
Depreciation	5,720	1,634	817	2,451	8,171
	<u>\$ 1,881,012</u>	<u>\$ 130,265</u>	<u>\$ 91,263</u>	<u>\$ 221,528</u>	<u>\$ 2,102,540</u>

See Notes to Financial Statements

2003

Program Services	Supporting Services			Total Expenses
	Management and General	Fundraising	Total	
\$ 175,199	\$ 52,497	\$ 19,741	\$ 72,238	\$ 247,437
95,253	28,210	11,022	39,232	134,485
<u>270,452</u>	<u>80,707</u>	<u>30,763</u>	<u>111,470</u>	<u>381,922</u>
149,746	10,269	46,500	56,769	206,515
-	3,675	172	3,847	3,847
7,285	5,570	1,246	6,816	14,101
3,522	1,068	1,488	2,556	6,078
12,569	-	6,057	6,057	18,626
296,255	-	294,603	294,603	590,858
73,322	16,242	14,231	30,473	103,795
1,299,185	-	-	-	1,299,185
62,239	-	-	-	62,239
1,030	335	1,030	1,365	2,395
16,057	4,749	1,809	6,558	22,615
-	6,933	-	6,933	6,933
-	15	-	15	15
1,016	5,126	594	5,720	6,736
<u>2,192,678</u>	<u>134,689</u>	<u>398,493</u>	<u>533,182</u>	<u>2,725,860</u>
3,929	786	524	1,310	5,239
<u>\$ 2,196,607</u>	<u>\$ 135,475</u>	<u>\$ 399,017</u>	<u>\$ 534,492</u>	<u>\$ 2,731,099</u>

**MAKE-A-WISH FOUNDATION INTERNATIONAL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004 AND**  
**THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 77,756	\$ 726,489
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	8,171	5,239
(Increase) decrease in assets		
Accounts receivable	(181,756)	(2,753)
Due from affiliates	18,982	(98,652)
Prepaid expenses	(1,524)	(9,296)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(5,289)	1,990
Deferred revenue	18,909	-
Due to affiliates	(488,821)	542,465
Total adjustments	<u>(631,328)</u>	<u>438,993</u>
Net cash provided by (used for) operating activities	<u>(553,572)</u>	<u>1,165,482</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	<u>(17,025)</u>	<u>(15,314)</u>
Net cash used for investing activities	<u>(17,025)</u>	<u>(15,314)</u>
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>(570,597)</b>	 <b>1,150,168</b>
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	 <b><u>1,408,123</u></b>	 <b><u>257,955</u></b>
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	 <b><u>\$ 837,526</u></b>	 <b><u>\$ 1,408,123</u></b>

*See Notes to Financial Statements*

**MAKE-A-WISH FOUNDATION INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004 AND**  
**THE SIXTEEN MONTH PERIOD ENDED DECEMBER 31, 2003**

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**NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

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**NATURE OF ORGANIZATION**

Make-A-Wish Foundation International (the Foundation) is a not-for-profit organization with twenty-eight chartered international affiliates. The Foundation is organized and will be operated exclusively for the charitable purpose of increasing the opportunity of children of the world with a terminal or life-threatening illness to realize their wishes.

**BASIS OF ACCOUNTING**

The accompanying financial statements include only the accounts and transactions of the Foundation. The international affiliates are separate entities and as such are responsible for, and maintain custody of, their own financial resources. Accordingly, the accounts and transactions of the international affiliates are not included in these financial statements.

These financial statements present the year ended December 31, 2004 and the sixteen month period ended December 31, 2003.

**CONTRIBUTIONS AND PROMISES TO GIVE**

Contributions received and promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions and promises are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions or promises that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which they are recognized. All other donor-restricted contributions and promises are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a 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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions, pledged promises to give, and grants receivable are recognized and classified as temporarily restricted net assets until received.

**CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, the Foundation considers all highly liquid assets with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents may include cash on hand or held by financial institutions. The Foundation maintains cash and cash equivalents at financial institutions, which, at times, may exceed federally insured amounts.

*(Continued)*

## NOTES TO FINANCIAL STATEMENTS

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### DONATED ASSETS AND SERVICES

Donated marketable securities, property and equipment, and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation, if an objective basis is available to measure the value of such items. The Foundation pays for most services requiring specific expertise. However, if such services or assets are donated and the value is ascertainable, the fair market value is reflected in the financial statements as revenue and expense.

The Foundation recorded \$1,119,696 and \$1,314,063, of in-kind contributions for advertising, office rent, airline flights, legal services and other professional services during the year ended December 31, 2004 and the sixteen month period ended December 31, 2003, respectively. The Foundation shared office space with an affiliated organization that donated the cost of the rent in 2003. Included with in-kind contributions for 2003 is \$20,000 in contributed rent from this affiliated organization.

Volunteers donate significant amounts of their time to the Foundation's mission; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

### AGENT ON BEHALF OF AFFILIATED ORGANIZATIONS

In certain cases, the Foundation may act as an agent for an affiliated organization. These agency transactions are treated as pass through funds and are carried as funds held as agent for affiliates until they are distributed.

### EQUIPMENT

The Foundation capitalizes all expenditures in excess of \$500. Equipment is recorded at cost or in the case of donated equipment at estimated market value on the date of the gift and depreciation is provided on a straight-line basis over the estimated useful lives of the assets, generally three to seven years.

The Foundation reviews its equipment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment loss is recorded at December 31, 2004 and 2003.

### DEFERRED REVENUE

Event revenues are recognized in the fiscal year in which they are earned.

### FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are directly allocated to the various programs and support services when possible and indirectly allocated based on staff time spent in that area and the best estimates of management.

### INCOME TAXES

The Foundation is a not-for-profit charitable organization which qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision has been made for income taxes.

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## NOTES TO FINANCIAL STATEMENTS

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### ADVERTISING

Advertising costs are expensed as the advertising occurs. The Foundation received in-kind donations of advertising valued at approximately \$448,700 and \$543,300 for the year ended December 31, 2004 and the sixteen month period ended December 31, 2003, respectively. Advertising expenses of approximately \$450,740 and \$590,860 were recorded for the year ended December 31, 2004 and the sixteen month period ended December 31, 2003, respectively.

### 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 and disclosures. Significant estimates include the functional allocation of expenses, valuation of accounts receivable, valuation of in-kind contributions and estimated lives of equipment for purposes of computing depreciation. Accordingly, actual results could differ from those estimates.

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### NOTE 2 - FIXED ASSETS

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Fixed assets consisted of the following at December 31,:

	<u>2004</u>	<u>2003</u>
Office furniture and equipment	\$ 45,567	\$ 32,210
Accumulated depreciation	<u>(16,100)</u>	<u>(11,597)</u>
	<u>\$ 29,467</u>	<u>\$ 20,613</u>

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### NOTE 3 - RELATED PARTY TRANSACTIONS

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The Foundation receives membership dues from the international affiliates and sponsors conferences and events for which it incurs costs that are reimbursed by the participating affiliates. Amounts due from affiliates at December 31, 2004 and 2003 are \$157,146 and \$176,128, respectively.

The Foundation accepts donations on behalf of the international affiliates and disburses these funds to affiliates on a quarterly basis. These affiliate transactions are reported as funds held for affiliates until they are distributed. Additionally, the Foundation may hold certain funds for affiliate organizations at their request. Amounts due to affiliates at December 31, 2004 and 2003 are \$61,425 and \$550,246, respectively.

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### NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

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Temporarily restricted net assets of \$18,054 and \$31,673 are available for wish support at December 31, 2004 and 2003, respectively.

Net assets of \$13,619 and \$14,395, were released from restrictions by incurring expenses satisfying the restricted purposes during the year ended December 31, 2004 and the sixteen month period ended December 31, 2003, respectively.

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 - BOARD OF DIRECTORS DESIGNATED NET ASSETS**

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The Foundation's Board of Directors has designated \$356,115 at December 31, 2004 of unrestricted net assets to be used for operations and programs over the next two years. The use of these funds will be allocated at \$175,000 a year until funds are depleted.

**NOTE 6 - EMPLOYEE BENEFIT PLAN**

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In 2003, the Foundation adopted a SEP-IRA plan which covers all employees from their hire date. The Company matches each employee's elective deferral on a dollar-for-dollar basis up to 3% of the employee's compensation or other defined limits. A matching contribution of approximately \$6,400 and \$7,700 was made to the SEP-IRA plan for the year ended December 31, 2004 and the sixteen month period ended December 31, 2003, respectively.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

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The Foundation leases office space under a non-cancelable three year operating lease beginning on January 1, 2004. Future minimum payments under this lease are: 2005 - \$25,780; and 2006 - \$26,730. The Foundation may cancel the lease after three years or maintain the lease for an additional two years as follows: 2007 - \$27,980; and 2008 - \$26,640.

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