

**MAKE-A-WISH FOUNDATION
INTERNATIONAL**

Financial Statements

For the years ended
December 31, 2006 and 2005

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INDEPENDENT AUDITORS' REPORT

January 30, 2007

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

We have audited the accompanying statement of financial position of Make-A-Wish Foundation International as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Make-A-Wish Foundation International. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2005 financial statements and, in our report dated March 23, 2006, we expressed an unqualified opinion on those financial statements.

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 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 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 International as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended, in conformity with principles generally accepted in the United States of America.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants



FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

MAKE-A-WISH FOUNDATION INTERNATIONAL

December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 1,091,285	\$ 1,255,145
Accounts receivable	419	11,840
Pledges receivable, net of allowance	360,000	81,741
Due from affiliates	115,703	181,080
Prepaid expenses	10,356	7,420
Equipment, net of accumulated depreciation of \$36,275 and \$25,932	26,186	27,622
Total Assets	<u>\$ 1,603,949</u>	<u>\$ 1,564,848</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,738	\$ 38,951
Due to affiliates	240,984	390,452
Total Liabilities	<u>244,722</u>	<u>429,403</u>
Net Assets		
Unrestricted	1,346,476	941,579
Board designated funds - future operations and programs		181,115
Temporarily restricted	12,751	12,751
Total Net Assets	<u>1,359,227</u>	<u>1,135,445</u>
Total Liabilities and Net Assets	<u>\$ 1,603,949</u>	<u>\$ 1,564,848</u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

MAKE-A-WISH FOUNDATION INTERNATIONAL

For the year ended December 31, 2006

With comparative totals for the year ended December 31, 2005

	2006			2005
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Contributions and grants	\$ 1,693,614		\$ 1,693,614	\$ 2,370,082
Member dues	395,294		395,294	399,037
Conference income	25,740		25,740	31,985
Event income				116,350
Interest income	2,933		2,933	1,644
Total Support and Revenue	2,117,581		2,117,581	2,919,098
Expenses				
Program services	1,655,425		1,655,425	2,570,298
Supporting services:				
Management and general	157,307		157,307	222,188
Fundraising	81,067		81,067	110,946
Total Expenses	1,893,799		1,893,799	2,903,432
Change in Net Assets	223,782		223,782	15,666
Net Assets, beginning of year	1,122,694	\$ 12,751	1,135,445	1,119,779
Net Assets, end of year	\$ 1,346,476	\$ 12,751	\$ 1,359,227	\$ 1,135,445

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

MAKE-A-WISH FOUNDATION INTERNATIONAL

For the year ended December 31, 2006

With comparative totals for the year ended December 31, 2005

	2006				2005
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 422,273	\$ 64,386	\$ 61,137	\$ 547,796	\$ 477,905
Employee benefits and payroll expenses	76,043	9,994	5,709	91,746	77,050
	498,316	74,380	66,846	639,542	554,955
Advertising					616,100
Dues and subscriptions	7,581	17,400		24,981	9,034
Insurance - general		2,883		2,883	625
Miscellaneous					11,968
Postage and delivery	3,948	568	471	4,987	8,194
Printing and duplication	770	4,397	4,048	9,215	6,713
Professional fees	21,856	21,340	950	44,146	195,056
Programs	934,742			934,742	1,180,640
Supplies	7,718	4,053	1,504	13,275	15,005
Rent	30,381	2,859	2,502	35,742	33,367
Telephone	11,862	11,410	484	23,756	28,239
Travel	44,166	17,190	3,538	64,894	102,226
Training	85,293			85,293	131,478
	1,646,633	156,480	80,343	1,883,456	2,893,600
Depreciation	8,792	827	724	10,343	9,832
	\$ 1,655,425	\$ 157,307	\$ 81,067	\$ 1,893,799	\$ 2,903,432

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

MAKE-A-WISH FOUNDATION INTERNATIONAL

For the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 223,782	\$ 15,666
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	10,343	9,832
Changes in assets and liabilities:		
Accounts receivable	11,421	172,669
Pledges receivable	(278,259)	(81,741)
Due from affiliates	65,377	(23,934)
Prepaid expenses	(2,936)	4,041
Accounts payable and accrued expenses	(35,213)	18,955
Deferred revenue		(18,909)
Due to affiliates	(149,468)	329,027
	<hr/>	<hr/>
Net Cash Provided by (Used For) Operating Activities	(154,953)	425,606
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Cash Flows from Investing Activities		
Purchase of equipment	(8,907)	(7,987)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash	(163,860)	417,619
Cash and Cash Equivalents, beginning of year	1,255,145	837,526
	<hr/>	<hr/>
Cash and Cash Equivalents, end of year	\$ 1,091,285	\$ 1,255,145
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See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MAKE-A-WISH FOUNDATION INTERNATIONAL

For the years ended December 31, 2006 and 2005

Note A – Nature of Organization and Significant Accounting Policies

Nature of Organization

Make-A-Wish Foundation International (the Foundation) is a not-for-profit organization with twenty-seven 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.

Reporting Entity

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.

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.

Pledges receivable are recorded net of an allowance for uncollectible pledges. The allowance for uncollectible pledges is based on the Foundation's historical experience with collection of the pledges.

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, exceed federally insured amounts.

NOTES TO FINANCIAL STATEMENTS

MAKE-A-WISH FOUNDATION INTERNATIONAL

For the years ended December 31, 2006 and 2005

Note A – Nature of Organization and Significant Accounting Policies (Continued)

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 \$708,274 and \$1,169,635 of in-kind contributions for advertising, airline flights, hotel accommodations and other professional services during the years ended December 31, 2006 and 2005, respectively.

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 was recorded at December 31, 2006 and 2005.

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.

NOTES TO FINANCIAL STATEMENTS

MAKE-A-WISH FOUNDATION INTERNATIONAL

For the years ended December 31, 2006 and 2005

Note A – Nature of Organization and Significant Accounting Policies (Continued)

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.

Advertising

Advertising costs are expensed as the advertising occurs. The Foundation received in-kind donations of advertising valued at approximately \$616,100 for the year ended December 31, 2005. There were no in-kind donations of advertising recorded for the year ended December 31, 2006.

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.

Prior Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Note B – Pledges Receivable

Unconditional pledges receivable at December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Pledges receivable in less than one year	\$ 417,324	\$ 108,988
Less - allowance for uncollectible pledges	<u>(57,324)</u>	<u>(27,247)</u>
Net pledges receivable	<u>\$ 360,000</u>	<u>\$ 81,741</u>

NOTES TO FINANCIAL STATEMENTS

MAKE-A-WISH FOUNDATION INTERNATIONAL

For the years ended December 31, 2006 and 2005

Note C – Fixed Assets

Fixed assets consisted of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Office furniture and equipment	\$ 62,461	\$ 53,554
Accumulated depreciation	(36,275)	(25,932)
	<u>\$ 26,186</u>	<u>\$ 27,622</u>

Note D – Related Party Transactions

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, 2006 and 2005 are \$115,703 and \$181,080, 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, 2006 and 2005 are \$240,984 and \$390,452, respectively.

Note E – Temporarily Restricted Net Assets

Temporarily restricted net assets of \$12,751 are available for wish support at December 31, 2006 and 2005, respectively.

Net assets of \$5,303, were released from restrictions by incurring expenses satisfying the restricted purposes during the year ended December 31, 2005. No restrictions were satisfied during the year ended December 31, 2006.

Note F – Board of Directors Designated Net Assets

The Foundation's Board of Directors had designated \$181,115, of unrestricted net assets at December 31, 2005 to be used for operations and programs in subsequent years. The designated balance at December 31, 2005 was used during the year ended December 31, 2006.

NOTES TO FINANCIAL STATEMENTS

MAKE-A-WISH FOUNDATION INTERNATIONAL

For the years ended December 31, 2006 and 2005

Note G – Employee Benefit Plan

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 \$10,200 and \$10,600 was made to the SEP-IRA plan for the years ended December 31, 2006 and 2005, respectively.

Note H – Operating Leases

The Foundation leases office space under a non-cancelable three year operating lease beginning on January 1, 2004. Lease expense was \$29,199 and \$25,983 for the years ended December 31, 2006 and 2005, respectively. 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.