

**MAKE-A-WISH FOUNDATION
INTERNATIONAL
Phoenix, Arizona**

**FINANCIAL STATEMENTS
December 31, 2007**

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Independent Auditor's Report

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, 2007, and the related statements of activities and changes in net assets, 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.

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, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As further discussed in Note 2, the Foundation restated its unrestricted net assets and temporarily restricted net assets as of December 31, 2006.

Clifton Gunderson LLP

Phoenix, Arizona
April 7, 2008

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF FINANCIAL POSITION
December 31, 2007

ASSETS

ASSETS

Cash and cash equivalents	\$ 1,715,000
Accounts receivable	1,542
Pledges receivable, net of allowance	303,080
Due from affiliates	78,945
Prepaid expenses	42,884
Equipment, net of accumulated depreciation	<u>23,979</u>

TOTAL ASSETS **\$ 2,165,430**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 28,405
Due to affiliates	<u>298,527</u>
Total liabilities	<u>326,932</u>

NET ASSETS

Unrestricted	1,522,667
Temporarily restricted	<u>315,831</u>
Total net assets	<u>1,838,498</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 2,165,430**

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

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 1,776,686	\$ 303,080	\$ 2,079,766
Member dues	493,677	-	493,677
Conference income	42,690	-	42,690
Interest income	36,370	-	36,370
Net assets released from restriction	<u>360,000</u>	<u>(360,000)</u>	<u>-</u>
Total support and revenue	<u>2,709,423</u>	<u>(56,920)</u>	<u>2,652,503</u>
EXPENSES			
Program services	1,872,673	-	1,872,673
Supporting services:			
Management and general	145,957	-	145,957
Fundraising	<u>154,602</u>	<u>-</u>	<u>154,602</u>
Total expenses	<u>2,173,232</u>	<u>-</u>	<u>2,173,232</u>
CHANGES IN NET ASSETS	536,191	(56,920)	479,271
NET ASSETS, BEGINNING OF YEAR, RESTATED	<u>986,476</u>	<u>372,751</u>	<u>1,359,227</u>
NET ASSETS, END OF YEAR	<u>\$ 1,522,667</u>	<u>\$ 315,831</u>	<u>\$ 1,838,498</u>

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

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2007

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
EXPENSES				
Salaries	\$ 487,790	\$ 40,412	\$ 101,092	\$ 629,294
Employee benefits and related payroll expenses	<u>73,692</u>	<u>6,575</u>	<u>1,979</u>	<u>82,246</u>
Total personnel costs	561,482	46,987	103,071	711,540
Dues and subscriptions	13,537	1,713	664	15,914
Insurance - general	-	2,942	-	2,942
Miscellaneous	3,152	275	125	3,552
Postage and delivery	2,729	1,023	672	4,424
Printing and duplication	-	1,619	6,618	8,237
Professional fees	60,586	33,104	13,917	107,607
Programs	933,551	-	-	933,551
Rent	31,366	2,214	3,321	36,901
Supplies	9,227	879	3,945	14,051
Telephone	8,251	12,246	670	21,167
Training	165,837	2,155	-	167,992
Travel	<u>73,736</u>	<u>40,149</u>	<u>20,623</u>	<u>134,508</u>
Total expenses before depreciation	1,863,454	145,306	153,626	2,162,386
Depreciation	<u>9,219</u>	<u>651</u>	<u>976</u>	<u>10,846</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,872,673</u>	<u>\$ 145,957</u>	<u>\$ 154,602</u>	<u>\$ 2,173,232</u>

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

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF CASH FLOWS
Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 479,271
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	10,846
Increase (decrease) in cash resulting from changes in:	
Accounts receivable	(1,123)
Pledges receivable	56,920
Due from affiliates	36,758
Prepaid expenses	(32,528)
Accounts payable and accrued expenses	24,667
Due to affiliates	<u>57,543</u>
Net cash provided by operating activities	<u>632,354</u>

CASH FLOWS USED IN INVESTING ACTIVITIES

Purchases of equipment	<u>(8,639)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 623,715

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,091,285

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,715,000

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

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Make-A-Wish Foundation International (Foundation) is a not-for-profit organization with twenty-eight chartered international affiliates. The Foundation is organized and is 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 with separate boards of directors and as such are responsible for, and maintain custody of and generate their own financial resources. Accordingly, the accounts and transactions of the international affiliates are not included in these financial statements.

Basis of Presentation

The Foundation prepares its financial statements 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, the Foundation is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the Board of Directors for use in the Foundation's operations, in accordance with its bylaws.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that may or will be met by the actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets are 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.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Foundation considers all highly liquid assets with a maturity of three months or less when purchased 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 the Federal Deposit Insurance Corporation's insurance coverage limit of \$100,000.

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates at the time of the pledge. Amortization of the discounts is included in contribution support. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to receivables.

Equipment and Related Depreciation

Purchased equipment are initially recorded at cost and donated property and equipment are recorded at the fair value at the date of gift to the Foundation. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives, generally three to seven years.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets 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 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. Management does not believe impairment indicators are present at December 31, 2007.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished or a donor removes a restriction), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Donated Assets and Services

Donated marketable securities, 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 \$653,237 of in-kind contributions for airline flights, hotel accommodations and other professional services during the year ended December 31, 2007.

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.

Advertising

Advertising costs are expensed as incurred.

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 for federal or state corporate income taxes has been made in the accompanying financial statements.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 2 – RESTATEMENT

During 2007, management of the Foundation determined that the temporarily restricted net asset balance as of December 31, 2006, had been understated by \$360,000 related to time-restricted pledges receivable resulting in a reclassification between unrestricted and temporarily restricted net assets. There was no changes in net assets for the year ended December 31, 2006. The effect of this correction has been reflected as an increase in temporarily restricted net assets and a decrease in unrestricted net assets as of December 31, 2006, as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets, as previously reported, December 31, 2006	\$ 1,346,476	\$ 12,751	\$ 1,359,227
Time restricted pledges receivable	<u>(360,000)</u>	<u>360,000</u>	<u>-</u>
Net assets as restated, December 31, 2006	<u>\$ 986,476</u>	<u>\$ 372,751</u>	<u>\$ 1,359,227</u>

NOTE 3 – PLEDGES RECEIVABLE

Unconditional pledges receivable at December 31, 2007 follows:

Pledges receivable due in less than one year	\$ 448,758
Less - allowance for uncollectible pledges	<u>(145,678)</u>
Net pledges receivable	<u>\$ 303,080</u>

All pledges receivable are current and due in less than one year; therefore, no discount to present value has been recognized as of December 31, 2007.

NOTE 4 – EQUIPMENT

A summary of equipment at December 31, 2007 follows:

Office furniture and equipment	\$ 71,101
Less – Accumulated depreciation	<u>(47,122)</u>
Net equipment	<u>\$ 23,979</u>

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 5 – 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, 2007, was \$78,945.

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, 2007, was \$298,527.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of \$303,080 which is time restricted and \$12,751 restricted for wish support at December 31, 2007.

Net assets of \$360,000, were released from time restrictions due to collection of the pledges during the year ended December 31, 2007.

NOTE 7 – 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 \$10,400 was made to the SEP-IRA plan for the year ended December 31, 2007.

NOTE 8 – OPERATING LEASES

The Foundation leases office space under a non-cancelable three year operating lease beginning on January 1, 2004. The Foundation may cancel the lease after three years or maintain the lease for an additional two years. The Foundation also has two operating leases for copiers, expiring January 5, 2008 and December 28, 2010. Lease expense was \$36,901 for the year ended December 31, 2007. Future minimum lease payments under the operating leases are as follows:

<u>Years Ending</u> <u>December 31,</u>	
2008	\$ 29,770
2009	3,514
2010	<u>1,128</u>
Total minimum future rental payments	<u>\$ 34,412</u>

This information is an integral part of the accompanying financial statements.