

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

**FINANCIAL STATEMENTS
December 31, 2008 and 2007**

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Independent Auditor's Report

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, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits.

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 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, 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.

Clifton Gunderson LLP

Phoenix, Arizona
March 5, 2009

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,014,770	\$ 894,012
Investments	604,713	820,988
Accounts receivable	-	1,542
Pledges receivable, net of allowance	268,588	303,080
Due from affiliates	56,220	78,945
Prepaid expenses	23,384	42,884
Equipment, net of accumulated depreciation	<u>17,754</u>	<u>23,979</u>
TOTAL ASSETS	<u>\$ 1,985,429</u>	<u>\$ 2,165,430</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 16,330	\$ 28,405
Due to affiliates	<u>117,952</u>	<u>298,527</u>
Total liabilities	<u>134,282</u>	<u>326,932</u>
NET ASSETS		
Unrestricted	1,452,433	1,522,667
Temporarily restricted	<u>398,714</u>	<u>315,831</u>
Total net assets	<u>1,851,147</u>	<u>1,838,498</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,985,429</u>	<u>\$ 2,165,430</u>

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, 2008

	2008		
	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE			
Contributions and grants	\$ 2,128,692	\$ 460,757	\$ 2,589,449
Member dues	654,917	-	654,917
Conference income	63,420	-	63,420
Investment loss	(198,553)	-	(198,553)
Net assets released from restriction	377,874	(377,874)	-
	<u>3,026,350</u>	<u>82,883</u>	<u>3,109,233</u>
Total support and revenue			
EXPENSES			
Program services	2,589,761	-	2,589,761
Supporting services:			
Management and general	270,806	-	270,806
Fundraising	236,017	-	236,017
	<u>3,096,584</u>	<u>-</u>	<u>3,096,584</u>
Total expenses			
CHANGES IN NET ASSETS	(70,234)	82,883	12,649
NET ASSETS, BEGINNING OF YEAR	<u>1,522,667</u>	<u>315,831</u>	<u>1,838,498</u>
NET ASSETS, END OF YEAR	<u>\$ 1,452,433</u>	<u>\$ 398,714</u>	<u>\$ 1,851,147</u>

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

	2007		
	Unrestricted	Temporarily Restricted	Totals
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
Investment income	36,370	-	36,370
Net assets released from restriction	360,000	(360,000)	-
	2,709,423	(56,920)	2,652,503
EXPENSES			
Program services	1,872,673	-	1,872,673
Supporting services:			
Management and general	145,957	-	145,957
Fundraising	154,602	-	154,602
	2,173,232	-	2,173,232
CHANGES IN NET ASSETS	536,191	(56,920)	479,271
NET ASSETS, BEGINNING OF YEAR	986,476	372,751	1,359,227
NET ASSETS, END OF YEAR	\$ 1,522,667	\$ 315,831	\$ 1,838,498

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

MAKE-A-WISH FOUNDATION INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
EXPENSES				
Salaries	\$ 409,655	\$ 164,456	\$ 82,526	\$ 656,637
Employee benefits and related payroll expenses	<u>71,550</u>	<u>25,376</u>	<u>4,190</u>	<u>101,116</u>
Total personnel costs	481,205	189,832	86,716	757,753
Dues and subscriptions	12,839	3,522	6,718	23,079
Insurance - general	-	3,135	-	3,135
Miscellaneous	6,318	19	45	6,382
Postage and delivery	2,197	871	1,166	4,234
Printing and duplication	38	2,759	8,181	10,978
Professional fees	17,010	39,893	96,614	153,517
Programs	1,512,519	-	-	1,512,519
Public awareness	245,100	-	-	245,100
Rent	28,531	8,779	6,584	43,894
Supplies	5,528	1,421	2,546	9,495
Telephone	9,607	12,240	2,115	23,962
Training	190,112	-	-	190,112
Travel	<u>72,088</u>	<u>6,283</u>	<u>23,793</u>	<u>102,164</u>
Total expenses before depreciation	2,583,092	268,754	234,478	3,086,324
Depreciation	<u>6,669</u>	<u>2,052</u>	<u>1,539</u>	<u>10,260</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,589,761</u>	<u>\$ 270,806</u>	<u>\$ 236,017</u>	<u>\$ 3,096,584</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
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 12,649	\$ 479,271
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Changes in allowance for doubtful accounts	(43,926)	25,596
Changes in pledges receivable discount	2,953	-
Depreciation	10,260	10,846
Realized loss on investments	49,541	(19,736)
Unrealized loss on investments	203,158	20,968
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	1,542	(1,123)
Pledges receivable	75,465	31,324
Due from affiliates	22,725	36,758
Prepaid expenses	19,500	(32,528)
Accounts payable and accrued expenses	(12,075)	24,667
Due to affiliates	<u>(180,575)</u>	<u>57,543</u>
Net cash provided by operating activities	<u>161,217</u>	<u>633,586</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(211,193)	(822,220)
Proceeds on sale of investments	174,769	-
Purchases of equipment	<u>(4,035)</u>	<u>(8,639)</u>
Net cash used in investing activities	<u>(40,459)</u>	<u>(830,859)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 120,758	 (197,273)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>894,012</u>	 <u>1,091,285</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 1,014,770</u>	 <u>\$ 894,012</u>

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

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Make-A-Wish Foundation International (Foundation) is a not-for-profit organization with thirty-one 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 life-threatening medical condition 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, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Effective January 1, 2008, the Foundation adopted FASB Statement No. 157, "Fair Value Measurements," (FAS 157) which provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, FAS 157 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The adoption of FAS 157 did not have a material impact on the Foundation's financial statements.

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.

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 an increase 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 a reduction of the receivables.

Investments

Investments are recorded at fair value. Investment income includes interest, dividends, and if applicable, realized and unrealized gains and losses.

Equipment and Related Depreciation

Purchased equipment is 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.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2008 and 2007.

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 statements 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 value is reflected in the financial statements as revenue and expense. The Foundation recorded \$1,600,390 and \$653,237 of in-kind contributions for airline flights, hotel accommodations and other professional services during the years ended December 31, 2008 and 2007, 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.

Advertising

Advertising costs are expensed as incurred.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications

Certain reclassifications have been made to the 2007 amounts to conform to the 2008 financial statement presentation. Total net assets and changes to net assets are unchanged due to these reclassifications.

NOTE 2 – INVESTMENTS

Investments consist of the following at December 31:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks	\$ 500,332	\$ 334,698	\$ 470,714	\$ 451,955
Bonds	<u>329,981</u>	<u>270,015</u>	<u>372,715</u>	<u>369,033</u>
Total	<u>\$ 830,313</u>	<u>\$ 604,713</u>	<u>\$ 843,429</u>	<u>\$ 820,988</u>

Investment income, gains, and losses presented on the statements of activities and changes in net assets are comprised of the following components:

	<u>2008</u>	<u>2007</u>
Realized gain (loss)	\$ (49,541)	\$ 19,736
Unrealized loss	(203,158)	(20,968)
Interest and dividend income	<u>54,146</u>	<u>37,602</u>
Total	<u>\$ (198,553)</u>	<u>\$ 36,370</u>

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Foundation adopted FASB Statement No. 157 (FAS 157), "Fair Value Measurements," which provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. The adoption of FAS 157, did not have a material impact on the Foundation's financial statements. FAS 157 defines levels within the hierarchy as follows:

- Level 1—Unadjusted quoted prices for identical assets and liabilities in active markets;
- Level 2—Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following table sets forth financial assets and liabilities measured at fair value in the consolidated statements of financial position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2008:

	Carrying Amount in Statement of Financial Position December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	<u>\$ 604,713</u>	<u>\$ 604,713</u>	<u>\$ -</u>	<u>\$ -</u>

The Foundation's investments are held in a fund with Fidelity Investments. The fair value on these investments is readily available and is based upon market prices of the stocks and bonds held by the portfolio.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Pledges receivable	\$ 310,535	\$ 386,000
Less – allowance for uncollectible pledges	(38,994)	(82,920)
Less – unamortized discount	<u>(2,953)</u>	<u>-</u>
Net pledges receivable	<u>\$ 268,588</u>	<u>\$ 303,080</u>
	<u>2008</u>	<u>2007</u>
Amount due in:		
Less than one year	\$ 241,868	\$ 386,000
Due in three years	<u>68,667</u>	<u>-</u>
Total	<u>\$ 310,535</u>	<u>\$ 386,000</u>

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 4 – PLEDGES RECEIVABLE (CONTINUED)

The discount rate used to determine the present value of the pledges receivable balance is the risk-free rate appropriate for the expected repayment term. The discount rate used was 3% for 2008. At December 31, 2007, all pledges receivable were current; therefore, no discount to present value was recognized in 2007.

NOTE 5 – EQUIPMENT

The following is a summary of equipment at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Office furniture and equipment	\$ 75,135	\$ 71,101
Less – Accumulated depreciation	<u>(57,381)</u>	<u>(47,122)</u>
Net equipment	<u>\$ 17,754</u>	<u>\$ 23,979</u>

NOTE 6 – 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, 2008 and 2007, were \$56,220 and \$78,945, 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, 2008 and 2007, were \$117,952 and \$298,527, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of \$113,457 and \$303,080 which is time restricted at December 31, 2008 and 2007, respectively, and \$285,257 and \$12,751 restricted for wish support at December 31, 2008 and 2007, respectively.

Net assets of \$377,874 and \$360,000, were released from time restrictions due to collection of the pledges during the years ended December 31, 2008 and 2007, respectively.

NOTE 8 – EMPLOYEE BENEFIT PLAN

In 2003, the Foundation adopted a SIMPLE-IRA plan which covers all employees from their hire date. The Foundation 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 \$15,092 and \$10,400 was made to the SIMPLE-IRA plan for the years ended December 31, 2008 and 2007, respectively.

MAKE-A-WISH FOUNDATION INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 9 – OPERATING LEASES

The Foundation leases office space under a non-cancelable three year operating lease beginning on January 1, 2004. The Foundation has exercised the additional two year lease option. The Foundation also has an operating lease for a copier, expiring December 28, 2010. Lease expense was \$43,894 and \$36,901 for the years ended December 31, 2008 and 2007, respectively. Future minimum lease payments under the operating leases are as follows:

**Years Ending
December 31,**

2009	\$ 3,514
2010	<u>1,128</u>
Total minimum future rental payments	<u>\$ 4,642</u>

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