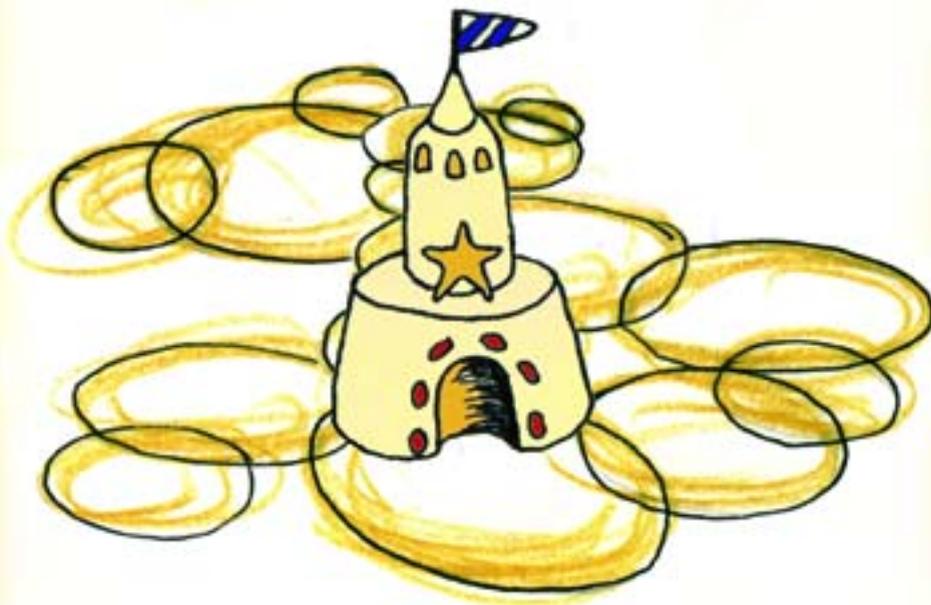


MAKE-A-WISH.



A Journey of Hope



## A Journey of Hope

You are about to meet Jared, a precious little boy who realized his one greatest wish, thanks to the Make-A-Wish Foundation®. His ultimate dream was to build sand castles on the beach and see alligators. Like other Make-A-Wish® children, the journey for Jared and his family has been filled with hard times and heartbreak brought forth by a life-threatening medical condition; however, as you will see by reading Jared's wish odyssey, a Make-A-Wish experience turned this family's pain into *A Journey of Hope*.

## TABLE OF CONTENTS

### Table of contents

- **1** Jared's Wish
- **9** Welcome
- **10** About Us
- **12** Our Supporters
- **18** Get Involved
- **20** Combined Financial Summary
- **21** Managing our Funds
- **22** Combined Financial Statements



We grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength, and joy.

Art by wish child Chelsea



## The Diagnosis

Little Jared is a happy boy, full of energy and life. He loves trains, alligators, and penguins. When Jared was three years old, he started to not feel so good. Jared's mommy and daddy took him to the doctor and the doctor, told them that Jared was sick and would have to go to the hospital for a while.



## The Wish Referral

When Jared was at the hospital, he met other kids who were sick, too. The kids and their parents told Jared's mommy that their wish came true because of a group called the Make-A-Wish Foundation®. Jared's mommy asked his doctor and he said the same thing. So she called the Make-A-Wish Foundation...and later they told Jared that he could get a wish.





## The Initial Visit

After Jared got home from the hospital, two Make-A-Wish® ladies came to visit. They wanted to meet Jared and find out his one true wish. They played games with Jared and he loved it.

Every time they came over it was like a big party. Jared told his parents that they reminded him of grandmas. They asked Jared about his wish, but he just wanted to play. So they played with Jared and got to know him. They left, and came back... three times!



## The Decision

The fourth time the Make-A-Wish® ladies came back, Jared realized that they had kept asking him a question...and he had never answered it. The question was, "If you had one wish in the entire world, what would it be?" This time, when they asked him the question, Jared was sure of his answer: "I want to build sand castles and see alligators."





## The Creation of the Wish

So the Make-A-Wish® ladies started working on making Jared's wish come true. They found a place where Jared could make sand castles and see alligators...Myrtle Beach, South Carolina. That's where Jared could be in a national sand castle building contest. Jared started to get real excited about this trip. Every time he saw an airplane he would say, "Is that going to Myrtle Beach?"



## The Granting of the Wish

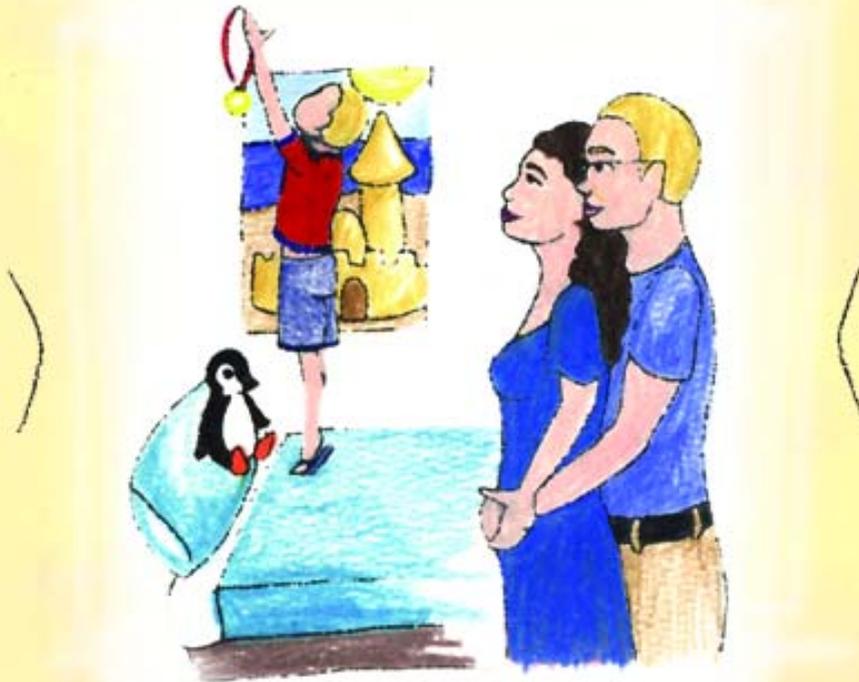
Finally, Jared, his mommy (who was going to have a baby), and daddy arrived at Myrtle Beach. Jared got to do lots of exciting things, like watch an ice-skating show, play in the pool (he really loved that), and go to an alligator farm (he really, really loved that). The mayor even gave Jared a key to the city. Then came the best part of Jared's wish, the sand castle building contest. Jared joined lots of other kids his age on the beach, and each child had the same amount of time to create something inside his or her sandbox.



## The granting of the wish

Some kids created mermaids, castles, or other creatures out of sand. Jared had something else in mind...circles. Lots of circles. First he made one big circle, then he made lots of little circles inside the big circle. Then he had to give his creation a name. Jared called it "The Circle Castle."

All the other kids and adults loved Jared and his castle, and he was awarded the gold medal as the winner of the contest.



## The Impact of the Wish

After going back home, Jared hung his gold medal in his room. He talks about his trip and the Make-A-Wish® ladies a lot. Jared thanks his Make-A-Wish friends because they made his greatest dream in the whole world come true. Jared's mommy and daddy thank them because they got to see their little boy laugh and smile again...and forget about being sick.

Today, Jared is five years old, he still loves alligators, and he remembers his wish every day.





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Dear Friend,

We hope you have thoroughly enjoyed taking this journey through little Jared's wish experience. Jared is one of the 11,107 courageous children to receive a wish in 2002. Jared's wish is a wonderful illustration of the extended network that is involved in the granting of wishes.

While medical professionals are comforting parents and children coping with the nightmare associated with a life-threatening medical condition, they are referring them to the Make-A-Wish Foundation® – a shining light in the midst of all of the darkness.

Once the child is referred to the Foundation, a team of selfless wish granters, donating hours of their personal time, help the child dream big and find the one dream that has the central place in his or her heart.

Once the time has come to grant the wish, our family of Make-A-Wish® donors and corporate sponsors see their contributions multiply exponentially, in smiles, laughter, and encouraging moments throughout the wish experience. Ultimately, everyone remotely connected to the child's wish experience witnesses the hope, strength, and joy generated by seeing the child forget about being sick.

Every day, every hour in fact, children who are fighting for their lives make that life-altering decision about what is their one true wish. And the Make-A-Wish Foundation is always right there to turn their innocent dreams into unforgettable realities.

This year we commemorated an amazing milestone – the granting of 100,000 wishes worldwide. Actually, we've granted as many wishes in the last five years as we did in our first 17 years combined. Thank you for your contributions in helping the Make-A-Wish Foundation **share the power of a wish®**.

Best wishes,

Paula Van Ness  
President & CEO

Anthony L. Bucci  
Chairman of the Board

# ABOUT US

## About Us

### Who we are

#### Mission

We grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength, and joy.

#### Wish Eligibility

Children under the age of 18 with a life-threatening medical condition (i.e. a progressive, degenerative or malignant medical condition that has placed the child's life in jeopardy) are potentially eligible for a wish. The child's treating physician will make the final determination as to whether the child is medically eligible for a wish.

#### Volunteers

A network of more than 25,000 volunteers **share the power of a wish®** by graciously giving of their time and talents. Nationwide, the Foundation's ratio of volunteers to full-time employees is 39-1.

#### Funding

The Make-A-Wish Foundation finances its work through individual contributions, corporate donations, product sales, foundation grants, planned gifts, special events, and in-kind donations.

#### Managing our Funds

A total of 78 percent of the revenue the Make-A-Wish Foundation receives is available for program services. This percentage well exceeds the standard upheld by organizations monitoring the work of charities.

### Our values

#### Child Focused

Children search the depths of their imagination to select their one greatest wish. The work of the Make-A-Wish Foundation is to make their wish a reality.

#### Family Friendly

We view the wish-granting experience as a family activity, and involve as many family members as possible. Furthermore, all Foundation activities, including fund raisers, volunteer activities, and public relations efforts, invite participation of people of all ages.



# A Snapshot of the Make-A-Wish Foundation®

## Community Based

Every community in the United States is served by a local Make-A-Wish® chapter. Each chapter serves a particular geographic territory and is responsible for granting wishes, raising funds, securing volunteers, and sharing the Make-A-Wish message in that area.

## Life Affirming

We are a life-affirming organization that focuses on the joy of the wish experience, not the pain and uncertainty of the illness. We understand the powerful therapeutic value of the wish experience for the child and the entire family.

## Human Enrichment

Wish granting is important because it enriches the human experience on all levels. Wish granting is important to the well-being of wish kids. It gives the medical community another tool to help sick children fight or cope with their medical conditions, and provides uplifting experiences to everyone involved in the wish experience.

The vision of the Make-A-Wish Foundation is that people everywhere will **share the power of a wish®**.

## We do not...

- Only grant wishes to terminally ill children
- Raise funds via telephone or door-to-door solicitation
- Grant wishes based on a family's socioeconomic status



Wish kids Mitchell, 5,  
Steve, 8, Tony, 10  
and Sean, 13.

# OUR SUPPORTERS

## Our Supporters



**Business:** UAW-GM's support comes from the UAW-GM Center for Human Resources, which develops and administers education, training, and retraining programs and joint activities for approximately 130,000 UAW-represented GM employees.

The International Union, United Auto Workers (UAW), is one of the largest and most diverse unions in North America, with members in virtually every sector of the economy.

General Motors (GM), the world's largest vehicle manufacturer, designs, builds, and markets cars and trucks worldwide, and has been the global automotive sales leader since 1931.

**National Sponsor:** 4 years

**Special Mention:** UAW-GM has committed to the largest sponsorship in the history of the Foundation. From manufacturing plants to local car dealerships to corporate offices, thousands of caring workers and employees have embraced the program and supported our cause.

*"It is extremely rewarding to take part in helping to make dreams come true for children who are battling life-threatening medical conditions. UAW members are proud to be part of the Make-A-Wish® family, as part of the UAW-GM team and through individual efforts in their own communities."*

Richard Shoemaker, UAW Vice President

*"It's a privilege to support the Make-A-Wish Foundation®. The people of UAW-GM, employees of General Motors and GM dealers across the country are proud to work together to bring smiles to the faces of thousands of courageous kids."*

Troy A. Clarke, GM Group Vice President, Manufacturing & Labor Relations

**Business:** Worldwide Outreach for The Walt Disney Company

**National Sponsor:** 22 years

**Special Mention:** Many children truly believe that Walt Disney World® Resort and Disneyland® are the happiest places on earth. It's no surprise that the Make-A-Wish Foundation, with the help of Disney, has been granting wishes to visit Disney parks for more than 22 years.

During fiscal year 2002, the most requested wish was by far to visit a Disney Theme Park. During that time, more than 5,000 wish children, along with their families, received complimentary admission tickets to Walt Disney World or Disneyland.

DisneyHand's support extends beyond its theme parks. The company continues to be supportive of the Foundation by creating public service announcements for ABC Television and offering wish children specialized Disney gift packs and other VIP perks, including character visits, product donations, tickets for Disney events, private movie screenings, movie and TV experiences, and special privileges aboard Disney Cruises.

*"Our mission at Disney is to create magic. Sometimes, we do it one child at a time, such as when we work with another magical organization – the Make-A-Wish Foundation. Working together, a child at a time, we've made sure that thousands of children who wish upon a Disney star have their dreams come true. We hope that Disney's involvement helps in raising awareness and encourages others to get involved with Make-A-Wish and other magical organizations like it."*

Michael D. Eisner  
Chairman & CEO, The Walt Disney Company



**Business:** Largest passenger air carrier in the United States.

**National Sponsor:** 14 years

**Special Mention:** Through the donation of AAdvantage frequent flier miles and ticket discounts, American Airlines has shown its support for the Foundation since 1989. Each year, employees volunteer their time for WishFlight, where wish children and their families are transported to Orlando, Florida, aboard a special flight where "Kids Rule." Everything from the pre-boarding to the meals are centered around making the day a special part of the wish process.

*"The Make-A-Wish Foundation® is truly a part of the culture at American Airlines. For 14 years, American Airlines employees and customers have contributed to the granting of thousands of wishes. We are as committed to the Foundation's wish-granting mission as we are to our own to be the world's leading airline."*

Gerard Arpey  
CEO and President  
American Airlines

**Business:** Delta Air Lines, Inc. provides air transportation for passengers and freight throughout the United States and around the world.

**National Sponsor:** 6 years

**Special Mention:** Through its SkyMiles® frequent flier program, Delta Air Lines provides complimentary airline tickets to chapters for wish families. SkyMile members can donate their miles to the Make-A-Wish Foundation through the SkyWish program. For every 5,000 miles donated, Delta matches 1,000 miles.

*"Delta is a proud supporter of the Make-A-Wish Foundation and the happiness it brings to children and families facing difficult illnesses. We're also deeply touched by the strong response from our SkyMiles members whose donations of frequent flier miles to Delta's SkyWish program have helped so many of these families travel to their dream destinations."*

Leo F. Mullin  
Chairman and CEO  
Delta Air Lines



Wish kids Jakia, 12, Connor, 4, Katie, 16, Chelsea, 18, Macennah, 5, Amanda, 8, Lauren, 6, Sierra, 3, and Tristan, 6.

# OUR SUPPORTERS

## Our Supporters



**Business:** Avis Rent A Car System, Inc. a subsidiary of Cendant Corporation, operates the world's second-largest general-use car rental business, providing service at more than 1,700 locations.

**National Sponsor:** 1 year

**Special Mention:** While providing the Foundation with a much needed rental car program, Avis employees have an opportunity to participate in the wish experience. Avis' multi-level commitment has created a stress-free experience for our wish families.

*"Avis is extremely proud of our 'Trying Harder to Drive Wishes' program. It's rare that employees can make such an important difference not just through their company, but literally while on the job. Our employees can see the magic of a wish in the faces of families every time we provide a car. We're not just proud to help fulfill the Make-A-Wish® mission, we consider ourselves lucky to be a part of it."*

Bob Salerno  
President and COO  
Avis Rent A Car System, Inc.

**Business:** Offers a wide range of the finest quality personalized gifts to create lasting gifts that commemorate all of life's special moments.

**National Sponsor:** 5 years

**Special Mention:** In 1997, Elysia had a special wish – to give her loved ones personalized gifts to remember her. Things Remembered donated 62 personalized gifts, with a message from Elysia to say, "Thank you, I love you, and always remember me." To honor her memory, Things Remembered offers Make-A-Wish gifts with a donation made to the Foundation.

*"Magical wishes like Elysia's continue to inspire our teammates and our customers. Our customers have made Make-A-Wish gifts an annual tradition. We are proud to have contributed locally and nationally to create many magical wishes. The Make-A-Wish Foundation® is a cause that supports our values, our company mission of 'celebrating life's special moments' and warms our hearts."*

Suzanne Sutter  
President  
Things Remembered, Inc.

**Business:** Chi Omega Fraternity, the largest women's fraternal organization with 240,000 members, more than 170 chapters and over 230 alumnae chapters, was founded on the principles of friendship, personal integrity, academic excellence, community service, career development, and involvement in worthwhile campus activities.

**National Sponsor:** 1 year

**Special Mention:** Throughout the country, the fund-raising and volunteerism efforts of Chi Omega collegiate and alumnae members has enabled the Foundation to better serve children with life-threatening medical conditions.

*"Continuing its longstanding commitment to philanthropy through volunteer and fund-raising events, Chi Omega is proud to align itself with the Make-A-Wish Foundation, and is proud of the outstanding contributions its collegiate and alumnae members have made to the Foundation this past year!"*

Mary Ann Frugé  
National President  
Chi Omega Fraternity

**Business:** Luxaire is a brand of the Unitary Products Group of YORK International Corporation, the largest independent supplier of heating, ventilating, air conditioning and refrigeration products in the U.S.

**National Sponsor:** 1 year

**Special Mention:** Luxaire and its distributors and dealers are supporting wish granting through product sales, raffles, auctions, and special events such as Luxaire-sponsored Make-A-Wish nights at Minor League Baseball games across the country. Luxaire helps to **share the power of a wish®** with a national television ad that promotes Luxaire's sponsorship with the Make-A-Wish Foundation.

*"Luxaire's young partnership with the Make-A-Wish Foundation has been a fruitful one. Our employees, dealers, and distributors have rallied around the life-changing mission of the Foundation. We are proud to deliver the magic of a wish to children and families nationwide."*

Tom Huntington  
President  
York International,  
Unitary Products Group



# Corporate Sponsors



**Business:** Involves all facets of the fine jewelry industry – including retailers, manufacturers and trade organizations – in the mission of raising funds for charities that primarily benefit children.

**National Sponsor:** 7 years

**Special Mention:** The *Wish A State* program was created by JCF to help grant wishes nationwide on behalf of the jewelry industry. Since 1999, nearly 300 wishes have been fulfilled, often with volunteer involvement from members of Jewelers of America, the industry's national trade organization dedicated to professional business ethics of the retail jeweler.

*"We are enormously proud of the relationship we enjoy with our charity partners, including the Make-A-Wish Foundation®. We frequently experience a wonderful 'overlap' when a child benefits from the important work being done by more than one of the recipients of our industry's charity."*

Pattie Light  
Executive Director  
Jewelers Charity Fund for Children



**Business:** North America's largest specialty retailer of fine jewelry.

**National Sponsor:** 6 years

**Special Mention:** Zale Corporation creates a variety of special-edition plush animals to benefit the Foundation. Customers support the Foundation by purchasing these plush animals during a variety of holidays. Each plush includes a hangtag decorated with artwork created by a Make-A-Wish® child. The Foundation also benefits from employee giving, special events, and in-kind donations.

*"Zale has incorporated the support of the Foundation into its corporate culture. Truly, it is the interest and commitment of Zale Corporation's employees that is the force behind our terrific fund-raising efforts. The rewards of seeing the faces of those children who benefit from Make-A-Wish is what motivates us all here at Zale. It is wonderful to be part of a team that believes in making an extraordinary difference to these extraordinary children and their families."*

Mary Forte  
President & Chief Executive Officer  
Zale Corporation



**Business:** Discover Financial Services, a business unit of Morgan Stanley & Co., operates the Discover® Card brands. Additional services include Discover CDs and money market accounts, auto insurance, and home loans.

**National Sponsor:** 14 years

**Special Mention:** Discover Financial Services, through the Discover Card Cashback Bonus® program, offers its members the opportunity to donate their Cashback Bonus award to the Make-A-Wish Foundation.

*"Discover Financial Services has faithfully supported the efforts of the Make-A-Wish Foundation for more than a decade. We believe in making a difference in the lives of children, and through the efforts of our Cardmembers, the Foundation has made dreams come true for thousands of children with life-threatening medical conditions."*

David Nelms  
President  
Discover Financial Services, Inc.



**Business:** A global cruise vacation company that operates Royal Caribbean International and Celebrity Cruises, with a combined total of 25 ships in service and three under construction or on firm order. The company also offers unique land-tour vacations in Alaska, Canada, and Europe through its cruise-tour division.

**National Sponsor:** 3 years

**Special Mention:** Royal Caribbean Cruises Ltd. is the largest in-kind supporter of complimentary cruises for wish kids, providing a VIP cruising experience for more than 150 families in 2002.

*"We consider it an honor that our cruise vacation is chosen as the fondest wish of these special children. It is also our privilege to serve them and their families."*

Richard Fain  
Chairman and Chief Executive Officer  
Royal Caribbean Cruises, Ltd.

# OUR SUPPORTERS

## Corporate Sponsors

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\$3,000,000+



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\$1,000,000 - \$2,999,999



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Snap-on Tools  
Things Remembered  
TruServ  
United Airlines  
US Airways

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\$30,000 - 99,999

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# OUR SUPPORTERS

## The Chris Greicius Society

The Make-A-Wish Foundation® extends its appreciation to Chris Greicius Society members, individuals who have donated more than \$10,000 to the Foundation in 2002. The Chris Greicius Society was named after the child who inspired the creation of the Make-A-Wish Foundation.

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in memory of Greg Wilson  
Mr. Shawn P. Wolf  
Wood-Claessens Foundation  
Mr. and Mrs. Brian C. Wood  
Martha L. Wrozek Estate  
Ruth/Allen Ziegler Foundation

# GET INVOLVED

## Get Involved

### **Volunteer**

Use your gifts, talents, and time to help make dreams come true for courageous Make-A-Wish® children.

### **Refer a Child**

If you know a child who may be eligible for a wish, please have the child's parent or legal guardian contact his or her local Make-A-Wish chapter.

### **Donate**

Help the Foundation touch the lives of children by making a donation. You can give by mail, by phone, or online.

### **Make a Planned Gift**

You can make gifts of stocks, bonds, cash, personal property, real estate, retained life estate, bequests, pooled income, charitable remainder trusts, life insurance, and IRAs.

### **Become a Corporate Partner**

Support the Foundation through a regional or national partnership while adding value to your marketing and brand-building efforts.

### **Participate in Kids For Wish Kids®**

You can partner with your local Make-A-Wish chapter and coordinate a fund raiser at your school or youth organization to help sponsor wishes for kids in your community.

### **Purchase Products**

Visit our Web site at [www.wish.org](http://www.wish.org) or call (800) 722-WISH to purchase apparel, cards, and other Make-A-Wish mementos.

### **Share Our Message**

While visiting our Web site, share your favorite stories in the Wishes section with a friend. Click on the "Share this story with a friend" button and follow the easy steps.



Wish kids Chelsea, 18  
and Mitchell, 5.

# Support the Make-A-Wish® Mission Anywhere, Anytime

## Tell Us What You Think

Sign in to our online Guest Book at [www.wish.org](http://www.wish.org) to tell us how we are doing. Or, you can click on the "Share your thoughts with us" link found at the end of every story in the Wishes section.

## Contact Us

For more information on how you can **share the power of a wish®**, call (800) 722-WISH or visit us at [www.wish.org](http://www.wish.org).

## Donate Your Frequent Flier Miles

To donate your frequent flier miles to the Make-A-Wish Foundation®, please visit our Web site at [www.wish.org](http://www.wish.org) and click on "Giving," or call (800) 722-WISH.

## Donate Your Discover® Card Cashback Bonus® Award

Discover® Platinum or Classic Cardmembers can designate their Cashback Bonus® award to the Foundation by calling 1-877-YOURAWARD or going online at [discovercard.com](http://discovercard.com). Cardmembers can redeem their awards in \$20 increments at any time (no specific anniversary days/months/years). After reaching \$20 in a Cashback Bonus award, Cardmembers can call or go online to redeem their Cashback Bonus award for the Make-A-Wish Foundation.



Wish kids  
Dalilah, 3 and  
Sierra, 3.

# COMBINED FINANCIAL SUMMARY

Year ended August 31, 2002

## Combined Statement of Financial Position

<u>Assets</u>	
Cash and cash equivalents	\$ 29,175,155
Restricted cash	1,047,367
Investments	67,049,323
Contributions receivable	13,726,064
Accounts receivable	302,085
Supply inventories	537,977
Prepaid expenses	974,875
Property and equipment, net	5,914,904
Other assets	1,655,487
Total assets	<u>\$ 120,383,237</u>
 <b>Liabilities and Net Assets</b>	
Accounts payable and accrued expenses	\$ 4,475,718
Accrued pending wish costs	15,549,282
Deferred rent	68,305
Deposits	714,500
Lines of credit	57,000
Notes payable	259,327
Total liabilities	<u>21,124,132</u>
Net assets:	
Unrestricted	75,458,386
Temporarily restricted	10,998,501
Permanently restricted	12,802,218
Total net assets	<u>99,259,105</u>
Total liabilities and net assets	<u>\$ 120,383,237</u>

## Combined Statement of Activities

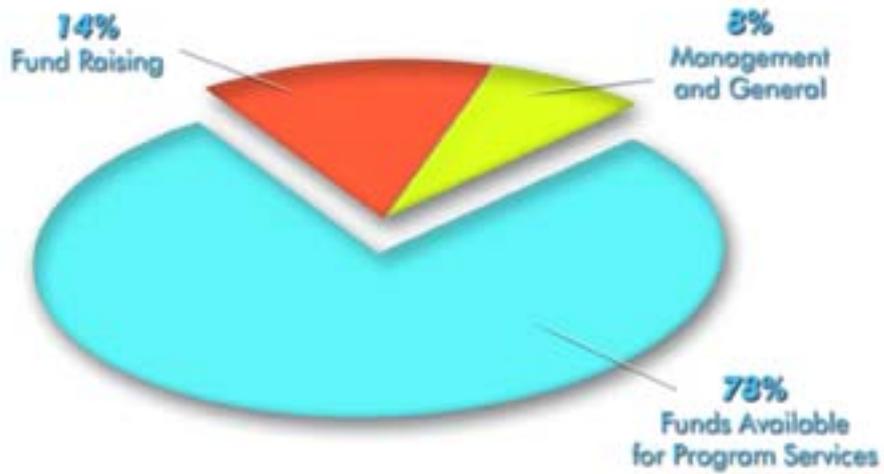
<u>Revenues and Other Support</u>	
Revenues and other support:	
Contributions	\$ 88,105,693
Internal special events	26,562,644
Less: Cost of direct benefit to donor	<u>(7,095,566)</u>
	19,467,078
External special events	18,200,607
Fund raising	67,002
Grants	2,431,176
Total support	<u>128,271,556</u>
Rebates and royalties	10,854
Investment income	2,656,477
Realized/unrealized gains on investments	580,771
Other income	913,633
Total revenues and other support	<u>132,433,291*</u>
 <b>Expenses and losses:</b>	
Program services:	
Wish granting	84,794,982
Chapter support	3,811,761
Program-related support	2,327,850
Committee and board support	720,190
Training and development	1,597,792
Public support	4,305,229
Total program services	<u>97,557,804</u>
Support services	
Fund raising	18,415,767
Management and general	10,839,041
Total support services	<u>29,254,808</u>
Total expenses	<u>126,812,612</u>
Realized/unrealized losses on investments	<u>6,652,996</u>
Total expenses and losses	<u>133,465,608</u>
Increase (decrease) in net assets	<u>(1,003,317)</u>
Net assets at beginning of year	<u>100,291,422</u>
Net assets at end of year	<u>\$ 99,259,105</u>

\* Includes unrestricted, temporarily restricted, and permanently restricted revenues and other support.

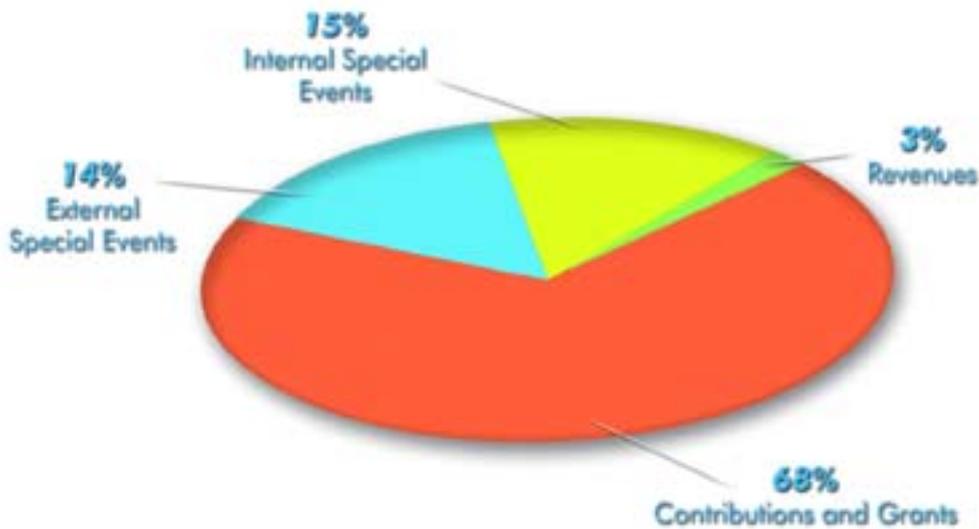
# MANAGING OUR FUNDS

## Functional Expenses

as a percentage of total support and revenue



## Sources of Funding



# Combined Financial Statements

## Independent Auditors' Report

The Board of Directors  
Make-A-Wish Foundation®:

We have audited the accompanying combined statements of financial position of Make-A-Wish Foundation as of August 31, 2002 and 2001 and the related combined statements of activities, functional expenses, and cash flows for the years then ended. These combined financial statements are the responsibility of management of Make-A-Wish Foundation. Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of certain chapters which reflect total assets constituting 8 percent in 2002 and 10 percent in 2001, and total revenues and other support constituting 6 percent in 2002 and 7 percent in 2001 of the related combined totals. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those chapters, is based solely on the reports of the other auditors.

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 combined 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, based on our audits and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation as of August 31, 2002 and 2001, and their changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

Phoenix, Arizona  
May 12, 2003

## Combined Statements of Financial Position

August 31, 2002 and 2001

	<b>Assets</b>	<b>2002</b>	<b>2001</b>
Cash and cash equivalents	\$	29,175,155	31,272,124
Restricted cash		1,047,367	283,334
Investments		67,049,323	64,366,187
Contributions receivable		13,726,064	13,015,405
Accounts receivable		302,085	276,059
Supply inventories		537,977	542,122
Prepaid expenses		974,875	883,970
Property and equipment, net		5,914,904	5,912,272
Other assets		1,655,487	1,500,403
Total assets	\$	<u>120,383,237</u>	<u>118,051,876</u>

### Liabilities and Net Assets

Accounts payable and accrued expenses	\$	4,475,718	3,352,613
Accrued pending wish costs		15,549,282	13,105,612
Due to International affiliate		—	92,500
Deferred rent		68,305	72,742
Deposits		714,500	771,788
Line of credit		57,000	—
Notes payable		259,327	365,199
Total liabilities		<u>21,124,132</u>	<u>17,760,454</u>

Commitments and contingencies (notes 11, 12, 15, 16, 17, and 18)

Net assets:

Unrestricted		75,458,386	79,715,597
Temporarily restricted		10,998,501	9,786,675
Permanently restricted		12,802,218	10,789,150

Total net assets		<u>99,259,105</u>	<u>100,291,422</u>
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Total liabilities and net assets	\$	<u>120,383,237</u>	<u>118,051,876</u>
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See accompanying notes to combined financial statements.

## Combined Statement of Activities

Year ended August 31, 2002

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:				
Contributions	\$ 73,870,350	12,363,779	1,871,564	88,105,693
Internal special events	26,191,679	242,283	128,682	26,562,644
Less: Cost of direct benefit to donor	(7,044,753)	(40,913)	(9,900)	(7,095,566)
	<u>19,146,926</u>	<u>201,370</u>	<u>118,782</u>	<u>19,467,078</u>
External special events	17,559,737	513,672	127,198	18,200,607
Fund raising	67,002	—	—	67,002
Grants	2,184,827	246,349	—	2,431,176
Total support	<u>112,828,842</u>	<u>13,325,170</u>	<u>2,117,544</u>	<u>128,271,556</u>
Rebates and royalties	10,854	—	—	10,854
Investment income	2,532,670	62,737	61,070	2,656,477
Realized/unrealized gains on investments	580,771	—	—	580,771
Other income	898,631	—	15,002	913,633
Net assets released from restrictions	12,010,815	(12,010,815)	—	—
Total revenues and other support	<u>128,862,583</u>	<u>1,377,092</u>	<u>2,193,616</u>	<u>132,433,291</u>
Expenses and losses:				
Program services:				
Wish granting	84,794,982	—	—	84,794,982
Chapter support	3,811,761	—	—	3,811,761
Program-related support	2,327,850	—	—	2,327,850
Committee and board support	720,190	—	—	720,190
Training and development	1,597,792	—	—	1,597,792
Public information	4,305,229	—	—	4,305,229
Total program services	<u>97,557,804</u>	<u>—</u>	<u>—</u>	<u>97,557,804</u>
Support services:				
Fund raising	18,415,767	—	—	18,415,767
Management and general	10,839,041	—	—	10,839,041
Total support services	<u>29,254,808</u>	<u>—</u>	<u>—</u>	<u>29,254,808</u>
Total expenses	<u>126,812,612</u>	<u>—</u>	<u>—</u>	<u>126,812,612</u>
Realized/unrealized losses on investments	6,307,182	165,266	180,548	6,652,996
Total expenses and losses	<u>133,119,794</u>	<u>165,266</u>	<u>180,548</u>	<u>133,465,608</u>
Increase (decrease) in net assets	(4,257,211)	1,211,826	2,013,068	(1,032,317)
Net assets at beginning of year	<u>79,715,597</u>	<u>9,786,675</u>	<u>10,789,150</u>	<u>100,291,422</u>
Net assets at end of year	<u>\$ 75,458,386</u>	<u>10,998,501</u>	<u>12,802,218</u>	<u>99,259,105</u>

See accompanying notes to combined financial statements.

# Combined Statement of Activities

Year ended August 31, 2001

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:				
Contributions	\$ 76,516,314	7,926,259	2,374,639	86,817,212
Internal special events	25,692,278	391,317	80,703	26,164,298
Less: Cost of direct benefit to donor	(7,238,157)	(42,705)	(38,939)	(7,319,801)
	<u>18,454,121</u>	<u>348,612</u>	<u>41,764</u>	<u>18,844,497</u>
External special events	16,614,282	690,462	59,790	17,364,534
Fund raising	235,155	—	14,283	249,438
Grants	1,977,363	173,694	9,116	2,160,173
	<u>113,797,235</u>	<u>9,139,027</u>	<u>2,499,592</u>	<u>125,435,854</u>
Rebates and royalties	12,202	—	—	12,202
Investment income	3,673,911	41,774	31,326	3,747,011
Realized/unrealized gains on investments	274,320	—	29,170	303,490
Other income	907,932	—	12,876	920,808
Net assets released from restrictions	10,494,201	(10,494,201)	—	—
Total revenues and other support	<u>129,159,801</u>	<u>(1,313,400)</u>	<u>2,572,964</u>	<u>130,419,365</u>
Expenses and losses:				
Program services:				
Wish granting	82,969,620	—	—	82,969,620
Chapter support	3,399,887	—	—	3,399,887
Program-related support	2,063,592	—	—	2,063,592
Committee and board support	660,438	—	—	660,438
Training and development	1,747,573	—	—	1,747,573
Public information	4,998,550	—	—	4,998,550
Total program services	<u>95,839,660</u>	<u>—</u>	<u>—</u>	<u>95,839,660</u>
Support services:				
Fund raising	15,872,608	—	—	15,872,608
Management and general	9,428,691	—	—	9,428,691
Total support services	<u>25,301,299</u>	<u>—</u>	<u>—</u>	<u>25,301,299</u>
Total expenses	<u>121,140,959</u>	<u>—</u>	<u>—</u>	<u>121,140,959</u>
Realized/unrealized losses on investments	7,289,276	260,683	22,345	7,572,304
Total expenses and losses	<u>128,430,235</u>	<u>260,683</u>	<u>22,345</u>	<u>128,713,263</u>
Increase (decrease) in net assets	729,566	(1,574,083)	2,550,619	1,706,102
Net assets at beginning of year	78,986,031	11,360,758	8,238,531	98,585,320
Net assets at end of year	<u>\$ 79,715,597</u>	<u>9,786,675</u>	<u>10,789,150</u>	<u>100,291,422</u>

See accompanying notes to combined financial statements.

# Combined Statement of Functional Expenses

Year ended August 31, 2002

	Program Services							Support Services			
	Wish granting	Chapter support	Program related support	Committee and board support	Training and development	Public information	Total program services	Fund raising	Management and general	Total support services	Total
Direct costs of wishes	\$ 63,758,671	—	—	—	—	—	63,758,671	—	—	—	63,758,671
Direct costs of fund raising	—	—	—	—	—	—	—	2,546,113	—	2,546,113	2,546,113
Salaries, taxes, and benefits	13,661,431	1,687,069	1,450,968	269,284	763,336	772,209	18,604,297	7,927,988	6,641,287	14,569,275	33,173,572
Rent	1,718,981	140,264	169,752	20,118	77,412	77,510	2,204,037	720,781	678,141	1,398,922	3,602,959
Equipment lease	42,659	—	7,699	268	4,641	5,230	60,497	17,764	23,005	40,769	101,266
Telephone	570,056	59,451	72,063	11,244	30,186	26,328	769,328	221,858	212,857	434,715	1,204,043
Office supplies	581,107	48,753	54,373	5,186	28,655	23,512	741,586	292,481	289,811	582,292	1,323,878
Postage/delivery	499,223	27,932	55,281	5,156	19,449	584,517	1,191,558	1,181,180	355,795	1,536,975	2,728,533
Printing	286,920	34,279	10,092	71	27,271	2,054,240	2,412,873	2,364,435	487,672	2,852,107	5,264,980
Insurance	220,776	90,514	6,220	29,587	10,053	9,488	366,638	77,921	112,212	190,133	556,771
Professional fees	396,805	1,363,098	54,277	28,892	19,852	251,977	2,114,901	906,250	539,553	1,445,803	3,560,704
Depreciation and amortization	463,325	91,920	127,671	12,407	41,944	37,619	774,886	245,787	344,660	590,447	1,365,333
Public relations	1,073,596	—	20,629	1,693	14,705	366,323	1,476,946	684,030	235,431	919,461	2,396,407
Dues and subscriptions	24,828	—	33,336	49	3,589	1,688	63,490	19,097	12,455	31,552	95,042
Travel	172,998	136,830	20,404	71,564	114,067	36,653	552,516	244,406	147,030	391,436	943,952
Volunteer training	208,164	—	26,268	—	33,978	981	269,391	48,761	10,112	58,873	328,264
Repairs and maintenance	196,019	4,484	44,320	437	24,917	17,046	287,223	75,060	82,585	157,645	444,868
Meetings and conferences	401,771	30,715	45,500	52,127	358,879	32,211	921,203	258,714	163,707	422,421	1,343,624
Membership dues	1,636	96,452	—	9	322	226	98,645	41,843	15,817	57,660	156,305
Miscellaneous	516,016	—	128,997	212,098	24,536	7,471	889,118	541,298	486,911	1,028,209	1,917,327
	<u>\$ 84,794,982</u>	<u>3,811,761</u>	<u>2,327,850</u>	<u>720,190</u>	<u>1,597,792</u>	<u>4,305,229</u>	<u>97,557,804</u>	<u>18,415,767</u>	<u>10,839,041</u>	<u>29,254,808</u>	<u>126,812,612</u>

See accompanying notes to combined financial statements.

# Combined Statement of Functional Expenses

## Year ended August 31, 2001

	Program Services							Support Services			
	Wish granting	Chapter support	Program related support	Committee and board support	Training and development	Public information	Total program services	Fund raising	Management and general	Total support services	Total
Direct costs of wishes	\$63,130,231	—	—	—	—	—	63,130,231	—	—	—	63,130,231
Direct costs of fund raising	—	—	—	—	—	—	—	2,036,386	—	2,036,386	2,036,386
Salaries, taxes, and benefits	12,439,854	1,875,322	1,146,630	380,605	771,665	670,970	17,285,046	6,662,778	5,582,931	12,245,709	29,530,755
Rent	1,512,921	160,261	162,339	36,521	78,350	69,539	2,019,931	558,433	595,853	1,154,286	3,174,217
Equipment lease	58,229	—	7,667	269	6,861	4,317	77,343	26,741	24,046	50,787	128,130
Telephone	585,723	23,806	74,676	7,173	17,677	28,877	737,932	205,000	226,742	431,742	1,169,674
Office supplies	578,577	18,318	64,714	13,085	30,760	29,838	735,292	276,092	313,420	589,512	1,324,804
Postage/delivery	419,222	11,095	45,503	6,828	15,257	463,640	961,545	1,014,554	285,556	1,300,110	2,261,655
Printing	193,238	2,733	18,895	1,967	33,976	2,264,185	2,514,994	1,857,206	302,422	2,159,628	4,674,622
Insurance	185,875	72,483	4,882	27,083	4,171	3,564	298,058	57,090	83,343	140,433	438,491
Professional fees	494,952	898,390	64,971	27,824	43,934	482,470	2,012,541	763,890	626,228	1,390,118	3,402,659
Depreciation and amortization	430,184	99,106	124,930	12,026	40,401	32,484	739,131	195,530	379,368	574,898	1,314,029
Public relations	696,556	—	20,633	3,228	14,038	725,459	1,459,914	790,755	189,723	980,478	2,440,392
Dues and subscriptions	24,704	—	20,181	—	4,918	1,758	51,561	24,785	16,785	41,570	93,131
Travel	230,013	103,670	23,636	90,466	129,586	106,342	683,713	400,612	114,630	515,242	1,198,955
Volunteer training	258,154	—	4,877	—	54,700	—	317,731	16,704	8,617	25,321	343,052
Repairs and maintenance	157,081	1,992	54,665	330	14,130	5,720	233,918	65,035	89,620	154,655	388,573
Meetings and conferences	624,352	23,754	148,266	49,265	464,494	41,117	1,351,248	351,132	189,921	541,053	1,892,301
Membership dues	—	104,000	—	—	235	140	104,375	26,315	9,543	35,858	140,233
Miscellaneous	949,754	4,957	76,127	3,768	22,420	68,130	1,125,156	543,570	389,943	933,513	2,058,669
	<u>\$82,969,620</u>	<u>3,399,887</u>	<u>2,063,592</u>	<u>660,438</u>	<u>1,747,573</u>	<u>4,998,550</u>	<u>95,839,660</u>	<u>15,872,608</u>	<u>9,428,691</u>	<u>25,301,299</u>	<u>121,140,959</u>

See accompanying notes to combined financial statements.

## Combined Statements of Cash Flows

Years ended August 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (1,032,317)	1,706,102
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,365,333	1,314,029
Loss on sale of equipment	13,940	18,616
Loss on impairment of other asset	10,518	—
Contributed property and equipment	(453,305)	(619,564)
Contributed investments	(441,538)	(1,132,096)
Unrealized/realized loss on investments	6,072,225	7,268,814
Contributions restricted for long-term investment	(1,240,885)	(1,349,905)
Contributions restricted for purchase of property and equipment	(1,122,469)	—
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	(710,659)	250,631
Accounts receivable	(26,026)	275,037
Supply inventories	4,145	(120,500)
Prepaid expenses	(90,905)	(344,450)
Other assets	(165,602)	(454,321)
Accounts payable and accrued expenses	1,123,105	157,795
Accrued pending wish costs	2,443,670	3,152,449
Due to International affiliate	(92,500)	92,500
Deferred rent	(4,437)	(24,794)
Deposits	(57,288)	16,877
Net cash provided by operating activities	5,595,005	10,207,220
Cash flows from investing activities:		
Net purchases of current and long-term investments	(8,313,823)	(12,382,197)
Acquisition of property and equipment	(931,382)	(2,143,177)
Proceeds from sale of property and equipment	9,468	12,104
Net cash used in investing activities	(9,235,737)	(14,513,270)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment	1,240,885	1,349,905
Proceeds from contributions restricted for purchase of equipment	1,122,469	—
Proceeds from notes payable/line of credit	197,000	833,167
Payments on notes payable/line of credit	(252,558)	(514,779)
Net cash provided by financing activities	2,307,796	1,668,293
Net decrease in cash and cash equivalents	(1,332,936)	(2,637,757)
Cash and cash equivalents and restricted cash, beginning of year	31,555,458	34,193,215
Cash and cash equivalents and restricted cash, end of year	\$ 30,222,522	31,555,458
Supplemental statement of cash flows information:		
Cash paid for interest	\$4,500	4,275
Acquisition of equipment with capital lease agreement	6,686	4,066
Gift of timeshare property	3,000	—

See accompanying notes to combined financial statements

# Notes to Combined Financial Statements

## (1) Organization

Make-A-Wish Foundation is comprised of Make-A-Wish Foundation of America (National Organization) and 79 active chapters, operating in 50 states, the District of Columbia, Puerto Rico and Guam (collectively, the Foundation). The mission of the Foundation is to grant the wishes of children with life-threatening illnesses to enrich the human experience with hope, strength, and joy. Wishes are granted to children living in the United States, its territories and protectorates, who have not yet reached their eighteenth birthday and who have a life-threatening illness or who suffer from a medical condition sufficiently life-threatening to create a probability that the child will not survive to his or her eighteenth birthday. The National Organization accomplishes its purpose by chartering chapters to grant such wishes and providing assistance, coordination, and guidance to such organizations wherever located. In addition, each 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 board.

The Foundation granted its first wish in May 1980 and has granted a total of approximately 96,434 wishes through August 31, 2002. The range of the cost of a wish during fiscal 2002 approximated \$3,000 to \$11,900. The range of the cost of a wish during fiscal 2001 approximated \$2,420 to \$9,400. As of August 31, 2002 and 2001, the Foundation had approximately 3,200 and 2,600 reportable pending wishes, respectively.

Make-A-Wish Foundation International and its international affiliates are separate corporate entities with their own governing boards and charters and as such are responsible for, and maintain custody of, their own financial resources and are not controlled by the Foundation. Accordingly, the accounts and transactions of the International Foundation and other international affiliates are not included in these combined financial statements.

## (2) Summary of Significant Accounting Policies

### (a) 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. The Foundation maintains its accounts on the accrual basis of accounting. Net assets, 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.

**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. Realized 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.

### (b) Management Estimates

The preparation of the 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. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an on-going basis, the Foundation evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from these estimates under different future conditions.

### (c) Basis of Combination

The accompanying combined financial statements include the accounts and transactions of the National Organization and the active chapters. All inter-entity accounts and transactions have been eliminated.

### (d) Cash Equivalents

The Foundation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

### (e) 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 service and material donations included in the accompanying statements of activities at an estimated fair market value of approximately \$25,663,000 and \$28,361,000 during 2002 and 2001, respectively, that met this criteria. In addition, the Foundation benefited from significant in-kind contributions relating to public service announcements, which were not recorded in the combined financial statements in an amount approximating \$14,723,000 (unaudited) and \$14,087,000 (unaudited) for the years ended August 31, 2002 and 2001, respectively.

### (f) Investment Income

Income and net gains (losses) on investments of endowment and similar funds are reported as follows:

- As increases (decreases) in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law requires that they be added to the principal of a permanent endowment fund;
- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; or
- As increases (decreases) in unrestricted net assets in all other cases.

### (g) Temporarily Restricted Net Assets

The Foundation adopted the following optional accounting policies with respect to temporarily restricted net assets:

#### • Contributions with Restrictions Met in the Same Year

Generally, 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.

### (h) Investments

Investments, consisting primarily of certificates of deposit, U.S. government securities, corporate equities and bonds, mutual funds, money market funds, and mortgage-backed securities, with readily determinable market values are measured at fair value as of year-end in the combined financial statements. Investment income or loss (including realized gains and losses on investments, interest, and dividends) and unrealized gains and losses on investments are recognized in the combined statements of activities.

### (i) Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. Current contributions receivable are expected to be collected during the next fiscal year and are recorded

at net realizable value. Long-term contributions receivable are expected to be collected after one fiscal year. Contributions, which are expected to be collected after one year, have been discounted and are reflected in the combined financial statements at their net present value.

**(j) Supply Inventories**

Supply inventories consist primarily of brochures, other printed materials, toys, and promotional items. These inventories are recorded at cost or fair market value, if contributed, using the first-in first-out method.

**(k) Property and Equipment**

Property and equipment are recorded at cost when purchased or fair market value at the date of gift, if contributed, and are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 40 years. Leasehold improvements are amortized over the remaining terms of the building leases.

**(l) Accrued Pending Wish Costs**

The Foundation accrues for the estimated cost of reportable pending wishes if certain measurable wish criteria are met. The reportable pending wish criteria include a medical eligibility form signed by the child's physician and formal approval by the Foundation.

**(m) Deposits**

Deposits represent amounts received in advance for special events to occur after August 31.

**(n) National Fund Raising**

The National Organization has entered into national fund-raising efforts for which funds are received and, as determined by the board of directors, are shared with chapters. Funds raised as a result of these efforts are deposited in an operating bank account and reported in the combined statements of activities as contributions to the unrestricted fund. The Audit Guide allows only for the reporting of revenues over which the entity has discretionary authority. During the course of the year, the National organization negotiates marketing contracts, some of which stipulate that the proceeds are to benefit specific chapters. These stipulated contracts totaled \$3,126,909 in 2002 and \$1,619,830 in 2001 and are recognized as contributions by the respective chapters in the accompanying combined financial statements. From time-to-time, funds are raised in territories in which there is no chapter representation. Funds raised in these uncovered territories are deposited in a restricted bank account and reported in the combined statements of activities based on the existence or absence of donor restrictions.

**(o) Income Taxes**

The National Organization and each of the chapters have received tax determination letters indicating that they qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. The National Organization and each of the chapters are also exempt from state taxation in the state of incorporation.

**(p) 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 exceed 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.

**(q) Functional Expenses**

The Foundation performs eight functions: wish granting, chapter support, program-related support, committee and board support, training and development, public information, fund raising, and management and general. Definitions of these functions are as follows:

**Wish Granting** – Activities performed by the Foundation which grant wishes to children with life-threatening illnesses.

**Chapter Support** – Activities performed by the Foundation which promote chapter development, monitor and direct chapters, assist chapters in complying with policies and guidelines, provide support for day-to-day chapter management decisions, and generate cash and in-kind donations for chapters.

**Program-related Support** – Activities performed by the Foundation which promote the development of wish resources, administration of the wish program, handling of wish referrals, wish assistance for chapters, and out-of-territory wish placement.

**Committee and Board Support** – Activities performed by the Foundation in preparation for, participation in, and follow-up on board of directors' meetings and all meetings of committees of the board and of the Foundation as it relates to chapter oversight or chapter wish granting.

**Training and Development** – Activities performed by the Foundation in development and implementation of all specific training functions of the Foundation, including national conference workshops and sessions.

**Public Information** – Activities performed by the Foundation communicating the purpose and services of the Foundation to all potential sources of referrals.

**Fund Raising** – Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During 2002 and 2001, the Foundation incurred joint costs of \$5,147,723 and \$3,712,546, respectively, for activities that include fund raising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	2002	2001
Wish granting	\$ 208,421	43,667
Training and development	180	2,290
Public information	1,765,237	1,336,852
Fund raising	2,528,118	1,959,533
Management and general	645,767	370,204
	<u>\$ 5,147,723</u>	<u>3,712,546</u>

**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 organization's existence. This includes expenses for the overall direction of the organization, 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.

**(3) Investments**

A summary of investments as of August 31, 2002 and 2001 follows:

	2002	2001
U.S. government securities	\$ 9,286,517	7,708,414
Certificates of deposit	6,220,849	6,075,120
Corporate bonds	14,369,364	12,894,330
Equity securities	18,311,916	19,668,628
Mutual funds	11,534,448	10,958,697
Money market funds	3,642,126	3,187,598
Mortgage backed securities	463,333	126,876
Other	3,220,770	3,746,524
	<u>67,049,323</u>	<u>64,366,187</u>
Less long-term portion of investments	<u>(7,445,298)</u>	<u>(9,036,374)</u>
Investments, net of long-term portion	<u>\$ 59,604,025</u>	<u>55,329,813</u>

### (3) Investments (continued)

The unrealized gains on investments were \$577,041 and \$14,074 for the years ended August 31, 2002 and 2001, respectively, while the unrealized losses on investments were \$3,695,139 and \$6,206,958 for the years ended August 31, 2002 and 2001, respectively. Realized gains on investments were \$3,730 and \$289,416 for the years ended August 31, 2002 and 2001, respectively, while realized losses on investments were \$2,957,857 and \$1,365,346 for the years ended August 31, 2002 and 2001, respectively.

### (4) Contributions Receivable

Promises to give, net of discount to present value (at rates ranging from 3.00% – 6.00%), are due to be collected as of August 31, 2002 and 2001 as follows:

	2002	2001
Gross amounts due in:		
One year	\$ 12,710,775	12,261,471
One to five years	1,322,584	1,120,000
Due in over five years	74,861	117,306
	<u>14,108,220</u>	<u>13,498,777</u>
Less discount to present value	(157,081)	(437,030)
Less allowance for uncollectible accounts	(225,075)	(46,342)
	<u>\$ 13,726,064</u>	<u>13,015,405</u>

The discount will be recognized as contribution revenue as the discount is amortized using the interest method over the duration of the pledge.

### (5) Chapter Advances

The National Organization makes temporary advances to chapters for wish granting. These advances are unsecured, non-interest bearing and have a 90-day repayment period. After 90 days, the advances become interest-bearing at the national prime rate as published in *The Wall Street Journal*. In addition to temporary advances, 9-month lines of credit may be extended to chapters. These lines of credit are unsecured, non-interest bearing and have a 90-day repayment period. After 90 days, the lines of credit become interest-bearing at the national prime rate as published in *The Wall Street Journal*. The chapter advances have been eliminated in the combined statements of financial position.

### (6) Property and Equipment

A summary of property and equipment as of August 31, 2002 and 2001 follows:

	2002	2001
Land	\$ 1,204,680	705,132
Building and improvements	2,219,997	2,206,432
Computer equipment and software	3,652,627	3,155,192
Office furniture	2,940,982	2,754,302
Other equipment	1,225,919	1,517,978
Leasehold improvements	795,242	787,968
	<u>12,039,447</u>	<u>11,127,004</u>
Less accumulated depreciation and amortization	(6,124,543)	(5,214,732)
Property and equipment, net	<u>\$ 5,914,904</u>	<u>5,912,272</u>

### (7) Beneficial Interest in Split-interest Agreement

In a previous year, a donor granted a chapter an interest in a charitable lead unitrust under which the chapter receives 3% of the fair market value of the unitrust each year for ten years. The chapter has recorded its beneficial interest in this unitrust as a receivable at the estimated present value using a discount rate of 8 percent. The discount is amortized over the term of the agreement using the effective interest method. The balance of \$106,235 and \$145,627 at August 31, 2002 and 2001, respectively, is included in other assets in the combined statements of financial position.

### (8) Beneficial Interest in Perpetual Trust

During fiscal 2001, a chapter received notification that it was a beneficiary of a perpetual trust. Based on terms of the trust agreement, the Chapter will receive 2.229% of the income on the trust in perpetuity. As of August 31, 2002 and 2001, the Foundation's beneficial interest in the trust was \$200,260 and \$231,533, respectively, and is included in other assets in the combined statements of financial position.

### (9) Lines of Credit

The National Organization has an unsecured revolving line of credit arrangement with a bank allowing it to borrow up to \$1,300,000 through December 31, 2003 at an interest rate of LIBOR plus 1.5%. Interest on the outstanding balance is due monthly. Additionally, three Chapters have unsecured lines of credit agreements with financial institutions totaling \$700,000. The interest rates on these agreements range from prime to prime plus 2% and expire at various dates through January 5, 2003. As of August 31, 2002, there was \$57,000 outstanding on the lines of credit. As of August 31, 2001, there were no outstanding balances on the lines of credit.

### (10) Notes Payable

Certain chapters entered into notes payable with various financial institutions. The notes payable are secured by automobiles or deeds of trust. The interest rates on these agreements vary from 0% to 7.5%. The notes payable totaled \$259,327 and \$365,199 as of August 31, 2002 and 2001, respectively. The aggregate maturities of the notes payable for the remaining term subsequent to August 31, 2002 is as follows: \$122,530 in 2003; \$5,066 in 2004; \$3,972 in 2005; \$4,270 in 2006; \$4,590 in 2007; and \$118,899 thereafter for a total of \$259,327.

### (11) Leases

The National Organization and various chapters lease office facilities and equipment under noncancelable operating leases with terms in excess of one year. These leases expire at various dates through the year 2006. Other chapters are renting office facilities on a month-to-month basis. Rent expense for all leases for the years ended August 31, 2002 and 2001 was \$3,704,225 and \$3,302,347, respectively.

Future minimum lease payments under noncancelable operating leases with terms in excess of one year consist of: \$2,650,245 in 2003, \$2,098,872 in 2004, \$1,661,241 in 2005, \$724,025 in 2006, \$356,435 in 2007, and \$277,056 thereafter, for a total of \$7,767,874.

### (12) Retirement Plans

The National Organization and certain chapters have adopted defined contribution retirement plans. The plans generally allow the employees to participate after reaching age 21 and completing at least one year of service. Certain plans allow the Foundation to contribute up to 9% of each participant's gross wages and other plans allow only the participant to make contributions. Retirement plan expense approximated \$381,700 and \$436,000 for the years ended August 31, 2002 and 2001, respectively.

### (13) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets as of August 31, 2002 and 2001 are restricted to the following:

	2002	2001
Wish fulfillment	\$ 4,015,737	4,290,686
Specific period of time	6,394,271	5,022,237
Salary and administrative costs	4,347	30,408
Parties for wish kids	49,751	48,762
Purchase of property and equipment	445,367	271,935
Publications and brochures	26,528	17,697
Specific fund-raising events	62,500	104,950
	<u>\$ 10,998,501</u>	<u>9,786,675</u>

Permanently restricted net assets as of August 31, 2002 and 2001 are restricted to:

	2002	2001
Investment in perpetuity, the income from which is expendable to support the mission of the Foundation	<u>\$ 12,802,218</u>	<u>10,789,150</u>

### (14) Satisfaction of 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:

	2002	2001
Purpose restrictions accomplished:		
Wish fulfillment	\$ 6,914,836	6,737,142
Salary and administrative costs	63,143	146,137
Purchase of property and equipment	227,563	37,776
Specific period of time	4,707,926	3,533,122
Specific fund-raising events	79,950	37,200
Publications and brochures	17,397	2,824
	<u>\$ 12,010,815</u>	<u>10,494,201</u>

### (15) Related Party Transactions

A substantial number of volunteers (including board of director members) have donated a significant amount of time to the Foundation's program and activities. No amounts have been reflected in the combined financial statements for these services inasmuch as no objective basis is available to measure the value of such services.

During the year ended August 31, 2001, the National Organization received in-kind donations of \$587,000 in advertising expenses from an advertising agency. The president and CEO of this advertising agency is also a member of the National Organization's board of directors.

During the years ended August 31, 2002 and 2001, certain chapters purchased goods and services from companies affiliated with board of director members or executive directors. Total purchases from these companies were \$91,556 in 2002 and \$155,937 in 2001.

During the year ended August 31, 2001, a chapter received an unconditional promise to give from certain board of director members totaling \$100,000, which is included in contributions receivable on the combined statement of financial position.

One chapter is affiliated with a separately incorporated 501(c)(3) organization, which operates exclusively for charitable and educational purposes, by supporting activities exclusively for the benefit of the chapter. During fiscal years 2002 and 2001, the organization contributed approximately \$1,776,000 and \$1,206,000, respectively, to the Chapter. At August 31, 2002 and 2001, the organization owed the chapter \$422,054 and \$286,567, respectively.

### (16) Charitable Remainder Trust

In January 1997, a chapter was named as beneficiary in a charitable remainder annuity trust (the Trust); however, the Foundation is not the trustee. Under the current terms of the Trust, the Foundation does not receive annual income distributions; however, it is to receive the remaining assets of the Trust valued at approximately \$531,000 upon the death of the donor. The donor may, at his option, change the beneficiary to another charitable organization prior to his death. Due to this conditional promise, the present value of Trust assets have not been reflected as a contribution in the accompanying combined financial statements.

### (17) 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 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 balances may exceed the amount of the FDIC insurance coverage. The Foundation, however, does not anticipate nonperformance by the institutions.

### (18) Contingencies

From time to time, the National Organization and the chapters are involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial; therefore, no provision has been made in the accompanying combined financial statements for losses, if any, that might result from the ultimate outcome of these matters.





### **Meet our wish child artist**

When she was 14 years old, Chelsea's wish to meet two famous fashion designers in New York City came true. The trip was a wonderful source of encouragement and hope for her. Chelsea, a tremendously gifted artist, has chosen to use her talents to further the Foundation's mission. Her illustrations are featured in the Make-A-Wish Foundation® of America Annual Report, telling wish child Jared's story from a visual perspective.

Chelsea continues to thrive as a student and ambassador for the Foundation. This fall, she begins her first year at a design college. The Make-A-Wish Foundation thanks Chelsea for her commitment in helping to **share the power of a wish®**.



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