MAKE-A-WISH FOUNDATION® OF AMERICA

Consolidated Financial Statements and Supplemental Schedules

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

MAKE A WISH FOUNDATION® OF AMERICA

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KPMG LLP
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Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of Make-A-Wish Foundation® of America (the Foundation) as of August 31, 2010 and 2009, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of America as of August 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, the Foundation assumed control of four chapters during the fiscal year ended August 31, 2010. In accordance with Accounting Standards Codification Topic 958, Section 810-25, *Consolidation*, the Foundation has included the assets, liabilities, and operating results of those chapters in the August 31, 2010 consolidated financial statements as if the chapters had been combined as of September 1, 2009. Therefore, the August 31, 2010 consolidated financial statements are not comparable to the August 31, 2009 financial statements, which did not include those chapters.

As described in note 3 to the accompanying consolidated financial statements, net assets as of August 31, 2008 have been restated to correct a misstatement in the Foundation's previously issued financial statements, which were audited by other auditors.

As discussed in note 13 to the consolidated financial statements, the Foundation adopted Accounting Standards Codification 958, Section 205-50, *Reporting Endowment Funds*, as of September 1, 2008 for classification of donor-restricted endowment funds.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

January 14, 2011

MAKE-A-WISH FOUNDATION® OF AMERICA

Consolidated Statements of Financial Position

August 31, 2010 and 2009

Assets		**2010**	**2009**
Cash and cash equivalents	$	10,021,130	14,819,911
Investments		30,966,500	15,409,648
Due from related entities		964,614	753,657
Prepaid expenses		361,888	419,959
Contributions receivable, net		4,402,518	3,428,910
Other assets		63,663	68,873
Charitable gift annuities		586,481	380,139
Beneficial interest in trust		363,004	—
Investments held for long-term purposes		3,851,020	1,506,640
Property and equipment, net		2,049,647	408,085
Total assets	$	53,630,465	37,195,822
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	2,624,544	1,597,322
Accrued pending wish costs		4,919,051	83,433
Due to related entities		2,394,285	2,156,725
Other liabilities		1,840,042	237,769
Capital lease obligations		6,271	—
Notes payable		101,449	—
Total liabilities		11,885,642	4,075,249
Commitments and contingencies			
Net assets:			
Unrestricted		33,262,395	27,643,460
Temporarily restricted		4,457,097	3,005,769
Permanently restricted		4,025,331	2,471,344
Total net assets		41,744,823	33,120,573
Total liabilities and net assets	$	53,630,465	37,195,822

See accompanying notes to consolidated financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA

Consolidated Statement of Activities

Year ended August 31, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 50,746,274	1,856,018	1,553,987	54,156,279
In-kind contributions	30,251,609	208,314	—	30,459,923
Grants	365,298	35,000	—	400,298
Total public support	81,363,181	2,099,332	1,553,987	85,016,500
Special events	1,686,640	6,500	—	1,693,140
Less direct benefit costs to donor	(339,885)	—	—	(339,885)
Total special events	1,346,755	6,500	—	1,353,255
Investment income, net	1,884,559	59,060	—	1,943,619
Chapter assessments	4,656,854	—	—	4,656,854
Other income	290,647	—	—	290,647
Change in value of beneficial interest in trust	—	25,401	—	25,401
Net assets released from restrictions	1,785,912	(1,756,837)	(29,075)	—
Total revenues, gains, and other support	91,327,908	433,456	1,524,912	93,286,276
Expenses:				
Program services:				
Wish granting	10,957,561	—	—	10,957,561
Program-related support	40,592,691	—	—	40,592,691
Training and development	939,047	—	—	939,047
Public information	22,925,423	—	—	22,925,423
Total program services	75,414,722	—	—	75,414,722
Support services:				
Fundraising	10,996,692	—	—	10,996,692
Management and general	7,195,368	—	—	7,195,368
Total support services	18,192,060	—	—	18,192,060
Total program and support services expenses	93,606,782	—	—	93,606,782
Change in value of split-interest agreements	—	33,264	—	33,264
Total expenses and losses	93,606,782	33,264	—	93,640,046
Change in net assets before assuming control of chapters	(2,278,874)	400,192	1,524,912	(353,770)
Assuming control of chapters	7,897,809	1,051,136	29,075	8,978,020
Change in net assets	5,618,935	1,451,328	1,553,987	8,624,250
Net assets, beginning of the year	27,643,460	3,005,769	2,471,344	33,120,573
Net assets, end of the year	$ 33,262,395	4,457,097	4,025,331	41,744,823

See accompanying notes to consolidated financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA

Consolidated Statement of Activities

Year ended August 31, 2009

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 47,541,757	1,432,007	1,363,316	50,337,080
In-kind contributions	8,487,414	—	—	8,487,414
Grants	52,000	—	—	52,000
Total public support	56,081,171	1,432,007	1,363,316	58,876,494
Investment income (loss), net	980,157	(13,984)	—	966,173
Chapter assessments	6,004,762	—	—	6,004,762
Other income	355,292	—	—	355,292
Change in value of split-interest agreements	—	55,206	—	55,206
Net assets released from restrictions	3,270,084	(3,270,084)	—	—
Total revenues, gains, and other support	66,691,466	(1,796,855)	1,363,316	66,257,927
Expenses:				
Program services:				
Wish granting	535,678	—	—	535,678
Program-related support	42,182,314	—	—	42,182,314
Training and development	877,378	—	—	877,378
Public information	3,309,988	—	—	3,309,988
Total program services	46,905,358	—	—	46,905,358
Support services:				
Fundraising	8,986,519	—	—	8,986,519
Management and general	5,891,232	—	—	5,891,232
Total support services	14,877,751	—	—	14,877,751
Total program and support services expenses	61,783,109	—	—	61,783,109
Other losses	—	2,500,000	—	2,500,000
Total expenses and losses	61,783,109	2,500,000	—	64,283,109
Change in net assets before adoption of new accounting pronouncement	4,908,357	(4,296,855)	1,363,316	1,974,818
Effect of adoption of new accounting pronouncement	(70,958)	70,958	—	—
Change in net assets	4,837,399	(4,225,897)	1,363,316	1,974,818
Net assets, beginning of the year, as restated (note 3)	22,806,061	7,231,666	1,108,028	31,145,755
Net assets, end of the year	$ 27,643,460	3,005,769	2,471,344	33,120,573

See accompanying notes to consolidated financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA

Consolidated Statements of Cash Flows

Years ended August 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 8,624,250	1,974,818
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	532,895	380,928
Bad debt expense	44,706	—
Contributions restricted for long-term investment	(1,553,987)	(448,492)
Contribution of property and equipment	(2,500)	—
Net realized and unrealized gains on investments	(980,203)	(351,993)
Loss on sale of property and equipment	—	(5,461)
Change in value of split-interest agreements	33,264	(55,206)
Change in value of beneficial interest in trust	(25,401)	—
Change in discount to present value of contributions receivable	137,266	(43,032)
Net non-cash assets and liabilities assumed through control of chapters	(7,625,453)	—
Changes in assets and liabilities:		
Contributions receivable	(427,538)	3,738,756
Due from related entities	(203,487)	178,376
Prepaid expenses	133,509	70,255
Other assets	75,455	—
Accounts payable and accrued expenses	617,396	1,017,438
Accrued pending wish costs	1,292,646	—
Due to related entities	413,192	(599,403)
Other liabilities	1,325,701	(24,640)
Net cash provided by operating activities	2,411,711	5,832,344
Cash flows from investing activities:		
Purchases of investments	(23,547,375)	(19,188,354)
Proceeds from sales of investments	16,319,938	13,389,479
Purchases of property and equipment	(1,508,244)	(151,235)
Proceeds from sale of property and equipment	—	5,624
Net cash used in investing activities	(8,735,681)	(5,944,486)
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,553,987	448,492
Principal payments on capital lease obligations	(23,302)	—
Principal payments on notes payable	(5,496)	—
Net cash provided by financing activities	1,525,189	448,492
Net increase (decrease) in cash and cash equivalents	(4,798,781)	336,350
Cash and cash equivalents, beginning of year	14,819,911	14,483,561
Cash and cash equivalents, end of year	$ 10,021,130	14,819,911
Supplemental cash flow information:		
Cash paid for interest	$ 9,622	—
Donated property and equipment, stock, and inventory	2,500	—
Contributed services	21,557,649	2,012,155
In-kind contributions	9,113,676	6,475,259
Non-cash assets assumed from controlled chapters	11,815,709	—
Non-cash liabilities assumed from controlled chapters	(4,190,256)	—

See accompanying notes to consolidated financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA

Consolidated Statement of Functional Expenses

Year ended August 31, 2010

	Program services					Support services			
	Wish granting	**Program–related support**	**Training and development**	**Public information**	**Total program services**	**Fundraising**	**Management and general**	**Total support services**	**Total**
Direct costs of wishes	$ 8,200,478	—	—	—	8,200,478	—	—	—	8,200,478
Distributions to related entities	—	34,816,221	—	—	34,816,221	—	—	—	34,816,221
Salaries, taxes, and benefits	1,947,003	2,229,914	475,420	468,196	5,120,533	3,064,725	3,898,748	6,963,473	12,084,006
Printing, subscriptions, and publications	16,967	3,436	4,841	994,846	1,020,090	2,598,690	592,652	3,191,342	4,211,432
Professional fees	116,174	1,823,448	97,123	560,797	2,597,542	1,545,135	913,555	2,458,690	5,056,232
Rent and utilities	290,553	92,111	20,973	18,203	421,840	266,004	303,890	569,894	991,734
Postage and delivery	26,460	36,331	7,826	673,332	743,949	1,675,059	431,131	2,106,190	2,850,139
Travel	57,335	218,392	68,745	17,006	361,478	204,075	209,273	413,348	774,826
Meetings and conferences	47,813	6,405	194,045	1,357	249,620	62,971	127,188	190,159	439,779
Office supplies	70,398	30,578	10,497	9,639	121,112	80,193	132,180	212,373	333,485
Communications	44,167	33,483	6,617	5,759	90,026	58,544	55,053	113,597	203,623
Advertising and media (cash)	1,919	—	75	30,445	32,439	83,597	4,655	88,252	120,691
Advertising and media (in-kind)	—	—	—	20,105,091	20,105,091	913,905	—	913,905	21,018,996
Repairs and maintenance	32,188	4,959	2,143	918	40,208	21,766	23,943	45,709	85,917
Insurance	11,150	380,033	2,630	2,191	396,004	27,500	71,091	98,591	494,595
Bad debt expense	—	—	—	—	—	25,000	19,706	44,706	44,706
Membership dues	777	253,616	1,992	15,669	272,054	56,845	7,897	64,742	336,796
Grants and scholarships	10,000	558,140	—	—	568,140	—	—	—	568,140
Volunteer training	232	—	—	—	232	—	—	—	232
Miscellaneous	6,729	6,407	21,316	1,304	35,756	183,141	222,962	406,103	441,859
Depreciation and amortization	77,218	99,217	24,804	20,670	221,909	129,542	181,444	310,986	532,895
	$ 10,957,561	40,592,691	939,047	22,925,423	75,414,722	10,996,692	7,195,368	18,192,060	93,606,782

See accompanying notes to consolidated financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA

Consolidated Statement of Functional Expenses

Year ended August 31, 2009

	Program services					Support services			
	Wish granting	Program–related support	Training and development	Public information	Total program services	Fundraising	Management and general	Total support services	Total
Direct costs of wishes	$ 219,930	—	—	—	219,930	—	—	—	219,930
Distributions to related entities	—	36,708,130	—	—	36,708,130	—	—	—	36,708,130
Salaries, taxes, and benefits	239,804	2,271,359	337,337	320,953	3,169,453	1,874,217	3,398,148	5,272,365	8,441,818
Printing, subscriptions, and publications	396	7,424	14,022	1,476,230	1,498,072	2,255,050	523,906	2,778,956	4,277,028
Professional fees	372	1,585,137	22,017	644,612	2,252,138	1,063,371	560,578	1,623,949	3,876,087
Rent and utilities	17,719	149,098	20,146	27,638	214,601	110,663	187,360	298,023	512,624
Postage and delivery	2,610	12,923	4,716	771,992	792,241	1,269,490	352,137	1,621,627	2,413,868
Travel	22,861	193,125	159,495	5,275	380,756	120,480	122,385	242,865	623,621
Meetings and conferences	6,884	7,811	257,000	2,839	274,534	160,393	79,638	240,031	514,565
Office supplies	5,530	58,534	7,621	8,457	80,142	39,282	103,286	142,568	222,710
Communications	4,949	33,649	3,436	5,208	47,242	24,159	42,151	66,310	113,552
Advertising and media (cash)	—	1,424	541	8,212	10,177	102,044	764	102,808	112,985
Advertising and media (in-kind)	—	—	—	11,510	11,510	1,700,379	—	1,700,379	1,711,889
Repairs and maintenance	1,053	14,429	1,057	1,752	18,291	7,348	15,869	23,217	41,508
Insurance	1,392	439,903	1,392	2,320	445,007	20,620	72,963	93,583	538,590
Membership dues	—	324,175	534	1,685	326,394	31,013	57,065	88,078	414,472
Grants and scholarships	—	263,166	579	—	263,745	—	—	—	263,745
Miscellaneous	750	—	36,057	2,259	39,066	128,015	222,611	350,626	389,692
Depreciation and amortization	11,428	106,660	11,428	19,046	148,562	79,995	152,371	232,366	380,928
	$ 535,678	42,182,314	877,378	3,309,988	46,905,358	8,986,519	5,891,232	14,877,751	61,783,109

See accompanying notes to consolidated financial statements.

(1) Organization

Make-A-Wish Foundation® of America (Foundation) is an Arizona nonprofit corporation, the mission of which is to grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength, and joy. The “Foundation’s Purpose” is to grant the wish of each child who has reached the age of 2-1/2 and is under the age of 18 and who has a life-threatening medical condition (i.e., a progressive, degenerative, or malignant medical condition) that has placed the child’s life in jeopardy. The Foundation charters local chapters throughout the United States, its territories, and possessions (Chapters) and provides financial support, guidance, and other assistance to such Chapters in performing the Foundation’s Purpose. As of August 31, 2010, the Foundation has 65 chartered Chapters.

Chapter Agreements entered into between each Chapter and the Foundation provide for common purposes and policy direction. The Foundation has elected not to consolidate the Chapters’ financial results into the accompanying consolidated financial statements, based on Accounting Standards Codification (ASC) ‘958-810-25’, *Consolidation*, except when the Foundation assumes control of a chapter. As of and for the years ended August 31, 2010 and 2009, the combined Chapters’ financial results (excluding the Foundation, the financial results of which are presented in the accompanying consolidated financial statements) were as follows:

		2010	2009
		($ in millions)	
Total assets	$	177	188
Total liabilities		50	56
Total net assets		126	132
Total revenues		136	170
Total expenses		132	186

During the year ended August 31, 2010, the Foundation has assumed control of four chapters, and has included the assets, liabilities, and operating results of those chapters in the August 31, 2010 consolidated financial statements as if the chapters had been combined as of September 1, 2009. As a result, the August 31, 2010 consolidated financial statements are not comparable to the August 31, 2009 financial statements which did not include those chapters. The net assets of the assumed chapters as of September 1, 2009 were as follows:

Net assets assumed:		
Greater LA Chapter	$	2,478,428
Mid-Atlantic Chapter		5,992,424
Northern Nevada Chapter		164,821
Texas Plains Chapter		342,347
Total net assets assumed	$	8,978,020

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(b) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at August 31, 2010 and 2009 include $2,414,426 and $8,370,410, respectively, of money market mutual funds.

(c) Investments

Investments are recorded at fair value and consist of money market funds, corporate bonds and notes, and U.S. government securities. Investment income, including gains and losses on investments, is recorded as an increase or decrease in unrestricted net assets unless its use is limited by donor-imposed restrictions or law. Investments are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient permitted under Accounting Standards Update (ASU) No. 2009-12.

Investments held for long-term purposes also consist of money market funds, corporate bonds and notes, and U.S. government securities. These investments have been segregated due to donor-imposed restrictions that limit their use to long-term purposes.

(d) Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value. Unconditional promises to give that are expected to be collected over a period longer than one year are recorded at the present value of estimated future cash flows. Risk-free rates are used to discount pledges received prior to September 1, 2008. For pledges received beginning September 1, 2008, pledges are discounted using fair value rates.

(e) Property and Equipment, Net

Property and equipment having a useful life of more than one year are stated at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 40 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Foundation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment of value is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(f) Fair Value Measurements

On September 1, 2008, the Foundation adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

On September 1, 2009, the Foundation adopted the provisions of ASC Topic 820 relating to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

In conjunction with the adoption of ASC Topic 820, the Foundation elected to adopt ASU 2009-12 for certain investments in funds that do not have readily determinable fair values. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair values that would be calculated pursuant to ASC Topic 820.

(g) Net Assets

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

(h) Revenue Recognition

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted 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. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, 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 contributions of $30,673,825 and $8,487,414, respectively, in 2010 and 2009 consisting of $8,644,778 and $6,475,259, respectively, in wish related expenses and $21,809,143 and $2,012,155, respectively, in professional services, and $219,904 and $0, respectively, for special event expenses.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue and fundraising or public information expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and Arizona taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Arizona Revised Statues §43-1201(4). However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The Foundation has adopted the deferral and disclosure provisions of ASC Topic 740 for its August 31, 2009 consolidated financial statements and has adopted the provisions of ASC Topic 740 for the year ended August 31, 2010. Management asserts that no such uncertain tax position exists for the Foundation at August 31, 2010.

(j) Functional Expenses

The Foundation performs six functions: wish granting, program-related support, training and development, public information, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions.

Program-Related Support

Activities performed by the Foundation that promote Chapter development, monitor and direct Chapters, assist Chapters in complying with policies and guidelines, provide support for day-to-day Chapter management decisions, generate cash and in-kind donations for Chapters, develop wish resources, administer wish programs, handle wish referrals, and provide wish assistance for Chapters and wish placement.

Training and Development

Activities performed by the Foundation consisting of national conference workshops and e-learning 'best practices' classes prepared and conducted by the Foundation for the training, development, and implementation of the wish programs of the Foundation, including but not limited to, the identification of wish candidates and the determination and delivery of the wish.

Public Information

Activities performed by the Foundation communicating the purpose and services of the Foundation to all potential sources of wish referrals.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2010 and 2009, the Foundation incurred joint costs for activities that include fundraising appeals (primarily direct mail campaigns), which have been allocated as follows:

		2010	2009
Fundraising	$	4,269,487	2,998,199
Public information		1,719,480	2,017,001
Management and general		991,986	614,163
Total	$	6,980,953	5,629,363

Management and General

All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general record-keeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that 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.

(k) Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make 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 period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, split-interest agreements, investments, valuation of contributions receivable, accrued pending wish costs, and whether an allowance for uncollectible contributions receivable is required. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(3) Restatement

The Foundation's August 31, 2008 net assets were restated for the following:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Ending net assets, as reported at August 31, 2008	$ 15,999,079	6,981,666	1,151,114	24,131,859
Decrease in payable to related entities	6,763,896	—	—	6,763,896
Reclassification of net gain in endowment assets	43,086	—	(43,086)	—
Correction to record contributions	—	250,000	—	250,000
Ending net assets, as restated, at August 31, 2008	$ 22,806,061	7,231,666	1,108,028	31,145,755

The Foundation restated its net assets as of August 31, 2008 to correct for planned distributions to related entities at August 31, 2008 that did not meet all the requirements for recognition as an expense and a liability.

The Foundation also restated its net assets as of August 31, 2008 to correct for net appreciation on endowment assets previously presented as permanently restricted and to correct for contributions received as of August 31, 2008 but not recorded until fiscal year 2009.

The impact of the correction of the errors noted above on the consolidated statement of activities for the fiscal year ended August 31, 2008, resulted in an increase in total net assets of $7,013,896, from $24,131,859 to $31,145,755.

(Continued)

(4) Fair Value Measurements of Cash and Investments

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and investment managers. During the years ended August 31, 2010 and 2009, major investment decisions were authorized by the Board's Audit and Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

Investment Strategies

In addition to stocks and fixed-income securities, the Foundation may also hold shares or units in institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2010 and 2009:

Description		Fair value measurements at August 31, 2010 using				
	August 31, 2010	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Redemption or liquidation**	**Days' notice**
Cash and cash equivalents	$ 10,021,130	10,021,130	—	—	Daily	None
Investments:						
Mutual funds:						
Domestic equity	$ 1,418,404	1,418,404	—	—	Daily	None
International equity	2,431,620	—	2,431,620	—	Daily	None
Equities	1,733,963	—	1,733,963	—	Daily	None
Money market	96,583	96,583	—	—	Daily	None
Real estate	479,662	1,594	478,068	—	Daily	None
Commodities	211,128	—	211,128	—	Daily	None
Equity securities:						
U.S. corporate equity securities	5,588,523	5,588,523	—	—	Daily	None
Certificates of deposit	967,947	914,457	53,490	—	Daily	None
Debt securities:						
U.S. Treasury	3,279,148	3,279,148	—	—	Daily	None
U.S. agency	4,179,688	—	4,179,688	—	Daily	None
Asset backed	752,304	—	752,304	—	Daily	None
Government	275,505	—	275,505	—	Daily	None
State treasury	235,682	—	235,682	—	Daily	None
Foreign governments	97,870	—	97,870	—	Daily	None
Corporate	7,104,980	3,775,880	3,329,100	—	Daily	None
Limited partnership	21,750	—	—	21,750	Daily	None
Hedge funds	1,988,300	—	—	1,988,300	Quarterly	45 days
Money market funds	2,020	2,020	—	—	Daily	None
Cash and cash equivalents	101,423	101,423	—	—	Daily	None
Total investments	$ 30,966,500	15,178,032	13,778,418	2,010,050		

Description	August 31, 2010	Fair value measurements at August 31, 2010 using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Redemption or liquidation	Days' notice
Investments held for charitable gift annuities:						
Mutual funds:						
Domestic equity	$ 794	—	794	—	Daily	None
International equity	104,758	—	104,758	—	Daily	None
Equities	300,410	—	300,410	—	Daily	None
Real estate	17,713	—	17,713	—	Daily	None
Commodities	8,917	—	8,917	—	Daily	None
Bonds	101,993	—	101,993	—	Daily	None
Debt securities:						
Asset backed	36,088	—	36,088	—	Daily	None
Cash and cash equivalents	15,808	15,808	—	—	Daily	None
Total investments held for charitable gift annuities	$ 586,481	15,808	570,673	—		
Investments held for long-term purposes:						
Mutual funds:						
Domestic equity	$ 223,771	—	223,771	—	Daily	None
International equity	457,454	—	457,454	—	Daily	None
Equities	684,685	—	684,685	—	Daily	None
Real estate	54,791	—	54,791	—	Daily	None
Commodities	30,558	—	30,558	—	Daily	None
Bonds	855,498	—	855,498	—	Daily	None
U.S. government securities	101,306	—	101,306	—	Daily	None
Hedge funds	59,895	—	—	59,895	Semi-annually	60 days
Cash and cash equivalents	1,383,062	1,383,062	—	—	Daily	None
Total investments held for long-term purposes	$ 3,851,020	1,383,062	2,408,063	59,895		
Beneficial interest in remainder trust	$ 363,004	—	—	363,004		

Description		August 31, 2009	Fair value measurements at August 31, 2009 using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$	14,819,911	14,819,911	—	—
Investments:					
Mutual funds:					
Domestic equity	$	4,795,746	4,795,746	—	—
International equity		1,521,459	1,521,459	—	—
Real estate		327,932	327,932	—	—
Commodities		139,840	139,840		
Debt securities:					
U.S. Treasury		2,832,870	—	2,832,870	—
Corporate		2,972,831	—	2,972,831	—
Residential mortgage-backed securities		2,696,789	—	2,696,789	—
Commercial mortgage-backed securities		122,181	—	122,181	—
Total investments	$	15,409,648	6,784,977	8,624,671	—
Investments held for charitable gift annuities:					
Mutual funds:					
Domestic equity	$	192,452	192,452	—	—
International equity		62,191	62,191	—	—
Real estate		12,412	12,412	—	—
Commodities		4,894	4,894		
Certificates of deposit		2,238	—	2,238	—
Debt securities:					
U.S. Treasury		20,177	—	20,177	—
Corporate		70,517	—	70,517	—
Residential mortgage-backed securities		15,258	—	15,258	—
Total investments held for charitable gift annuities	$	380,139	271,949	108,190	—

Description	August 31, 2009	Fair value measurements at August 31, 2009 using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments held for long-term purposes:				
Mutual funds:				
Domestic equity	$ 529,535	529,535	—	—
International equity	186,823	186,823	—	—
Real estate	27,094	27,094	—	—
Commodities	15,200	15,200	—	—
Bonds	556,870	556,870	—	—
Cash and cash equivalents	191,118	191,118	—	—
Total investments held for split-interest agreements	$ 1,506,640	1,506,640	—	—

For the valuation of investments, investments held for charitable gift annuities and investments held for long-term purposes at August 31, 2010 and 2009, the Foundation used significant other observable inputs, particularly dealer market prices and investments held for long-term purposes for comparable investments as of the valuation date (Level 2).

For the valuation of investments at August 31, 2010, the Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3).

The following table presents a rollforward of activity for investments and investments held for long-term purposes measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2010:

		2010 Fair value measurements using significant unobservable inputs (Level 3)
Beginning balance	$	—
Total losses (realized/unrealized) included in changes in net assets		(11,555)
Purchases, issuances, and settlements		2,081,500
Ending balance	$	2,069,945
The amount of total losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$	(11,555)

Total investment income, gains, and losses for the years ended August 31, 2010 and 2009 consist of the following:

		2010	2009
Interest and dividend income	$	1,114,254	680,346
Realized and unrealized gains, net		980,203	351,993
Less investment expenses		(150,838)	(66,166)
Investment income, net	$	1,943,619	966,173

Investment liquidity as of August 31, 2010 is aggregated below based on redemption or sale period:

		Investment fair values
Investment redemption or sale period:		
Daily	$	33,355,806
Quarterly		1,988,300
Semiannually		59,895
Total as of August 31, 2010	$	35,404,001

(5) Contributions Receivable

Contributions receivable include pledges that have been discounted at rates ranging from 1.13% to 4.60% and from 1.50% to 4.60% at August 31, 2010 and 2009, respectively. The following is a summary of the Foundation's contributions receivable at August 31, 2010 and 2009:

		2010	2009
Total amounts due in:			
One year	$	3,919,402	2,037,091
Two to five years		380,248	1,386,685
More than five years		305,000	70,000
Gross contributions receivable		4,604,650	3,493,776
Less discount to present value		(202,132)	(64,866)
Contributions receivable, net	$	4,402,518	3,428,910

(6) Split-Interest Agreements

Charitable Gift Annuities

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for the life of one or two individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the Foundation. The Foundation records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The present value of payments to beneficiaries under these arrangements is calculated using present value techniques. The discount rates used for the years ended August 31, 2010 and 2009 ranged from 2.60% to 6.20%.

Liabilities to beneficiaries under split-interest agreements totaled $294,286 and $192,574 at August 31, 2010 and 2009, respectively, and are included in other liabilities in the accompanying consolidated statements of financial position.

Liabilities to Chapters who are designated as remainder beneficiaries under split-interest agreements totaled $184,056 and $107,229 at August 31, 2010 and 2009, respectively, and are included in due to related entities in the accompanying consolidated statements of financial position.

Beneficial Interest in Trust

The Foundation is the named income beneficiary of a charitable remainder annuity trust for which the Foundation is not the trustee. Under this arrangement, the Foundation has the irrevocable right to receive a portion of the remaining assets at the trust's maturity. Accordingly, temporarily restricted contribution revenue and the related assets are recognized at fair value of the amounts expected to be received in the period in which the Foundation receives notice of an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying consolidated statements of activities as a component of temporarily restricted net assets as other income.

(Continued)

The Foundation's beneficial interest in the trust is $363,004 as of August 31, 2010. The Foundation used significant unobservable inputs in determining the fair value, including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3).

The following table presents a rollforward of activity of the beneficial interest in trust, measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2010:

		2010 Fair value measurements using significant unobservable inputs (Level 3)
Beginning balance	$	—
Total gains (realized/unrealized) included in changes in net assets		25,401
Purchases, issuances, and settlements		337,603
Ending balance	$	363,004
The amount of total gains for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	$	25,401

(7) Transactions with Related Entities

Chapters pay annual dues to the Foundation, which were $4,656,854 and $6,004,762 for the years ended August 31, 2010 and 2009, respectively. The Foundation supports the Chapters by providing funding and other support for the granting of wishes.

The Foundation conducts national fundraising efforts for which funds are received and, as determined by the Foundation, are shared with the Chapters. Funds raised as a result of these efforts are reported in the consolidated statement of activities as contributions to the unrestricted fund. Once the benefiting Chapter is identified, the corresponding funds are reflected as payable to Chapters, and reported as distributions to related entities in the consolidated statements of functional expenses. Under this program, the Foundation provided the Chapters with distributions of $27,171,214 and $29,301,272 for the years ended August 31, 2010 and 2009, respectively.

The Foundation conducts national fundraising efforts for which in-kind donations are received and shared with the Chapters. Donations received as a result of these efforts are reported in the consolidated statement of activities as in-kind contributions to the unrestricted fund and reported as distributions to related entities, or expenses of the Foundation, in the consolidated statements of functional expenses. Under this program, the Foundation provided the Chapters with distributions of $6,594,521 and $6,424,871 for the years ended August 31, 2010 and 2009, respectively.

As part of the Foundation's Wish Fulfillment Fund (a designated fund), Chapters may apply for funds that have been donated by other Chapters or corporate sponsors to underwrite the cost of wishes. Under this program, the Foundation provided 20 Chapters with contributions during the years ended August 31, 2010 and 2009, totaling $1,050,486 and $981,987, respectively, which are reported in the consolidated statements of functional expenses as distributions to related entities.

As part of the Foundation's grant and scholarship programs, Chapters may apply for funds to supplement existing programs or to attend Foundation sponsored events. Under these programs, the Foundation provided 62 Chapters with distributions during the years ended August 31, 2010 and 2009, totaling $568,140 and $263,745, respectively, which are reported in the consolidated statements of functional expenses as grants and scholarships.

As of August 31, 2010 and 2009, the Foundation has amounts due from related entities of $964,614 and $753,657, respectively, and amounts due to related entities of $2,394,285 and $2,156,725, respectively.

Amounts due from related entities represent annual partnership dues, Wish Fulfillment Fund contributions, and unreimbursed costs for joint administrative activities that have not been paid to the Foundation as of year-end. Amounts due to related entities represent contributions remitted to the Foundation that are specified for Chapters' use but were not yet transferred to the Chapters as of year-end, or interests in Charitable Gift Annuities or Endowments for which Chapters are the beneficiary.

During 2010 and 2009, the Foundation received contributions in the form of pledges, cash, and in-kind donations, from employees and board members totaling $410,030 and $562,668, respectively. In 2010 and 2009, amounts due from employees and board members totaled $585,269 and $379,325, respectively, and are included in contributions receivable in the accompanying consolidated statements of financial position.

(8) Property and Equipment, Net

Property and equipment as of August 31, 2010 and 2009 consist of the following:

	2010	2009
Land	$ 154,137	—
Buildings and building improvements	214,234	—
Computer equipment and software	1,434,673	2,017,440
Office furniture	680,241	700,208
Office equipment	440,185	311,270
Leasehold improvements	692,536	267,107
	3,616,006	3,296,025
Less accumulated depreciation and amortization	(1,566,359)	(2,887,940)
Property and equipment, net	$ 2,049,647	408,085

As a result of relocating the Foundation's offices, fully depreciated fixed assets with an initial value of $2,291,021 were retired in the year ended August 31, 2010. Depreciation and amortization expense totaled $532,895 and $380,928 for the years ended August 31, 2010 and 2009, respectively.

(Continued)

(9) Credit Agreement

The Foundation has a sponsored corporate travel card account program (the Card Program) with a financial institution. In the event of default by the sponsored account holder, the Foundation has the primary and continuing obligation of payment. Under the terms of the Card Program, the Foundation is required to hold unencumbered liquid assets having an aggregate market value of 110% of the average monthly spend under the Card Program which are not subject to any lien, pledge, security interest, or other arrangement with any creditor, to have its claim satisfied out of those assets prior to the general creditors of the Foundation. As of August 31, 2010, there were sponsored accounts with a total credit limit of $8,428,000 issued under this credit agreement and $1,642,000 outstanding on this credit agreement.

(10) Notes Payable

The Foundation has entered into a mortgage payable with a financial institution totaling $135,530, which is secured by real estate. The note currently bears interest at 7.695%, and is adjusted every five years based on the five-year LIBOR plus 2.70%, with a floor rate of 6.00%. The note requires payments in equal monthly installments of $1,128, and a balloon payment of $91,850 upon maturity at April 1, 2012. The remaining principal payments subsequent to August 31, 2010 are as follows:

Fiscal year:		
2011	$	5,700
2012		95,749
Total	$	101,449

(11) Accrued Pending Wish Costs

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the Foundation's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

As of August 31, 2010 and 2009, the Foundation had approximately 635 and 13 reportable pending wishes, respectively, for chapters under the control of the Foundation.

(12) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through October 31, 2019. As of August 31, 2010, the cost of leased property and equipment under capital lease was $76,994 and accumulated depreciation was $75,230. Total rent expense for all operating leases for the years ended August 31, 2010 and 2009 totaled $987,817 and $494,499, respectively.

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year are as follows:

	Operating leases	Capital leases
Year ending August 31:		
2011	$ 1,082,202	6,327
2012	1,108,410	—
2013	1,123,146	—
2014	1,145,417	—
2015	1,129,235	—
2016 – 2020	3,620,196	—
Total minimum lease payments	$ 9,208,606	6,327
Less amounts representing interest		(56)
Present value of net minimum lease payments		$ 6,271

(13) Endowments

Effective September 1, 2008, the Foundation adopted the provisions of ASC 958, Section 205-50, *Reporting Endowment Funds*. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, for both donor-restricted and board-designated endowment funds. The state of Arizona enacted UPMIFA in 2008.

The Foundation's endowments consist of a general endowment fund, an endowment fund for the granting of children's wishes, which together total approximately 18 individual donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The board of directors of the Foundation has interpreted Arizona's version of UPMIFA titled the 'Management of Charitable Funds Act' as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment net asset composition by type of fund as of August 31, 2010 and 2009 is as follows:

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (20,302)	104,034	4,025,331	4,109,063

	2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (33,914)	56,974	2,471,344	2,494,404

Changes in endowment net assets for the years ended August 31, 2010 and 2009 are as follows:

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year before assuming control of chapters	$ (33,914)	56,974	2,471,344	2,494,404
Assumption of chapters' endowment net assets, beginning of year	—	—	29,075	29,075
Endowment net assets, beginning of year	(33,914)	56,974	2,500,419	2,523,479
Investment return:				
Investment income	12,754	20,807	—	33,561
Net appreciation (realized and unrealized)	858	38,253	—	39,111
Total investment return	13,612	59,060	—	72,672
Contributions	—	—	1,553,987	1,553,987
Appropriation of endowment assets for expenditure	—	(12,000)	—	(12,000)
Release of donor-imposed restriction	—	—	(29,075)	(29,075)
Endowment net assets, end of year	$ (20,302)	104,034	4,025,331	4,109,063

	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 43,086	—	1,108,028	1,151,114
Net asset reclassification based on accounting change	(70,958)	70,958	—	—
Endowment net assets after reclassification	(27,872)	70,958	1,108,028	1,151,114
Investment return:				
Investment income	16,937	16,416	—	33,353
Net depreciation (realized and unrealized)	(22,979)	(30,400)	—	(53,379)
Total investment return	(6,042)	(13,984)	—	(20,026)
Contributions	—	—	1,363,316	1,363,316
Endowment net assets, end of year	$ (33,914)	56,974	2,471,344	2,494,404

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

	2010	2009
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 4,025,331	2,471,344
Temporarily restricted net assets:		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	$ 104,034	56,974

(b) Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the aggregate principal contributions made to them. Deficiencies of this nature are reported in unrestricted net assets in the amounts of $20,302 and $33,914 as of August 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

(c) Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified purpose. Under this policy, as approved by the Foundation's board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution between 3% and 5% of its endowment fund's average fair value over the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. However, if the market value of 'Named' and 'Legacy' funds, as defined in the Endowment Policy are less than the Fund's threshold level, the distribution will be less than the Targeted Distribution, as defined in the Endowment Policy. If the market value of 'Named' and 'Legacy' endowment funds, are less than the Fund's corpus but more than the threshold level, the distribution will be limited to the lower of its Targeted Distribution or Realized Increase, as defined in the Endowment Policy. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

(14) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the years ended August 31, 2010 and 2009:

		2010	2009
Purpose restrictions	$	130,644	380,139
Time restrictions		4,326,453	2,625,630
Total temporarily restricted net assets	$	4,457,097	3,005,769

For the years ended August 31, 2010 and 2009, permanently restricted net assets of $4,025,331 and $2,471,344, respectively, are restricted to investments in perpetuity, the income from which is expendable to support any activities of the Foundation.

For the year ended August 31, 2010, permanently restricted net assets of $29,075 were released from restriction by the donor.

(15) Retirement Plan

The Foundation has defined contribution retirement plans (the Plans). Employees are eligible for participation in the Plans if they have reached 21 years of age and either have been employed for one year or in some instances are employed upon the applicable entry date. Under the provisions of the Plans, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation matches 100% of employee contributions up to 3% of the employee's salary and 50% of employee contributions over 3% up to a maximum of 5%. Foundation contributions to the Plans for the years ended August 31, 2010 and 2009 were $255,190 and $135,166, respectively.

(16) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration 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 not to exceed the FDIC insurance coverage limit of $250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

Cash contributions totaling $9,250,000 and $9,310,213 were received from a single donor for the years ended August 31, 2010 and 2009, respectively, which represents 17.1% and 18.5%, respectively, of contributions. Should these contribution levels decrease, the Foundation may be adversely affected.

(17) Litigation and Claims

The Foundation is occasionally involved in litigation and claims arising in the ordinary course of operations. In the opinion of management, based on consultation with legal counsel, possible losses, if any, are immaterial to the Foundation's financial position, change in net assets, or liquidity; consequently, no provision has been made in the accompanying consolidated financial statements for losses, if any, which might result from the ultimate outcome of such matters.

(Continued)

(18) Subsequent Events

The Foundation has evaluated subsequent events from the consolidated statement of financial position date through January 14, 2011, the date at which the consolidated financial statements were available to be issued.

Since being placed on Voluntary Inactive Status in November 2009, the caretaker board of the Greater LA Chapter has recruited and elected a number of new local board members and, as of October 2010, the Foundation representatives on the board no longer constitute a majority. In November 2010, pursuant to the Chapter Agreement, the Greater LA Chapter was moved from Inactive Status to Provisional Status, with only one Foundation representative remaining as a voting board member.

MAKE-A-WISH FOUNDATION® OF AMERICA

Statement of Financial Position – National Office Only

August 31, 2010

Assets

Cash and cash equivalents	$	8,714,049
Investments		22,717,365
Due from related entities		823,305
Prepaid expenses		272,934
Contributions receivable, net		3,708,467
Other assets		5,000
Split-interest agreements		586,481
Investments held for long-term purposes		3,851,020
Property and equipment, net		1,450,555
Total assets	$	42,129,176

Liabilities and Net Assets

Accounts payable and accrued expenses	$	1,975,810
Due to related entities		2,523,678
Other liabilities		1,608,302
Total liabilities		6,107,790
Commitments and contingencies		
Net assets		
Unrestricted		28,606,487
Temporarily restricted		3,389,568
Permanently restricted		4,025,331
Total net assets		36,021,386
Total liabilities and net assets	$	42,129,176

See accompanying independent auditors’ report.

MAKE-A-WISH FOUNDATION® OF AMERICA

Statement of Activities – National Office Only

Year ended August 31, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 48,038,358	1,586,301	1,553,987	51,178,646
In-kind contributions	28,501,033	—	—	28,501,033
Grants	207,530	—	—	207,530
Total public support	76,746,921	1,586,301	1,553,987	79,887,209
Investment income, net	1,137,582	59,060	—	1,196,642
Chapter assessments	4,897,403	—	—	4,897,403
Other income	183,814	—	—	183,814
Net assets released from restrictions	1,228,298	(1,228,298)	—	—
Total revenues, gains, and other support	84,194,018	417,063	1,553,987	86,165,068
Expenses:				
Program services:				
Wish granting	392,208	—	—	392,208
Program-related support	43,719,628	—	—	43,719,628
Training and development	939,047	—	—	939,047
Public information	22,925,423	—	—	22,925,423
Total program services	67,976,306	—	—	67,976,306
Support services:				
Fundraising	8,982,750	—	—	8,982,750
Management and general	6,271,935	—	—	6,271,935
Total support services	15,254,685	—	—	15,254,685
Total program and support services expenses	83,230,991	—	—	83,230,991
Change in value of split-interest agreements	—	33,264	—	33,264
Total expenses and losses	83,230,991	33,264	—	83,264,255
Change in net assets	963,027	383,799	1,553,987	2,900,813
Net assets, beginning of the year	27,643,460	3,005,769	2,471,344	33,120,573
Net assets, end of the year	$ 28,606,487	3,389,568	4,025,331	36,021,386

See accompanying independent auditors' report.

MAKE-A-WISH FOUNDATION® OF AMERICA

Statements of Cash Flows – National Office Only

Year ended August 31, 2010

Cash flows from operating activities:		
Change in net assets	$	2,900,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		413,403
Contributions restricted for long-term investment		(1,553,987)
Net realized and unrealized gains on investments		(622,901)
Loss on sale of property and equipment		—
Change in value of split-interest agreements		33,264
Change in discount to present value of contributions receivable		137,266
Changes in assets and liabilities:		
Contributions receivable		(416,823)
Due from related entities		(69,648)
Prepaid expenses		147,025
Other assets		63,873
Accounts payable and accrued expenses		378,488
Accrued pending wish costs		(83,433)
Due to related entities		366,953
Other liabilities		1,370,533
Net cash provided by operating activities		3,064,826
Cash flows from investing activities:		
Purchases of investments		(22,041,386)
Proceeds from sales of investments		12,772,584
Purchases of property and equipment		(1,455,873)
Proceeds from sale of property and equipment		—
Net cash used in investing activities		(10,724,675)
Cash flows from financing activities:		
Contributions restricted for long-term investment		1,553,987
Net cash provided by financing activities		1,553,987
Net increase (decrease) in cash and cash equivalents		(6,105,862)
Cash and cash equivalents, beginning of year		14,819,911
Cash and cash equivalents, end of year	$	8,714,049
Supplemental cash flow information:		
Contributed services	$	21,557,649
In-kind contributions		6,943,384

See accompanying independent auditors' report.

MAKE-A-WISH FOUNDATION® OF AMERICA

Statement of Functional Expenses – National Office Only

Year ended August 31, 2010

	Program services					Support services			
	Wish granting	**Program related support**	**Training and development**	**Public information**	**Total program services**	**Fundraising**	**Management and general**	**Total support services**	**Total**
Direct costs of wishes	$ 19,686	—	—	—	19,686	—	—	—	19,686
Distributions to related entities	—	37,805,115	—	—	37,805,115	—	—	—	37,805,115
Salaries, taxes, and benefits	263,163	2,229,914	475,420	468,196	3,436,693	1,940,186	3,560,847	5,501,033	8,937,726
Printing, subscriptions, and publications	2,734	3,436	4,841	994,846	1,005,857	2,557,342	586,875	3,144,217	4,150,074
Professional fees	5,282	1,823,448	97,123	560,797	2,486,650	1,266,002	679,193	1,945,195	4,431,845
Rent and utilities	10,951	92,111	20,973	18,203	142,238	82,869	141,533	224,402	366,640
Postage and delivery	5,239	36,331	7,826	673,332	722,728	1,657,864	427,917	2,085,781	2,808,509
Travel	28,487	218,392	68,745	17,006	332,630	180,749	172,575	353,324	685,954
Meetings and conferences	20,854	6,405	194,045	1,357	222,661	31,039	119,981	151,020	373,681
Office supplies	4,961	30,578	10,497	9,639	55,675	29,830	103,179	133,009	188,684
Communications	5,600	33,483	6,617	5,759	51,459	31,965	47,695	79,660	131,119
Advertising and media (cash)	—	—	75	30,445	30,520	72,496	3,405	75,901	106,421
Advertising and media (in-kind)	—	—	—	20,105,091	20,105,091	788,031	—	788,031	20,893,122
Repairs and maintenance	551	4,959	2,143	918	8,571	8,697	12,239	20,936	29,507
Insurance	1,315	380,033	2,630	2,191	386,169	18,652	66,339	84,991	471,160
Membership dues	200	253,616	1,992	15,669	271,477	55,559	7,210	62,769	334,246
Grants and scholarships	10,000	696,183	—	—	706,183	—	—	—	706,183
Miscellaneous	783	6,407	21,316	1,304	29,810	166,386	181,720	348,106	377,916
Depreciation and amortization	12,402	99,217	24,804	20,670	157,093	95,083	161,227	256,310	413,403
	$ 392,208	43,719,628	939,047	22,925,423	67,976,306	8,982,750	6,271,935	15,254,685	83,230,991

See accompanying independent auditors' report.