MAKE-A-WISH FOUNDATION® OF AMERICA AND RELATED ENTITIES

Combined Financial Statements

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF AMERICA
AND RELATED ENTITIES

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Independent Auditors' Report

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

We have audited the accompanying combined statements of financial position of Make-A-Wish Foundation® of America and Related Entities (collectively, the Foundation) as of August 31, 2010 and 2009, and the related combined statements of activities, cash flows, and functional expenses for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined 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 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of America and Related Entities 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 12 to the combined 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.

KPMG LLP

February 23, 2011

MAKE-A-WISH FOUNDATION® OF AMERICA
AND RELATED ENTITIES

Combined Statements of Financial Position

August 31, 2010 and 2009

Assets		**2010**	**2009**
Cash and cash equivalents	$	41,389,275	48,979,221
Investments		126,392,947	109,430,163
Prepaid expenses		1,919,109	2,184,858
Contributions receivable, net		21,728,010	20,024,374
Other assets		1,603,122	1,366,271
Split-interest agreements		2,126,050	1,454,672
Restricted cash		112,869	4,367,802
Investments held for long-term purposes		15,097,021	16,876,567
Property and equipment, net		19,432,047	16,807,316
Beneficial interest in assets held by others		245,717	215,995
Total assets	$	230,046,167	221,707,239
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	9,141,214	8,432,089
Accrued pending wish costs		47,514,699	45,739,617
Other liabilities		3,191,867	1,730,551
Capital lease obligations		254,916	274,265
Notes payable		1,769,283	883,457
Total liabilities		61,871,979	57,059,979
Commitments and contingencies			
Net assets:			
Unrestricted		120,762,534	121,544,556
Temporarily restricted		26,552,544	24,641,492
Permanently restricted		20,859,110	18,461,212
Total net assets		168,174,188	164,647,260
Total liabilities and net assets	$	230,046,167	221,707,239

See accompanying notes to combined financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
AND RELATED ENTITIES

Combined Statement of Activities

Year ended August 31, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 89,443,828	10,388,042	2,490,636	102,322,506
In-kind contributions	57,736,231	8,667,496	—	66,403,727
Grants	6,086,753	747,639	—	6,834,392
Total public support	153,266,812	19,803,177	2,490,636	175,560,625
Special events	54,454,361	1,698,291	—	56,152,652
Less direct benefit costs to donors	(11,311,242)	(14,251)	—	(11,325,493)
Total special events	43,143,119	1,684,040	—	44,827,159
Investment income, net	7,394,878	672,090	4,734	8,071,702
Other income	614,522	200	—	614,722
Change in value of split-interest agreements	362	(10,473)	8,692	(1,419)
Net assets released from restrictions	20,158,743	(20,062,982)	(95,761)	—
Total revenues, gains, and other support	224,578,436	2,086,052	2,408,301	229,072,789
Expenses:				
Program services:				
Wish granting	134,783,512	—	—	134,783,512
Chapter support	5,218,330	—	—	5,218,330
Program-related support	4,936,297	—	—	4,936,297
Training and development	1,727,872	—	—	1,727,872
Public information	24,514,420	—	—	24,514,420
Total program services	171,180,431	—	—	171,180,431
Support services:				
Fundraising	34,417,511	—	—	34,417,511
Management and general	19,762,516	—	—	19,762,516
Total support services	54,180,027	—	—	54,180,027
Total program and support services expenses	225,360,458	—	—	225,360,458
Other losses	—	175,000	10,403	185,403
Total expenses and losses	225,360,458	175,000	10,403	225,545,861
Change in net assets	(782,022)	1,911,052	2,397,898	3,526,928
Net assets, beginning of the year	121,544,556	24,641,492	18,461,212	164,647,260
Net assets, end of the year	$ 120,762,534	26,552,544	20,859,110	168,174,188

See accompanying notes to combined financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
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Combined Statement of Activities

Year ended August 31, 2009

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:				
Contributions	$ 94,727,301	6,035,424	1,216,608	101,979,333
In-kind contributions	36,827,957	6,928,849	—	43,756,806
Grants	5,949,534	526,221	—	6,475,755
Total public support	137,504,792	13,490,494	1,216,608	152,211,894
Special events	57,769,222	1,625,783	—	59,395,005
Less direct benefit costs to donors	(12,177,555)	(8,763)	—	(12,186,318)
Total special events	45,591,667	1,617,020	—	47,208,687
Investment loss, net	(7,012,725)	(419,070)	—	(7,431,795)
Other income	990,892	—	—	990,892
Change in value of split-interest agreements	—	(122,892)	(37,598)	(160,490)
Net assets released from restrictions	18,920,432	(18,920,432)	—	—
Total revenues and other support	195,995,058	(4,354,880)	1,179,010	192,819,188
Expenses:				
Program services:				
Wish granting	135,880,446	—	—	135,880,446
Chapter support	5,229,224	—	—	5,229,224
Program-related support	5,176,286	—	—	5,176,286
Training and development	1,700,886	—	—	1,700,886
Public information	4,897,732	—	—	4,897,732
Total program services	152,884,574	—	—	152,884,574
Support services:				
Fundraising	32,948,949	—	—	32,948,949
Management and general	18,032,027	—	—	18,032,027
Total support services	50,980,976	—	—	50,980,976
Total program and support services expenses	203,865,550	—	—	203,865,550
Other losses	—	2,500,000	—	2,500,000
Total expenses and losses	203,865,550	2,500,000	—	206,365,550
Change in net assets before adoption of new accounting pronouncement	(7,870,492)	(6,854,880)	1,179,010	(13,546,362)
Effect of adoption of new accounting pronouncement	(1,702,798)	1,702,798	—	—
Change in net assets	(9,573,290)	(5,152,082)	1,179,010	(13,546,362)
Net assets, beginning of the year	131,117,846	29,793,574	17,282,202	178,193,622
Net assets, end of the year	$ 121,544,556	24,641,492	18,461,212	164,647,260

See accompanying notes to combined financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
AND RELATED ENTITIES

Combined Statements of Cash Flows

Years ended August 31, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	3,526,928	(13,546,362)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		1,985,937	1,841,269
Bad debt expense and other losses		508,213	264,974
Contributions restricted for purchasing property and equipment and investments		(2,534,093)	(2,517,037)
Net realized and unrealized (gains) losses on investments		(4,434,601)	11,773,444
Loss on disposal of equipment		7,703	37,921
Contributed property and equipment, inventory, and investments		(1,723,108)	(252,661)
Change in value of split-interest agreement		1,419	160,490
Change in discount to present value of contributions receivable		118,352	(64,621)
Changes in assets and liabilities:			
Contributions receivable		(2,473,686)	6,942,559
Prepaid expenses		265,749	(108,003)
Other assets		(236,851)	(29,492)
Accounts payable and accrued expenses		1,053,688	(1,668,099)
Accrued pending wish costs		1,775,082	6,320,397
Other liabilities		1,461,316	(64,978)
Net cash provided by (used in) operating activities		(697,952)	9,089,801
Cash flows from investing activities:			
Purchases of investments		(74,702,362)	(91,398,068)
Proceeds from sales of investments		68,275,466	90,059,918
Purchases of property and equipment		(3,414,148)	(3,739,846)
Change in restricted cash		65,416	—
Proceeds from sale of property and equipment		705	7,047
Deposit of assets held by a community foundation		(25,000)	(100,000)
Net cash used in investing activities		(9,799,923)	(5,170,949)
Cash flows from financing activities:			
Contributions restricted for long-term investment		2,125,365	2,517,037
Principal payments on capital lease obligations		(103,262)	(83,915)
Proceeds from notes payable		1,000,000	200,000
Principal payments on notes payable		(114,174)	(194,173)
Net cash provided by financing activities		2,907,929	2,438,949
Net increase (decrease) in cash and cash equivalents		(7,589,946)	6,357,801
Cash and cash equivalents, beginning of year		48,979,221	42,621,420
Cash and cash equivalents, end of year	$	41,389,275	48,979,221
Supplemental statement of cash flows information:			
Cash paid for interest	$	116,926	76,111
Donated property and equipment, investments, and inventory		1,723,108	252,661
Acquisition of equipment with capital lease agreement		83,913	213,209
Accrued property and equipment costs		—	344,563
Contributed services		912,535	182,223
Other in-kind contributions		68,329,663	46,299,654

See accompanying notes to combined financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
AND RELATED ENTITIES

Combined Statement of Functional Expenses

Year ended August 31, 2010

	Program services						Support services			
	Wish granting	**Chapter support**	**Program-related support**	**Training and development**	**Public information**	**Total program services**	**Fundraising**	**Management and general**	**Total support services**	**Total**
Direct costs of wishes	$ 105,270,559	—	—	—	—	105,270,559	—	—	—	105,270,559
Salaries, taxes, and benefits	21,090,394	2,229,914	3,086,134	1,070,859	1,412,792	28,890,093	16,318,777	12,848,355	29,167,132	58,057,225
Printing, subscriptions, and publications	398,930	3,436	60,104	10,758	1,088,538	1,561,766	4,040,865	692,839	4,733,704	6,295,470
Professional fees	1,024,293	1,823,448	245,055	110,333	618,502	3,821,631	2,714,775	1,654,840	4,369,615	8,191,246
Rent and utilities	2,368,421	92,111	520,768	86,066	152,913	3,220,279	1,592,754	1,150,806	2,743,560	5,963,839
Postage and delivery	383,761	36,331	74,690	13,844	693,211	1,201,837	2,276,966	558,371	2,835,337	4,037,174
Travel	300,039	218,392	61,437	84,647	38,524	703,039	578,833	349,342	928,175	1,631,214
Meetings and conferences	700,718	6,405	137,519	203,292	31,454	1,079,388	927,570	292,347	1,219,917	2,299,305
Office supplies	527,506	30,578	92,796	18,697	29,981	699,558	526,207	345,052	871,259	1,570,817
Communications	517,920	33,483	77,092	25,365	40,528	694,388	394,831	251,651	646,482	1,340,870
Advertising and media (cash)	27,341	—	6,528	371	76,218	110,458	413,097	11,441	424,538	534,996
Advertising and media (in-kind)	243,666	—	192,696	—	20,222,897	20,659,259	2,568,037	14,460	2,582,497	23,241,756
Repairs and maintenance	360,075	4,959	94,810	8,376	11,221	479,441	221,926	175,071	396,997	876,438
Insurance	48,430	380,033	15,048	3,206	2,483	449,200	47,470	91,434	138,904	588,104
Bad debt expense	4,638	—	2,225	—	—	6,863	236,897	79,050	315,947	322,810
Membership dues	38,895	253,616	3,188	2,576	17,416	315,691	100,533	28,213	128,746	444,437
Volunteer training	56,506	—	8,344	16,820	—	81,670	295	186	481	82,151
Miscellaneous	679,217	6,407	178,542	35,230	30,766	930,162	935,903	760,045	1,695,948	2,626,110
Depreciation and amortization	742,203	99,217	79,321	37,432	46,976	1,005,149	521,775	459,013	980,788	1,985,937
	$ 134,783,512	5,218,330	4,936,297	1,727,872	24,514,420	171,180,431	34,417,511	19,762,516	54,180,027	225,360,458

See accompanying notes to combined financial statements.

MAKE-A-WISH FOUNDATION® OF AMERICA
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Combined Statement of Functional Expenses

Year ended August 31, 2009

	Program services						Support services			
	Wish granting	**Chapter support**	**Program-related support**	**Training and development**	**Public information**	**Total program services**	**Fundraising**	**Management and general**	**Total support services**	**Total**
Direct costs of wishes	$ 104,790,473	—	—	—	—	104,790,473	—	—	—	104,790,473
Salaries, taxes, and benefits	21,845,398	2,271,359	3,417,054	907,884	1,282,631	29,724,326	15,564,546	11,846,886	27,411,432	57,135,758
Printing, subscriptions, and publications	549,485	7,424	83,605	21,183	1,693,889	2,355,586	4,208,361	670,930	4,879,291	7,234,877
Professional fees	1,211,740	1,585,137	223,066	56,138	681,546	3,757,627	2,430,733	1,101,938	3,532,671	7,290,298
Rent and utilities	2,497,814	149,098	572,677	75,360	129,532	3,424,481	1,496,616	1,100,867	2,597,483	6,021,964
Postage and delivery	549,054	12,923	70,137	12,408	802,238	1,446,760	1,903,617	497,485	2,401,102	3,847,862
Travel	353,812	193,125	83,156	177,046	36,228	843,367	515,228	258,169	773,397	1,616,764
Meetings and conferences	640,152	7,811	55,354	292,061	19,196	1,014,574	790,034	248,375	1,038,409	2,052,983
Office supplies	652,134	58,534	77,623	18,279	27,209	833,779	570,115	356,153	926,268	1,760,047
Communications	536,894	33,649	75,042	12,286	25,677	683,548	318,436	237,047	555,483	1,239,031
Advertising and media (cash)	47,915	1,424	17,365	541	55,212	122,457	326,450	11,451	337,901	460,358
Advertising and media (in-kind)	278,390	—	75,000	—	39,864	393,254	2,950,966	39,150	2,990,116	3,383,370
Repairs and maintenance	419,136	14,429	125,369	10,718	13,366	583,018	236,919	166,503	403,422	986,440
Insurance	74,562	439,903	17,004	9,728	3,054	544,251	75,582	113,120	188,702	732,953
Bad debt expense	(585)	—	19,688	—	—	19,103	145,225	100,646	245,871	264,974
Membership dues	54,640	324,175	3,244	4,832	3,892	390,783	74,380	83,836	158,216	548,999
Grants and scholarships	—	18,206	—	579	—	18,785	—	—	—	18,785
Volunteer training	91,765	—	4,404	2,967	—	99,136	622	472	1,094	100,230
Miscellaneous	563,904	5,367	167,827	62,314	40,913	840,325	927,412	770,378	1,697,790	2,538,115
Depreciation and amortization	723,763	106,660	88,671	36,562	43,285	998,941	413,707	428,621	842,328	1,841,269
	$ 135,880,446	5,229,224	5,176,286	1,700,886	4,897,732	152,884,574	32,948,949	18,032,027	50,980,976	203,865,550

See accompanying notes to combined financial statements.

(1) Organization

These financial statements are comprised of Make-A-Wish Foundation® of America (National Organization) and 65 chartered chapters (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 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 National Organization accomplishes its purpose by chartering chapters to grant such wishes and providing financial support, guidance, and other assistance to the Chapters in performing the Foundation's purpose. Each Chapter is obligated to comply with the National Organization's chapter agreement and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

Make-A-Wish Foundation® International (MAWFI) and other international affiliates of MAWFI are separate corporate entities and, as such, are responsible for and maintain control of their own financial resources and, as such, are not controlled by the Foundation. Accordingly, the accounts and records of MAWFI and other international affiliates of MAWFI are not included in these combined financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Basis of Combination

The accompanying combined financial statements include the combined accounts and transactions of the National Organization and Chapters. The Foundation has not elected to present consolidated financial statements under applicable reporting guidelines, but rather to present combined financial statements, including all Chapters and the National Organization. Each Chapter is a separate corporate entity with its own governing board and charter and, as such, is responsible for and maintains custody of, its own financial resources. All significant affiliate and interentity accounts and transactions have been eliminated.

(c) 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 included $1,695,016 and $1,618,936, respectively, of certificates of deposit with an initial term of less than three months. Also included in cash and cash equivalents at August 31, 2010 and 2009 are $11,821,954 and $19,048,166, respectively, of money market mutual funds and $0 and $108,844, respectively, of commercial paper, which are Level 1 securities under Accounting Standards Codification (ASC) Topic 820.

(d) Investments

Investments are recorded at fair value and consist of mutual funds, equity and debt securities, certificates of deposit with an original maturity of greater than three months, residential and corporate mortgage-backed securities, collateralized debt obligations, real estate and real estate investment trusts, commodities, limited partnerships, secured notes, money market funds, alternative investments, and cash balances. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

(e) 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 when the promise is received. Unconditional promises to give that are expected to be collected in future years 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.

(f) 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 either released over time in an amount equivalent to annual depreciation or 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 lease. 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 charge 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.

(g) 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 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.

In conjunction with the adoption of ASC Topic 820, the Foundation elected to adopt Accounting Standards Update (ASU) 2009-12 to 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.

(h) 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 or law that require 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 donor-imposed restrictions 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.

(i) 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 contributions of assets other than cash that are included in the accompanying combined statements of activities as in-kind contributions and special events revenue of $66,403,727 and $4,496,995, respectively, in 2010 and $43,756,806 and $2,977,732, respectively, in 2009. Program or supporting services expenses were recorded at fair value totaling $46,374,899 and $42,129,840 in 2010 and 2009, respectively, with the difference recorded as an asset on the accompanying combined statements of financial position. In-kind contributions consisted of the following:

		2010	2009
Advertising and media	$	23,241,756	3,383,370
Computer equipment, games, and toys		340,862	988,444
Cruises		262,470	189,958
Lodging		4,686,685	3,973,087
Theme parks		3,676,343	3,416,568
Transportation		3,177,268	2,844,849
Other wish-related donations		28,942,647	27,093,992
Property and equipment		1,543,531	206,639
Professional services and other donations		5,029,160	4,637,631
Total	$	70,900,722	46,734,538

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 is reported as contribution revenue and fundraising 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.

(j) Income Taxes

The National Organization and each Chapter are nonprofit corporations exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The National Organization and each Chapter are exempt from state taxes in their respective state of incorporation or territory. The National Organization and each Chapter file a separate Form 990 return. 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 740 for its

August 31, 2009 combined financial statements and has adopted the provisions of ASC 740 for the year ended August 31, 2010. Management believes that no such uncertain tax positions exist for the Foundation at August 31, 2010.

(k) Functional Expenses

The Foundation performs seven functions: wish granting, Chapter-related support, 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 result in granting wishes of children with life-threatening medical conditions.

Chapter Support

Activities performed by the National Organization 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.

Program-Related Support

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

Training and Development

Activities performed by the Foundation include, but are not limited to, implementation of programs supporting 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.

(Continued)

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 and newsletters), which have been allocated as follows:

		2010	2009
Fundraising	$	4,335,283	3,079,884
Public information		1,769,677	2,158,109
Management and general		997,000	619,947
Wish granting		30,150	37,605
Program-related support		1,530	310
Training and development		1,093	612
Total	$	7,134,733	5,896,467

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.

(l) Management Estimates

The preparation of combined 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 combined 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, valuation of investments, valuation of contributions receivable, depreciation of property and equipment, accrued pending wish costs, and whether an allowance for uncollectible contributions is required. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(3) Fair Value Measurements

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 liabilities, either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the assets or liabilities.

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 National Organization's and applicable Chapters' Audit and Finance committees, which oversees their investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed-income securities, the National Organization's and applicable Chapters may also hold shares or units in traditional 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 (REIT) 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 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 of investments 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:

			Fair value measurements at August 31, 2010 using				
Description		**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	$	41,389,275	41,389,275	—	—		
Restricted cash	$	112,869	112,869	—	—		
Investments:							
Mutual funds:							
Domestic equity	$	16,222,551	16,222,551	—	—		
International equity		7,641,326	7,641,326	—	—		
Equities		4,826,830	4,826,830	—	—		
Money market		1,326,675	1,326,675	—	—		
Real estate		683,322	683,322	—	—		
Asset allocation		397,892	397,892	—	—		
Commodities		570,776	570,776	—	—		
Bonds		15,725,170	15,725,170	—	—		
U.S. government		101,306	101,306	—	—		
Exchange traded funds:							
International equities		181,955	181,955	—	—		
International bonds		152,888	152,888	—	—		
Domestic equities		1,165,860	1,165,860	—	—		
Domestic bonds		978,475	978,475	—	—		
U.S. Treasuries		861,971	861,971	—	—		
Real Estate Investment Trusts		193,887	193,887	—	—		
Equity securities:							
U.S. corporate equity securities		24,434,655	24,434,655	—	—		
Foreign equity securities		4,512,755	4,512,755	—	—		
Certificates of deposit		14,838,906	—	14,838,906	—		
Debt securities:							
U.S. Treasury		8,093,240	1,199,041	6,894,199	—		
U.S. agency		6,368,339	—	6,368,339	—		
Asset-backed		1,241,773	—	1,241,773	—		
Municipal		431,868	—	431,868	—		
Government		1,808,476	19,864	1,788,612	—		
State Treasury		235,682	—	235,682	—		
Foreign governments		97,870	—	97,870	—		
Corporate		19,887,575	10,474,842	9,412,733	—		
Residential mortgage-backed securities		655,286	—	655,286	—		
Commercial mortgage-backed securities		284,104	—	284,104	—		
Real Estate Investment Trust		125,242	—	—	125,242		
Alternative investments:							
Common collective trust invested in equity mutual funds		385,052	—	385,052	—	Daily	3 days
Common collective trust invested in equity securities		421,594	—	421,594	—	Month-end	None
Common collective trust invested in short duration fixed income funds		54,676	—	54,676	—	Month-end	None
Common collective trust invested in real estate		29,028	—	29,028	—	Month-end	None
Limited partnership	$	38,250	—	—	38,250		
Commodities		88,560	88,560	—	—		
Hedge funds		2,048,195	—	—	2,048,195	Quarterly/ Semi-annually	45 – 60 days
Real estate		140,000	—	140,000	—		
Money market funds		2,728,433	2,728,433	—	—		
Cash and cash equivalents		1,509,525	1,509,525	—	—		
Total investments	$	141,489,968	95,998,559	43,279,722	2,211,687		
Split interest agreements	$	2,126,050	550,393	36,088	1,539,569		

MAKE-A-WISH FOUNDATION® OF AMERICA AND RELATED ENTITIES

Notes to Combined Financial Statements

August 31, 2010 and 2009

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	$ 48,979,221	48,979,221	—	—
Restricted cash	$ 4,367,802	4,367,802	—	—
Investments:				
Cash and cash equivalents	$ 1,126,562	1,126,562	—	—
Money market funds	2,229,732	2,229,732	—	—
Mutual funds:				
Domestic equity	26,847,100	26,847,100	—	—
International equity	6,282,660	6,282,660	—	—
Equities	827,793	827,793	—	—
Money market	61,133	61,133	—	—
Real estate	552,460	552,460	—	—
Asset allocation	1,835,821	255,399	1,580,422	—
Commodities	315,778	315,778	—	—
Bonds	13,149,160	11,813,166	1,335,994	—
Equity securities:				
U.S. corporate equity securities	18,797,255	18,797,255	—	—
Foreign equity securities	2,603,960	2,591,085	12,875	—
Certificates of deposit	17,724,601	—	17,724,601	—
Debt securities:				
U.S. Treasury	11,148,293	3,782,882	7,365,411	—
U.S. agency	991,504	—	991,504	
Asset backed	15,509	—	15,509	
Municipal	75,240	—	75,240	
Government	779,609	—	779,609	
State treasury	275,175	—	275,175	
Foreign governments	160,394	124,076	36,318	—
Corporate	15,267,650	2,580,266	12,687,384	—
Residential mortgage-backed securities	3,916,843	—	3,916,843	—
Commercial mortgage-backed securities	209,299	—	209,299	—
Alternative investments:				
Common collective trust invested in mutual funds	528,412	—	528,412	—
Common collective trust invested in short duration fixed income funds	137,255	—	137,255	—
Common collective trust invested in real estate	35,786	—	35,786	—
Other	411,746	168,316	39,948	203,482
Total investments	$ 126,306,730	78,355,663	47,747,585	203,482
Split interest agreements	$ 1,454,672	456,856	222,890	774,926

For the valuation of investments categorized as Level 2 at August 31, 2010 and 2009, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date.

For the valuation of investments categorized as Level 3 at August 31, 2010 and 2009, the Foundation used significant unobservable inputs including net asset value as a practical expedient.

The following table presents a rollforward of activity for investments, not including split-interest agreements, measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2010 and 2009:

		Fair value measurements using significant unobservable inputs (Level 3)	
		2010	**2009**
Beginning balances	$	203,482	218,559
Total losses (realized/unrealized) included in changes in net assets		(135,613)	(7,377)
Purchases, issuances, and settlements		2,143,818	(7,700)
Ending balance	$	2,211,687	203,482
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	$	(87,996)	(7,377)

Total investment income, net realized and unrealized losses, and investment expenses for the years ended August 31, 2010 and 2009 consist of the following:

		2010	**2009**
Interest and dividend income	$	4,190,429	4,785,577
Realized and unrealized gains (losses), net		4,434,601	(11,773,444)
Less investment expenses		(553,328)	(443,928)
Investment income (loss), net	$	8,071,702	(7,431,795)

The following table presents a rollforward of activity for split-interest agreements measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2010 and 2009:

	Fair value measurements using significant unobservable inputs (Level 3)	
	2010	2009
Beginning balances	$ 774,926	812,264
Total gains or losses (realized/unrealized) included in changes in net assets	25,514	(193,983)
Purchases, issuances, and settlements	739,129	156,645
Ending balance	$ 1,539,569	774,926
The amount of total gains or 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	$ 29,761	193,983

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at rates ranging from 0.25% to 7.80%. 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	$ 17,944,775	16,092,037
Two to five years	4,506,158	4,577,435
More than five years	554,239	513,368
Gross contributions receivable	23,005,172	21,182,840
Less allowance for doubtful accounts	(530,726)	(526,137)
Less discount to present value	(746,436)	(632,329)
Contributions receivable, net	$ 21,728,010	20,024,374

(5) Split-Interest Agreements

(a) Beneficial Interest in Trusts

The Foundation is the named income beneficiary on various perpetual trusts, the corpus of which are not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying combined statements of activities as a component of permanently restricted realized and unrealized gains and losses on investments.

The Foundation's beneficial interest in the trusts is $1,102,481 and $506,768 as of August 31, 2010 and 2009, respectively. The Foundation used significant unobservable inputs including net asset value as a practical expedient (Level 3).

(b) Irrevocable Charitable Remainder Trusts

The Foundation is named income beneficiary in five irrevocable charitable remainder trusts held by third-party trustees. At the date the remainder trusts were established, a beneficial interest in trust and temporarily restricted contribution revenue were recognized for the present value of the estimated future benefits to be received when the trust assets are distributed. The beneficial interest is adjusted during the term of the trust for changes in the value of the assets.

The Foundation's beneficial interest in the trusts is $437,088 and $567,765 as of August 31, 2010 and 2009, respectively.

(c) Charitable Gift Annuities

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to 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 2.6% to 6.2%. Assets held under charitable gift annuities totaled $586,481 and $380,139 at August 31, 2010 and 2009, respectively.

Liabilities to beneficiaries under charitable gift annuity agreements totaled $294,286 and $192,574 at August 31, 2010 and 2009, respectively, and are included in other liabilities in the accompanying combined statements of financial position.

(6) Beneficial Interest in Assets Held by a Community Foundation

The Foundation has various beneficial interests in assets held by community foundations valued at $245,717 and $215,995 as of August 31, 2010 and 2009, respectively, which consists of funds contributed by the Foundation and includes earnings thereon, net of distributions received. Distributions of income earned from community foundations are received at various times throughout the year based on the spending policy adopted by the board of directors of each respective community foundation. The beneficial interests in assets held by community foundation are valued using Level 3 measurements.

The following table presents a rollforward of activity for assets held by various community foundations at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2010 and 2009:

	Fair value measurements using significant unobservable inputs (Level 3)	
	2010	**2009**
Beginning balances	$ 215,995	110,621
Contributions	25,000	100,000
Total gains or losses (realized/unrealized) included in changes in net assets	4,722	5,703
Distributions	—	(329)
Ending balance	$ 245,717	215,995
The amount of total gains or 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	$ 4,722	5,703

(7) Transactions with Related Parties

During 2010 and 2009, the Foundation received contributions, both cash and in-kind donations, and pledges from employees and board members totaling $5,570,453 and $4,517,567, respectively. Amounts due from employees and board members as of August 31, 2010 and 2009 totaled $2,458,172 and $1,638,048, respectively, and are included in contributions receivable in the accompanying combined statements of financial position. During 2010 and 2009, amounts paid to related parties totaled $608,590 and $445,106, respectively, for goods and services used in the Foundation’s operations.

(8) Property and Equipment, Net

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

		2010	2009
Land	$	3,650,341	2,843,341
Buildings and building improvements		12,497,152	8,079,930
Computer equipment and software		6,055,267	6,691,268
Web site and Web site templates		33,146	33,146
Office furniture		3,853,653	3,945,634
Other equipment		1,760,378	1,869,065
Leasehold improvements		1,671,499	1,029,342
		29,521,436	24,491,726
Less accumulated depreciation and amortization		(10,777,587)	(11,495,972)
		18,743,849	12,995,754
Construction in progress		688,198	3,811,562
Property and equipment, net	$	19,432,047	16,807,316

Depreciation and amortization expense totaled $1,985,937 and $1,841,269 for the years ended August 31, 2010 and 2009, respectively.

(9) Accrued Pending Wish Costs

The Foundation accrues the 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 National Organization'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 6,784 and 6,374, respectively, of reportable pending wishes.

(Continued)

(10) Notes Payable

The Foundation has unsecured lines of credit with financial institutions totaling $1,000,000, bearing interest that ranges from prime plus 1.50% (prime was 3.25% at August 31, 2010 and 2009) to 5.50% and expiring at various dates. As of August 31, 2010 and 2009, there was $0 and $60,418 outstanding on these lines of credit, respectively.

The Foundation has entered into note payables with financial institutions. The notes bear interest rates, which range from 5.0% to 7.7%, and require principal payments in equal monthly installments of $23,840, and mature on various dates through March 2018. The remaining principal payments on the lines of credit and notes payable subsequent to August 31, 2010 are as follows:

Fiscal year:		
2011	$	209,911
2012		300,155
2013		191,637
2014		593,824
2015		24,175
2016 and thereafter		449,581
Total	$	1,769,283

(11) Credit Agreement

The National Organization has sponsored corporate travel card account program (the Card Program) with a financial institution. In the event of default by the sponsored account holder, the National Organization has the primary and continuing obligation of payment. Under the terms of the Card Program, the National Organization 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 National Organization. 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.

(12) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through July 31, 2021. As of August 31, 2010 and 2009, the cost of leased property and equipment under capital lease was $491,373 and $448,689, respectively, and accumulated depreciation was $242,512 and $196,221, respectively. Total rent expense for all operating leases for the years ended August 31, 2010 and 2009 totaled $5,139,433 and $4,979,461, respectively.

(Continued)

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(s) ending August 31:				
2011	$	4,559,033		109,075
2012		4,300,555		85,619
2013		3,989,665		67,027
2014		3,314,559		29,653
2015		2,680,481		3,815
2016 – 2020		6,560,558		—
Total minimum lease payments	$	25,404,851		295,189
Less amounts representing interest				(40,273)
Present value of net minimum lease payments			$	254,916

(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, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment fund consists of approximately 145 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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 National Organization and each Chapter has reviewed the applicable state version of UPMIFA and concluded the applicable state version based on its respective state of incorporation or territory requires the 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, and
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	$ (357,894)	1,892,534	19,719,254	21,253,894
Board-designated endowment funds	18,418,340	300,700	—	18,719,040
Total funds	$ 18,060,446	2,193,234	19,719,254	39,972,934

	2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (1,065,017)	1,294,270	17,993,496	18,222,749
Board-designated endowment funds	16,800,494	—	—	16,800,494
Total funds	$ 15,735,477	1,294,270	17,993,496	35,023,243

(Continued)

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	$ 15,735,477	1,294,270	17,993,496	35,023,243
Investment return:				
Investment income	516,371	273,885	289	790,545
Net appreciation (realized and unrealized)	898,555	388,123	4,445	1,291,123
Total investment return	1,414,926	662,008	4,734	2,081,668
Contributions	—	76,200	1,787,035	1,863,235
Reclassification of endowment asset	—	—	(66,011)	(66,011)
Appropriation of endowment assets for expenditure	(535,806)	(156,806)	—	(692,612)
Other changes:				
Transfer to create board-designated endowment funds	1,445,849	317,562	—	1,763,411
Endowment net assets, end of year	$ 18,060,446	2,193,234	19,719,254	39,972,934

	2009			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$ 17,320,801	392,543	15,455,440	33,168,784
Net asset reclassification based on accounting change	(1,702,798)	1,702,798	—	—
Endowment net assets after reclassification	15,618,003	2,095,341	15,455,440	33,168,784
Investment return:				
Investment income	636,403	292,555	—	928,958
Net depreciation (realized and unrealized)	(2,309,748)	(751,254)	—	(3,061,002)
Total investment return	(1,673,345)	(458,699)	—	(2,132,044)
Contributions	$ 599,883	—	1,216,608	1,816,491
Reclassification of endowment asset	(11,432)	(250,000)	1,321,448	1,060,016
Appropriation of endowment assets for expenditure	(317,140)	(92,372)	—	(409,512)
Other changes:				
Transfers to create board-designated endowment funds	1,519,508	—	—	1,519,508
Endowment net assets, end of year	$ 15,735,477	1,294,270	17,993,496	35,023,243

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

		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	$	19,719,254	17,993,496
Temporarily restricted net assets:			
(1) Term endowment funds	$	76,200	—
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:			
Without purpose restrictions		648,707	1,223,474
With purpose restrictions		1,468,327	70,796
Total endowment funds classified as temporarily restricted net assets	$	2,193,234	1,294,270

(b) Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported as unrestricted net assets were $357,894 and $1,065,017 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 Objective and Risk Parameters

The National Organization and the Chapters have individually adopted policies to comply with their respective laws governing endowment assets. 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 period(s) as well as board-designated funds. Under this policy, as approved by the 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 ranging from 4.0% to 8.0% 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 Objective Relates to Spending Policy

The National Office and the Chapters have varying policies based on their interpretation of relevant laws for appropriating for distribution amounts averaging between 3.0% and 6.5% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. However, if the market value of the Foundation's endowment fund as of the prior year-end is less than the fund's threshold level or corpus, the distribution will be less than the targeted distribution. 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 averages ranging from 2.0% to 6.0% 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 Asset

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

		2010	2009
Wish granting	$	2,262,089	4,999,176
Capital campaigns		4,941,957	7,822,514
Endowment assets		2,193,234	1,294,270
Other time restrictions		17,155,264	10,525,532
Total temporarily restricted net assets	$	26,552,544	24,641,492

For the years ended August 31, 2010 and 2009, permanently restricted net assets are restricted to the following:

		2010	2009
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$	19,719,254	17,993,496
Other investments in perpetuity, the income from which is expendable to support the activities of the Foundation and for granting wishes		1,139,856	467,716
Total permanently restricted net assets	$	20,859,110	18,461,212

(15) Retirement Plan

The Foundation has adopted defined contribution retirement plans (the Plans). Employees are generally eligible for participation in the Plan after meeting criteria that include completion of one year of service and reaching 21 years of age. Under the provisions of the Plans, eligible employees may elect to defer a percentage of their salary subject to certain IRS limitations. Certain plans allow the Foundation to contribute up to 15% of the employee's salary while other plans allow only the employee to make contributions. Foundation contributions to the Plans for the years ended August 31, 2010 and 2009 were $1,146,074 and $1,153,763, respectively.

(16) Concentrations of 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.

In-kind contributions totaling $14,413,532 and $12,720,485 were received from a single donor for the years ended August 31, 2010 and 2009, respectively, which represents 8% and 8%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(17) Litigation and Claims

The Foundation is involved in litigation and claims arising in the ordinary course of business. In the opinion of management, based on consultation with legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's combined financial position, change in net assets, or liquidity.

(18) Subsequent Events

The Foundation evaluated events subsequent from the combined statement of financial position date through February 23, 2011, the date on which the combined financial statements were available to be issued.

On October 14, 2010, a Chapter entered into an agreement with The Provident Bank for a $4,600,000 nonrevolving construction and permanent mortgage loan.