KPMG

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

Combined Financial Statements

August 31, 2009

(With Independent Auditors' Report Thereon)

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

Table of Contents

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

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

We have audited the accompanying combined statement of financial position of Make-A-Wish Foundation® of America and Related Entities (collectively, the Foundation) as of August 31, 2009, and the related combined statements of activities, cash flows, and functional expenses for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audit provides 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, 2009, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in notes 2 and 3 to the combined financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, as of September 1, 2008 for fair value measurements of all financial assets and financial liabilities that are recognized at fair value in the financial statements on a recurring basis.

As discussed in note 12 to the combined financial statements, the Foundation adopted the Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds,* as of September 1, 2008 for classification of donor-restricted endowment funds.

KPMG LLP

May 25, 2010

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

Combined Statement of Financial Position

August 31, 2009

Assets

Cash and cash equivalents	$	48,979,221
Contributions receivable		20,024,374
Prepaid expenses		2,184,858
Investments		109,430,163
Split-interest agreements		1,454,672
Restricted cash		4,367,802
Property and equipment, net		16,807,316
Investments held for long-term purposes		16,876,567
Beneficial interest in assets held by a community foundation		215,995
Other assets		1,366,271
Total assets	$	221,707,239

Liabilities and Net Assets

Accounts payable and accrued expenses	$	8,432,089
Accrued pending wish costs		45,739,617
Notes payable		883,457
Capital lease obligations		274,265
Other liabilities		1,730,551
Total liabilities		57,059,979
Commitments and Contingencies		
Net assets:		
Unrestricted		121,544,556
Temporarily restricted		24,641,492
Permanently restricted		18,461,212
Total net assets		164,647,260
Total liabilities and net assets	$	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, 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
Net assets released from restrictions and reclassifications		18,920,432	(18,920,432)	—	—
Total revenues and other support		195,995,058	(4,231,988)	1,216,608	192,979,678
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:					
Fund raising		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		203,865,550	—	—	203,865,550
Change in value of split-interest agreements		—	122,892	37,598	160,490
Other losses		—	2,500,000	—	2,500,000
Total expenses and losses		203,865,550	2,622,892	37,598	206,526,040
Change in net assets before adoption of FSP 117-1		(7,870,492)	(6,854,880)	1,179,010	(13,546,362)
Effect of adoption of FSP 117-1		(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 Statement of Cash Flows

Year ended August 31, 2009

Cash flows from operating activities:		
Change in net assets	$	(13,546,362)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		1,841,269
Loss on sale of equipment		37,921
Bad debt expense		264,974
Contributed property and equipment, stock, and inventory		(252,661)
Change in value of split-interest agreement		160,490
Contributions restricted for purchasing property and equipment and investments		(2,517,037)
Change in discount to present value of contributions receivable		(64,621)
Net realized and unrealized loss on investments		11,773,444
Changes in assets and liabilities:		
Contributions receivable		6,942,559
Prepaid expenses		(108,003)
Other assets		(29,492)
Accounts payable and accrued expenses		(1,668,099)
Accrued pending wish costs		6,320,397
Other liabilities		(64,978)
Net cash provided by operating activities		9,089,801
Cash flows from investing activities:		
Purchases of investments		(91,398,068)
Proceeds from sales of investments		90,059,918
Purchases of property and equipment		(3,739,846)
Proceeds from sale of property and equipment		7,047
Deposit of assets held by a community foundation		(100,000)
Net cash used in investing activities		(5,170,949)
Cash flows from financing activities:		
Contributions restricted for purchasing property and equipment and investments		2,517,037
Proceeds from notes payable		200,000
Principal payments on notes payable		(194,173)
Principal payments on capital lease obligations		(83,915)
Net cash provided by financing activities		2,438,949
Net increase in cash and cash equivalents		6,357,801
Cash and cash equivalents at beginning of year		42,621,420
Cash and cash equivalents at end of year	$	48,979,221
Supplemental statement of cash flows information:		
Cash paid for interest	$	76,111
Donated property and equipment, stock, and inventory		252,661
Acquisition of equipment with capital lease agreement		213,209
Accrued property and equipment costs		344,563
Contributed services		182,223
In-kind contributions		47,140,644

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, 2009

	Program services						Support services			
	Wish granting	**Chapter support**	**Program-related support**	**Training and development**	**Public information**	**Total program services**	**Fund raising**	**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
Telephone	536,894	33,649	75,042	12,286	25,677	683,548	318,436	237,047	555,483	1,239,031
Media and advertising (cash)	47,915	1,424	17,365	541	55,212	122,457	326,450	11,451	337,901	460,358
Media and advertising (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 active 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 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 custody of their own financial resources and 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) Fair Value Measurements

On September 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157 (SFAS No. 157), *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized at fair value in the financial statements on a recurring basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

In conjunction with the adoption of SFAS No. 157, the Foundation elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate New Asset Value per Share (or Its Equivalent)*, to the Foundation's fair value of investment companies (common collective trust funds) that do not have readily determinable fair values. This guidance amends SFAS No. 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value (NAV) per share or its equivalent. NAV, in many instances may not equal fair value that would be calculated pursuant to SFAS No. 157.

(c) Basis of Combination

The accompanying combined financial statements include the combined accounts and transactions of the National Organization and Chapters. The Foundation is presented as a combination due to the fact the National Organization and Chapters do not represent a single legal entity. Each Chapter is a separate corporate entity with its own governing board and charter and, as such, is responsible for and maintain custody of, its own financial resources. All significant affiliate and interentity accounts and transactions have been eliminated.

(d) 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, 2009 included $1,618,936 of certificates of deposit with an initial term of less than three months. Included in cash and cash equivalents is $19,048,166 of money market mutual funds and $108,844 of commercial paper, which are Level 1 securities under SFAS No. 157.

(e) 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 their use is limited by donor-imposed restrictions or law.

(f) 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. Pledges are discounted using fair value rates. An allowance for uncollectible contributions is provided based upon management's judgment of potential defaults and is charged to expense. The determination is based on factors such as prior collection history, type of contribution, and nature of the fund-raising activity.

(g) Property and Equipment, Net

Property and equipment having a unit cost greater than a base amount, ranging from $0 to $2,500 depending on the chapter's policy, and 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.

(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 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 as permitted by law.
- *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 service and material donations included in the accompanying combined statement of activities as in-kind contributions and special events revenue at an estimated fair market value of $43,756,806 and $3,818,722, respectively, in 2009.

Advertising and media help the Foundation communicate its message or mission and include 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 revenues 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. In-kind advertising and media expenses have been included in the function that they benefited in 2009.

(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 its respective state of incorporation or territory. The National Organization and each Chapter files a separate Form 990 return. 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 because 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.

In June 2006, the FASB issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 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. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which defers the effective date of FIN 48 for most nonpublic entities to annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has adopted the deferral and disclosure provisions of FIN 48-3 for its August 31, 2009 financial statements and will adopt the provisions of FIN 48 for the year ended August 31, 2010.

(k) Functional Expenses

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

Wish Granting

Activities performed by the Foundation that result in granting wishes of children with life-threatening medical conditions.

Chapter 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.

Program-Related Support

Activities performed by the Foundation related to the wish-granting 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, providing wish assistance for financially challenged chapters, out-of-territory wish placement, and administration of the wish program.

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.

Fund Raising

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

Fund raising	$	3,079,884
Public information		2,158,109
Management and general		619,947
Wish granting		37,605
Program-related support		310
Training and development		612
Total	$	5,896,467

Management and General

All costs not identifiable with a single program or fund raising activity, but indispensable to the conduct of such programs and activities and to the 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 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. Significant estimates include allowances and discounts on contributions receivable, valuation of alternative investments, pending wish liabilities, and the allocation of functional expenses. Actual results could differ from those estimates.

(3) Fair Value Measurements

The Foundation adopted SFAS No. 157 on September 1, 2008 for fair value measurements of all financial assets and financial liabilities that are recognized at fair value in the financial statements a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to 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 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments speeds, credit risk, etc.).
- Level 3 – Significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments).

The following table presents investments at August 31, 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	

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)
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, 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, 2009, the Foundation used significant unobservable inputs including information from owner-to-owner transactions and the Foundation’s own assumptions.

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2009:

		Fair value measurements using significant unobservable inputs (Level 3)
Beginning balances	$	218,559
Total losses (realized/unrealized) included in changes in net assets		(7,377)
Purchases, issuances, and settlements		(7,700)
Ending balance	$	203,482
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	$	(7,377)

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

Interest and dividend income	$	4,785,577
Realized and unrealized losses, net		(11,773,444)
Less – investment expenses		(443,928)
Investment loss	$	(7,431,795)

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

	Fair value measurements using significant unobservable inputs (Level 3)
Beginning balances	$ 812,264
Total gains or losses (realized/unrealized) included in changes in net assets	(193,983)
Purchases, issuances, and settlements	156,645
Ending balance	$ 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	$ 193,983

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at rates ranging from 0.12% to 7.8%. The following is a summary of the Foundation's contributions receivable at August 31, 2009:

Total amounts due in:	
One year	$ 16,092,037
Two to five years	4,577,435
More than five years	513,368
Gross contributions receivable	21,182,840
Less – allowance for uncollectible accounts	(526,137)
Less – discount to present value	(632,329)
Contributions receivable, net	$ 20,024,374

(5) Split-Interest Agreements

(a) Beneficial Interest in Trusts

The Foundation is a 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 statement 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 $506,768 as of August 31, 2009.

(b) Irrevocable Charitable Remainder Trusts

The Foundation is a named income beneficiary in two irrevocable charitable remainder trusts held by a third-party trustee. At the date the remainder trust was established, a beneficial interest in trust and temporarily restricted contribution revenue was 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 beneficial interest in the remainder trust is calculated using discount rates of 4.43%.

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

(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 year ended August 31, 2009 ranged from 2.6% to 6.2%. Assets held under charitable gift annuities totaled $380,139 at August 31, 2009.

Liabilities to beneficiaries under charitable gift annuity agreements totaled $192,574 at August 31, 2009 and are included in other liabilities in the accompanying statement 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 $215,995, which consists of funds contributed by the Foundation and by donors 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 roll-forward of activity for assets held by various community foundations at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2009:

		Fair value measurements using significant unobservable inputs (Level 3)
Beginning balances	$	110,621
Contributions		100,000
Total gains or losses (realized/unrealized) included in changes in net assets		5,703
Distributions		(329)
Ending balance	$	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	$	5,703

(7) Transactions with Related Parties

During 2009, the Foundation received contributions, both cash and in-kind donations, and pledges from employees and board members totaling $4,517,567. Amounts due from employees and board members as of August 31, 2009 totaled $1,638,048 and are included in contributions receivable in the accompanying statement of financial position. Amounts paid to related parties totaled $445,106 for goods and services used in the Foundation's operations.

(8) Property and Equipment, Net

Fixed assets as of August 31, 2009 consist of the following:

Land	$	2,843,341
Buildings and building improvements		8,079,930
Computer equipment and software		6,691,268
Web site and Web site templates		33,146
Office furniture		3,945,634
Other equipment		1,869,065
Leasehold improvements		1,029,342
		24,491,726
Less accumulated depreciation and amortization		(11,495,972)
		12,995,754
Construction in progress		3,811,562
Property and equipment, net	$	16,807,316

Depreciation and amortization expense totaled $1,841,269 for the year ended August 31, 2009.

(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, 2009, the Foundation had approximately 6,374 reportable pending wishes.

(10) Notes Payable

The Foundation has unsecured lines of credit with financial institutions totaling $1,000,000, bearing interest which range from prime plus 1.5% (prime was 3.25% at August 31, 2009) to 5.5% and expire at various dates. As of August 31, 2009, there was $60,418 outstanding on these lines of credit.

The Foundation has entered into note payables with financial institutions totaling $1,199,207. The notes bear interest rates, which range from 5.1% to 7.7%, and require principal payments in equal monthly installments of $11,476, and mature on various dates through March 2018. The remaining principal payments on the lines of credit and notes payable subsequent to August 31, 2009 are as follows:

Fiscal year:		
2010	$	145,064
2011		45,393
2012		135,911
2013		41,637
2014		41,521
2015 and thereafter		473,931
Total	$	883,457

(11) 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, 2009, the cost of leased property and equipment under capital lease was $448,689, and accumulated depreciation was $196,221. Total rent expense for all operating leases for the year ended August 31, 2009 totaled $4,979,461.

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

		Operating leases		Capital leases
Years ending August 31:				
2010	$	4,102,698		118,581
2011		3,887,903		92,451
2012		3,208,630		66,398
2013		2,918,244		48,547
2014		2,180,967		12,276
2015 – 2019		6,980,961		—
Total minimum lease payments	$	23,279,403		338,253
Less amounts representing interest				(63,988)
Present value of net minimum lease payments			$	274,265

(12) Endowments

Effective September 1, 2008, the Foundation adopted the provisions of FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides 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 134 individual named accounts established primarily for the purpose of granting wishes in accordance with the donors' specified intent. 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 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, 2009 is as follows:

	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

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

	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 add board-designated endowment funds, net	1,519,508	—	—	1,519,508
Endowment net assets, end of year	$ 15,735,477	1,294,270	17,993,496	35,023,243

(Continued)

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

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	$	17,993,496
Temporarily restricted net assets:		
Return on perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	$	1,223,474
With purpose restrictions		70,796
Total endowment funds classified as temporarily restricted net assets	$	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. Deficiencies are reported as unrestricted net assets and were $1,065,017 as of August 31, 2009. These deficiencies resulted from net unfavorable market fluctuations as well as continued appropriation for certain programs that was deemed prudent by the board of directors.

(c) Return Objective 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 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 1.75% to 8.00% 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 Relate to Spending Policy

The Foundation has a policy of generally appropriating for distribution amounts on average between 4% and 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 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.

(13) Temporarily and Permanently Restricted Net Asset

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

Wish granting	$	4,999,176
Capital campaigns		7,822,514
Fund raising events		596,254
Time restrictions		11,223,548
Total temporarily restricted net assets	$	24,641,492

For the year ended August 31, 2009, permanently restricted net assets are restricted to the following:

Investments in perpetuity, the income from which is expendable to support the activities of the Foundation and for granting wishes	$	18,461,212

(14) 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 range from the 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 6% of the employee's salary while other plans allow only the employee to make contributions. Foundation contributions to the Plans for the year ended August 31, 2009 were $1,153,763.

(Continued)

(15) 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.

(16) Litigation and Claims

The Foundation is occasionally involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, possible losses, if any, are immaterial; therefore, no provision has been made in the accompanying financial statements for losses, if any, that might result from the ultimate outcome of such matters.

(17) Subsequent Events

Effective August 31, 2009, the Foundation adopted FASB Statement No. 165, Subsequent Events, (SFAS 165), which establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Foundation evaluated events subsequent to August 31, 2009 and through May 25, 2010, the date on which the financial statements were available for issuance.