

Financial statements and report of independent certified public accountants

Make-A-Wish Foundation of Greater Los Angeles

August 31, 2006 and 2005

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Report of Independent Certified Public Accountants

**The Board of Directors
Make-A-Wish Foundation of Greater Los Angeles**

We have audited the accompanying statements of financial position of Make-A-Wish Foundation of Greater Los Angeles (the "Foundation") as of August 31, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation of Greater Los Angeles as of August 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Reno, Nevada
November 10, 2006

Make-A-Wish Foundation of Greater Los Angeles

STATEMENTS OF FINANCIAL POSITION

August 31,

ASSETS	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 675,584	\$ 2,282,872
Investments	3,131,660	1,854,490
Contributions receivable due within one year	188,607	57,163
Due from National Organization	55,364	105,913
Due from affiliated chapters	20,376	11,090
Furniture and equipment, net	54,141	38,202
Other assets	84,898	184,436
	<u>4,210,630</u>	<u>4,534,166</u>
Total assets	<u>\$ 4,210,630</u>	<u>\$ 4,534,166</u>
 LIABILITIES AND NET ASSETS 		
Accounts payable and accrued expenses	\$ 87,306	\$ 195,334
Accrued pending wish costs	384,058	316,279
	<u>471,364</u>	<u>511,613</u>
Total liabilities	<u>471,364</u>	<u>511,613</u>
 Net assets:		
Unrestricted net assets	3,488,206	3,664,714
Temporarily restricted net assets	121,985	228,764
Permanently restricted net assets	129,075	129,075
	<u>3,739,266</u>	<u>4,022,553</u>
Total net assets	<u>3,739,266</u>	<u>4,022,553</u>
	<u>\$ 4,210,630</u>	<u>\$ 4,534,166</u>
Total liabilities and net assets	<u>\$ 4,210,630</u>	<u>\$ 4,534,166</u>

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

Make-A-Wish Foundation of Greater Los Angeles

STATEMENT OF ACTIVITIES

Year ended August 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Public support				
Direct public support	\$ 1,192,920	\$ -	\$ -	\$ 1,192,920
Corporate gifts	371,857	-	-	371,857
Major/planned gifts	392,001	-	-	392,001
In-kind contributions	594,635	50,998	-	645,633
Grants	<u>130,309</u>	<u>-</u>	<u>-</u>	<u>130,309</u>
Total public support	<u>2,681,722</u>	<u>50,998</u>	<u>-</u>	<u>2,732,720</u>
Special events				
External special events	344,255	-	-	344,255
Internal special events	1,016,885	68,480	-	1,085,365
Less direct costs of benefits to donors	<u>(414,184)</u>	<u>-</u>	<u>-</u>	<u>(414,184)</u>
Total special events	<u>946,956</u>	<u>68,480</u>	<u>-</u>	<u>1,015,436</u>
Other revenue				
Dividend and interest income	125,413	-	-	125,413
Net unrealized gains on investments	13,180	-	-	13,180
Net realized gains on investments, net of investment expenses	84,336	-	-	84,336
Net assets released from restrictions	<u>226,257</u>	<u>(226,257)</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>449,186</u>	<u>(226,257)</u>	<u>-</u>	<u>222,929</u>
Total revenues, gains and other support	<u>4,077,864</u>	<u>(106,779)</u>	<u>-</u>	<u>3,971,085</u>
Expenses				
Program services				
Wish granting	<u>3,306,764</u>	<u>-</u>	<u>-</u>	<u>3,306,764</u>
Total program services	<u>3,306,764</u>	<u>-</u>	<u>-</u>	<u>3,306,764</u>
Support services				
Fundraising	475,557	-	-	475,557
Management and general	<u>472,051</u>	<u>-</u>	<u>-</u>	<u>472,051</u>
Total support services	<u>947,608</u>	<u>-</u>	<u>-</u>	<u>947,608</u>
Total expenses	<u>4,254,372</u>	<u>-</u>	<u>-</u>	<u>4,254,372</u>
CHANGE IN NET ASSETS	(176,508)	(106,779)	-	(283,287)
Net assets, beginning of the year	<u>3,664,714</u>	<u>228,764</u>	<u>129,075</u>	<u>4,022,553</u>
Net assets, end of year	<u>\$ 3,488,206</u>	<u>\$ 121,985</u>	<u>\$ 129,075</u>	<u>\$ 3,739,266</u>

The accompanying notes are an integral part of this financial statement.

Make-A-Wish Foundation of Greater Los Angeles

STATEMENT OF ACTIVITIES

Year ended August 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Public support				
Direct public support	\$ 1,138,758	\$ 28,000	\$ 12,500	\$ 1,179,258
Corporate gifts	272,034	75,000	-	347,034
Major/planned gifts	255,620	-	-	255,620
In-kind contributions	473,334	5,014	-	478,348
Grants	190,334	-	-	190,334
Total public support	<u>2,330,080</u>	<u>108,014</u>	<u>12,500</u>	<u>2,450,594</u>
Special events				
External special events	632,820	-	-	632,820
Internal special events	792,723	120,750	-	913,473
Less direct costs of benefits to donors	<u>(234,378)</u>	<u>-</u>	<u>-</u>	<u>(234,378)</u>
Total special events	<u>1,191,165</u>	<u>120,750</u>	<u>-</u>	<u>1,311,915</u>
Other revenue				
Dividend and interest income	79,040	-	-	79,040
Net unrealized gains on investments	119,272	-	-	119,272
Net realized gains on investments, net of investment expenses	51,832	-	-	51,832
Net assets released from restrictions	<u>61,188</u>	<u>(61,188)</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>311,332</u>	<u>(61,188)</u>	<u>-</u>	<u>250,144</u>
Total revenues, gains and other support	<u>3,832,577</u>	<u>167,576</u>	<u>12,500</u>	<u>4,012,653</u>
Expenses				
Program services				
Wish granting	<u>2,939,724</u>	<u>-</u>	<u>-</u>	<u>2,939,724</u>
Total program services	<u>2,939,724</u>	<u>-</u>	<u>-</u>	<u>2,939,724</u>
Support services				
Fundraising	480,134	-	-	480,134
Management and general	<u>300,844</u>	<u>-</u>	<u>-</u>	<u>300,844</u>
Total support services	<u>780,978</u>	<u>-</u>	<u>-</u>	<u>780,978</u>
Total expenses	<u>3,720,702</u>	<u>-</u>	<u>-</u>	<u>3,720,702</u>
CHANGE IN NET ASSETS	111,875	167,576	12,500	291,951
Net assets, beginning of the year	<u>3,552,839</u>	<u>61,188</u>	<u>116,575</u>	<u>3,730,602</u>
Net assets, end of year	<u>\$ 3,664,714</u>	<u>\$ 228,764</u>	<u>\$ 129,075</u>	<u>\$ 4,022,553</u>

The accompanying notes are an integral part of this financial statement.

Make-A-Wish Foundation of Greater Los Angeles

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2006

	Program Services	Support Services		Totals
	Wish Granting	Fundraising	Management and General	
Direct costs of wishes	\$ 1,663,497	\$ -	\$ -	\$ 1,663,497
Direct-in-kind wish expense	591,202	-	-	591,202
Salaries, taxes and benefits	620,100	207,833	317,219	1,145,152
Rent	80,743	26,330	42,372	149,445
Repairs and maintenance	6,395	2,426	5,297	14,118
Telephone	8,980	3,176	2,714	14,870
Office supplies	11,209	28,799	16,395	56,403
Postage and delivery	6,720	5,917	3,370	16,007
Printing	2,732	33,165	1,538	37,435
Insurance	8,308	3,384	4,623	16,315
Professional fees	57,212	93,194	33,481	183,887
Depreciation and amortization	12,889	4,300	6,224	23,413
Public relations	110,860	33,992	1,178	146,030
Dues and subscriptions	189	1,443	1,102	2,734
Meetings and conferences	21,714	13,559	7,093	42,366
National assessment	63,023	5,882	15,125	84,030
Information technology	7,153	2,298	2,348	11,799
Parking and mileage	33,838	9,859	11,972	55,669
	<u>\$ 3,306,764</u>	<u>\$ 475,557</u>	<u>\$ 472,051</u>	<u>\$ 4,254,372</u>

The accompanying notes are an integral part of this financial statement.

Make-A-Wish Foundation of Greater Los Angeles

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2005

	Program Services	Support Services		Totals
	Wish Granting	Fundraising	Management and General	
Direct costs of wishes	\$ 1,363,014	\$ -	\$ -	\$ 1,363,014
Direct-in-kind wish expense	554,592	-	-	554,592
Salaries, taxes and benefits	715,571	228,400	207,137	1,151,108
Rent	87,811	39,794	29,131	156,736
Repairs and maintenance	454	231	419	1,104
Telephone	11,931	3,900	2,811	18,642
Office supplies	24,019	29,169	12,122	65,310
Postage and delivery	7,111	8,010	2,594	17,715
Printing	7,550	22,737	1,604	31,891
Insurance	13,244	5,016	3,819	22,079
Professional fees	58,073	52,844	21,392	132,309
Depreciation and amortization	14,383	6,424	2,844	23,651
Public relations	6,301	49,709	2,110	58,120
Dues and subscriptions	988	1,711	320	3,019
Meetings and conferences	15,539	7,319	567	23,425
National assessment	18,790	1,754	4,510	25,054
Information technology	1,448	5,597	257	7,302
Parking and mileage	38,905	17,519	9,207	65,631
	<u>\$ 2,939,724</u>	<u>\$ 480,134</u>	<u>\$ 300,844</u>	<u>\$ 3,720,702</u>

The accompanying notes are an integral part of this financial statement.

Make-A-Wish Foundation of Greater Los Angeles

STATEMENTS OF CASH FLOWS

Year ended August 31,

	2006	2005
Cash flows from operating activities:		
Change in net assets	\$ (283,287)	\$ 291,951
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	23,413	23,651
Net realized and unrealized gain on investments	(97,516)	(171,103)
Increase (decrease) in cash resulting from changes in:		
Contributions receivable	(131,444)	106,532
Due from National Organization	50,549	106,617
Due from affiliated chapters	(9,286)	(2,271)
Other assets	99,538	(200,015)
Accounts payable and accrued expenses	(108,028)	13,441
Accrued pending wish costs	67,779	143,127
Net cash provided by (used in) operating activities	(388,282)	311,930
Cash flows from investing activities:		
Proceeds from sales of investments	3,761,668	5,714,759
Proceeds from purchases of investments	(4,941,323)	(4,304,047)
Purchases of property and equipment	(39,351)	(21,841)
Net cash provided by (used in) investing activities	(1,219,006)	1,388,871
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,607,288)	1,700,801
Cash and cash equivalents, beginning of the year	2,282,872	582,071
Cash and cash equivalents, end of the year	\$ 675,584	\$ 2,282,872

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

Make-A-Wish Foundation of Greater Los Angeles

NOTES TO FINANCIAL STATEMENTS

August 31, 2006 and 2005

NOTE A - ORGANIZATION

Make-A-Wish Foundation of Greater Los Angeles (the "Foundation") is a California nonprofit corporation organized in 1982, for the purpose of granting wishes to children with life-threatening conditions. The Foundation is an independent operating chapter of Make-A-Wish Foundation of America (National Organization), which is obligated to develop and implement national programs in public relations and fund raising for the benefit of all local chapters. In addition, each local chapter is obligated to comply with the National Organization's bylaws, chapter agreement and such guidelines, resolutions, and policies as may be adopted by the national board.

The Foundation granted its first wish in 1983, and has granted a total of 5,709 wishes through August 31, 2006. There were 387 wishes granted during fiscal year 2006 with an average cost of approximately \$5,500. There were 373 wishes granted during fiscal year 2005 with an average cost of approximately \$4,300. Of the wishes granted, 62 wishes were accrued as reportable pending wishes as of August 31, 2006; in fiscal year 2005 there were 66. The Foundation assists in fulfilling wishes from chapters both nationally and internationally.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation's financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets as prescribed by Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. In accordance with SFAS 117, not-for-profit organizations are required to provide a statement of financial position, a statement of activities, and a statement of cash flows, which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. In addition, voluntary health and welfare organizations, such as the Foundation, are also required to provide a statement of functional expenses.

The Foundation maintains its accounts on the accrual basis of accounting. Net assets, revenues, gains and losses are classified based upon the existence or absence of donor restrictions. For financial statement purposes, all financial transactions are reported by class of net assets as prescribed for not-for-profit organizations by the Financial Accounting Standards Board. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted

Unrestricted net assets consist of all resources of the Foundation that have not been specifically restricted by a donor.

Make-A-Wish Foundation of Greater Los Angeles

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

• **Temporarily Restricted**

Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction is satisfied in the same reporting period in which the support is recognized. When a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

• **Permanently Restricted**

Permanently restricted net assets consist of assets, the use of which has been restricted by the donor for investment in perpetuity.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains, and other support and expenses, during the reporting period. Actual results could differ from those estimates. Significant estimates include accrued pending wishes and in-kind contributions.

Cash Equivalents

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

Investments

Investments, consisting primarily of equity securities, government bonds, and mortgage-backed securities, with readily determinable market values are measured at fair value as of year-end in the financial statements. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is recognized in the statements of activities.

Make-A-Wish Foundation of Greater Los Angeles

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions Receivable

Contributions receivable represent contributions acknowledged from third parties as of August 31, but not transmitted to the Foundation. The Foundation's contributions receivable are generally collected within one year. All contributions receivable are considered to be fully collectible and accordingly no allowance for doubtful accounts is recorded in the accompanying financial statements at August 31, 2006 and 2005.

Contributions

Contributions are recognized as revenue when they are received or unconditionally promised as prescribed by SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Contributions of Services and Materials

The Foundation records contributions of services if the services received create or enhance nonfinancial assets, or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation received service and material donations included in the accompanying statements of activities at an estimated fair market value of approximately \$646,000 in 2006 and approximately \$478,000 in 2005.

Temporarily Restricted Net Assets

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

- **Contributions with Restrictions Met in the Same Year**

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues.

- **Release of Restrictions on Net Assets for Acquisition of Land, Building, and Equipment**

Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, building, and equipment with donor stipulations are reported as revenues of temporarily restricted net assets; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Make-A-Wish Foundation of Greater Los Angeles

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Furniture and Equipment

Furniture and equipment are recorded at cost when purchased or fair market value at the date of gift, if contributed, and are depreciated using the straight-line method over three to five years.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Accrued Pending Wish Costs

The Foundation accrues for the estimated cost of reportable pending wishes if certain measurable wish criteria are met. The reportable pending wish criteria include obtaining a medical eligibility form signed by the child's physician, formal approval by the Foundation, contract from the wish family, the wish has been determined, and the wish is expected to be fulfilled within the next fiscal year.

Internal Special Events

The Foundation records revenue received for special events from corporations, individuals and sponsors as temporarily restricted at the time the pledge is made or payment is received for an event in a future period.

Income Taxes

The Foundation received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation is also exempt from State of California taxation.

Functional Expenses

The Foundation performs three functions: wish granting, fund raising, and management and general. Definitions of these functions are as follows:

Wish Granting: Activities performed by the Foundation which fulfills wishes to children with life-threatening conditions.

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, 2006 and 2005, the Foundation incurred joint costs for activities that included a fund raising appeal. These activities did not meet the criteria of AICPA Statement of Position 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising*, and as such were allocated in their entirety as fundraising activities.

Make-A-Wish Foundation of Greater Los Angeles

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Expenses - Continued

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. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other general overhead.

Expenses which benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

NOTE C - INVESTMENTS

Investments held by the organization at fair value consist of the following at August 31:

	<u>2006</u>	<u>2005</u>
Equity securities	\$2,230,129	\$1,395,461
Debt securities		
Mortgage-backed securities	194,644	243,085
Government bonds	<u>706,887</u>	<u>215,944</u>
	<u>\$3,131,660</u>	<u>\$1,854,490</u>

The components of investment return were as follows for at August 31:

	<u>2006</u>	<u>2005</u>
Dividend and interest income	\$125,413	\$ 79,040
Net realized gains	112,603	82,515
Net unrealized gains on investments reported at fair value	<u>13,180</u>	<u>119,272</u>
Total investment return before investment expense	251,196	280,827
Investment expense	<u>28,267</u>	<u>30,683</u>
Total investment return, net of expense	<u>\$222,929</u>	<u>\$250,144</u>

Make-A-Wish Foundation of Greater Los Angeles

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2006 and 2005

NOTE D - FURNITURE AND EQUIPMENT

A summary of furniture and equipment as of August 31:

	<u>2006</u>	<u>2005</u>
Computer equipment and software	\$ 94,816	\$ 74,381
Office furniture	61,678	42,762
Other equipment	<u>7,234</u>	<u>7,234</u>
	163,728	124,377
Less accumulated depreciation and amortization	<u>(109,587)</u>	<u>(86,175)</u>
Furniture and equipment, net	<u>\$54,141</u>	<u>\$ 38,202</u>

Depreciation and amortization expense amounted to \$23,413 and \$23,651 in 2006 and 2005, respectively.

NOTE E - DUE FROM AFFILIATED CHAPTERS

Due from affiliated chapters of \$20,376 and \$11,090 as of August 31, 2006 and 2005, respectively, represent reimbursable costs incurred to assist in the granting of wishes for affiliated chapters.

NOTE F - TRANSACTIONS WITH THE NATIONAL ORGANIZATION

The Foundation pays the National Organization an annual assessment fee, which was \$84,030 and \$25,054 for the years ended August 31, 2006 and 2005, respectively. The due from National Organization balance of \$55,364 and \$105,913 as of August 31, 2006 and 2005, respectively, represents contributions received by the National Organization on behalf of the Foundation.

NOTE G - TAX-DEFERRED RETIREMENT PLAN

The Foundation maintains a qualified 403(b) deferred compensation plan for all Foundation employees. Under the provisions of the plan participating employees may make voluntary contributions through salary deductions up to the maximum amount allowed by law and the Foundation can match up to 3% of the employee salary. The Foundation matched employee contributions in 2006 of \$21,344 and \$10,779 in 2005.

Make-A-Wish Foundation of Greater Los Angeles

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2006 and 2005

NOTE H - COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases office facilities and equipment under noncancelable operating leases that expire through August 2015. Rent expense under noncancelable operating leases for the years ended August 31, 2006 and 2005 was \$149,445 and \$156,736, respectively.

For the year ending August 31, future minimum lease payments under the noncancelable lease up to 2015 consist of the following:

Years ending August 31,	
2007	\$ 129,293
2008	132,862
2009	137,290
2010	140,981
2011	145,410
Thereafter	<u>626,664</u>
	<u><u>\$1,312,500</u></u>

NOTE I - RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31 are restricted for the following purposes:

	<u>2006</u>	<u>2005</u>
Program events	\$ 68,480	\$120,750
Specific wishes	<u>53,505</u>	<u>108,014</u>
Total temporarily restricted net assets	<u><u>\$121,985</u></u>	<u><u>\$228,764</u></u>

Permanently restricted net assets at August 31 are restricted to:

	<u>2006</u>	<u>2005</u>
Investment in perpetuity, the income from which is expendable to support the mission of the Foundation	<u>\$129,075</u>	<u>\$129,075</u>

Make-A-Wish Foundation of Greater Los Angeles

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2006 and 2005

NOTE J – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes specified by donors for the years ended August 31, 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
Program events	\$120,750	\$ 41,050
Specific wishes	77,507	20,138
Contributions receivable	<u>28,000</u>	<u>-</u>
Total net assets released from donor restrictions	<u>\$226,257</u>	<u>\$ 61,188</u>

NOTE K - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash, cash equivalents, and investments with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit of \$100,000. From time to time throughout the year, the Foundation's cash and investment balances may exceed the amount of the FDIC insurance coverage. The Foundation, however, does not anticipate nonperformance by the institutions.