



MAKE-A-WISH FOUNDATION[®] OF GREATER LOS ANGELES

Financial Statements

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

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KPMG LLP
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355 South Grand Avenue
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Independent Auditors' Report

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, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses 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. 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 15, 2010

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statements of Financial Position

August 31, 2010 and 2009

Assets	2010	2009
Cash and cash equivalents	\$ 680,840	418,332
Contributions receivable, net	235,642	229,470
Due from related entities	221,613	63,168
Prepaid expenses	45,916	32,580
Investments	1,399,133	2,504,546
Beneficial interest in trusts	363,004	337,603
Property and equipment, net	55,603	31,213
Other assets	13,640	13,643
Total assets	<u>\$ 3,015,391</u>	<u>3,630,555</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 267,303	165,871
Due to related entities	19,999	9,386
Accrued pending wish costs	1,352,459	926,530
Deferred rent liability	53,145	50,340
Total liabilities	<u>1,692,906</u>	<u>1,152,127</u>
Commitments and contingencies		
Net assets		
Unrestricted	708,753	1,869,328
Temporarily restricted	613,732	580,025
Permanently restricted	—	29,075
Total net assets	<u>1,322,485</u>	<u>2,478,428</u>
Total liabilities and net assets	<u>\$ 3,015,391</u>	<u>3,630,555</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statement of Activities
Year ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 2,292,603	43,921	—	2,336,524
In-kind contributions	936,130	66,433	—	1,002,563
Grants	112,211	—	—	112,211
Total public support	<u>3,340,944</u>	<u>110,354</u>	<u>—</u>	<u>3,451,298</u>
Special events	214,693	—	—	214,693
Less direct benefit costs to donor	(620)	—	—	(620)
Total special events	<u>214,073</u>	<u>—</u>	<u>—</u>	<u>214,073</u>
Investment income, net	155,791	—	—	155,791
Other income	92,183	—	—	92,183
Change in value of beneficial interest in trust	—	25,401	—	25,401
Net assets released from restrictions	131,123	(102,048)	(29,075)	—
Total revenues, gains, and other support	<u>3,934,114</u>	<u>33,707</u>	<u>(29,075)</u>	<u>3,938,746</u>
Expenses:				
Program services:				
Wish granting and program-related support	4,180,991	—	—	4,180,991
Support services:				
Fundraising	546,064	—	—	546,064
Management and general	367,634	—	—	367,634
Total program and support services	<u>5,094,689</u>	<u>—</u>	<u>—</u>	<u>5,094,689</u>
Change in net assets	(1,160,575)	33,707	(29,075)	(1,155,943)
Net assets, beginning of the year	<u>1,869,328</u>	<u>580,025</u>	<u>29,075</u>	<u>2,478,428</u>
Net assets, end of the year	<u>\$ 708,753</u>	<u>613,732</u>	<u>—</u>	<u>1,322,485</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statement of Activities
Year ended August 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 1,623,951	25,229	—	1,649,180
In-kind contributions	701,377	65,510	—	766,887
Grants	109,529	—	—	109,529
Total public support	<u>2,434,857</u>	<u>90,739</u>	<u>—</u>	<u>2,525,596</u>
Special events	547,710	16,060	—	563,770
Less direct benefit costs to donor	<u>(121,844)</u>	<u>—</u>	<u>—</u>	<u>(121,844)</u>
Total special events	425,866	16,060	—	441,926
Investment income (loss), net	(271,874)	—	—	(271,874)
Other income	134,923	—	—	134,923
Change in value of beneficial interest in trust	—	(138,666)	—	(138,666)
Net assets released from restrictions	<u>352,537</u>	<u>(352,537)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>3,076,309</u>	<u>(384,404)</u>	<u>—</u>	<u>2,691,905</u>
Expenses:				
Program services:				
Wish granting and program-related support	2,883,718	—	—	2,883,718
Support services:				
Fundraising	733,172	—	—	733,172
Management and general	<u>372,548</u>	<u>—</u>	<u>—</u>	<u>372,548</u>
Total program and support services	3,989,438	—	—	3,989,438
Change in net assets	(913,129)	(384,404)	—	(1,297,533)
Net assets, beginning of the year	<u>2,782,457</u>	<u>964,429</u>	<u>29,075</u>	<u>3,775,961</u>
Net assets, end of the year	<u>\$ 1,869,328</u>	<u>580,025</u>	<u>29,075</u>	<u>2,478,428</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statements of Cash Flows

Years ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,155,943)	(1,297,533)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	24,591	25,519
Net realized and unrealized (gains) losses on investments	(72,535)	399,162
Contributed property and equipment, inventory, and stock	—	(4,472)
Change in value of split-interest agreements	(25,401)	138,666
Changes in assets and liabilities:		
Contributions receivable	(6,172)	191,751
Due from related entities	(158,445)	28,556
Prepaid expenses	(13,336)	14,219
Other assets	3	29,310
Accounts payable and accrued expenses	101,432	(8,240)
Accrued pending wish costs	425,929	571,274
Due to related entities	10,613	(6,715)
Deferred rent expense	2,805	6,496
Net cash (used in) provided by operating activities	<u>(866,459)</u>	<u>87,993</u>
Cash flows from investing activities:		
Purchases of investments	(805,877)	(1,268,278)
Proceeds from sales of investments	1,983,825	1,319,794
Purchases of furniture and equipment	(48,981)	(4,470)
Net cash provided by investing activities	<u>1,128,967</u>	<u>47,046</u>
Net increase in cash and cash equivalents	262,508	135,039
Cash and cash equivalents, beginning of year	<u>418,332</u>	<u>283,293</u>
Cash and cash equivalents, end of year	<u>\$ 680,840</u>	<u>418,332</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION[®] OF GREATER LOS ANGELES

Statement of Functional Expenses

Year ended August 31, 2010

	Program services	Support services		Total
	Wish granting and program-related support	Fund-raising	Management and general	
Direct costs of wishes	\$ 3,195,942	—	—	3,195,942
Salaries, taxes, and benefits	665,366	219,012	139,089	1,023,467
Printing, subscriptions, and publications	5,131	8,952	1,211	15,294
Professional fees	20,412	105,098	114,417	239,927
Rent and utilities	140,237	31,768	41,217	213,222
Postage and delivery	1,750	5,392	295	7,437
Travel	6,291	4,904	7,685	18,880
Meetings and conferences	16,377	1,748	2,103	20,228
Office supplies	25,721	17,600	7,812	51,133
Communications	5,040	1,377	1,450	7,867
Advertising and media (in-kind)	—	125,874	—	125,874
Repairs and maintenance	22,590	5,422	6,275	34,287
Insurance	3,387	824	1,074	5,285
Membership dues	—	250	—	250
National partnership dues	53,251	10,510	6,306	70,067
Miscellaneous	3,376	3,729	33,833	40,938
Depreciation and amortization	16,120	3,604	4,867	24,591
	<u>\$ 4,180,991</u>	<u>546,064</u>	<u>367,634</u>	<u>5,094,689</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Statement of Functional Expenses

Year ended August 31, 2009

	<u>Program services</u>	<u>Support services</u>		<u>Total</u>
	<u>Wish granting and program-related support</u>	<u>Fund-raising</u>	<u>Management and general</u>	
Direct costs of wishes	\$ 1,831,304	—	—	1,831,304
Salaries, taxes, and benefits	674,105	145,238	261,144	1,080,487
Printing, subscriptions, and publications	6,094	4,536	1,774	12,404
Professional fees	51,897	31,211	12,953	96,061
Rent and utilities	132,875	30,483	46,078	209,436
Postage and delivery	8,679	5,087	2,890	16,656
Travel	5,484	3,651	3,836	12,971
Meetings and conferences	8,080	2,208	5,739	16,027
Office supplies	23,111	13,012	6,870	42,993
Communications	6,644	931	2,416	9,991
Advertising and media (in-kind)	—	456,193	—	456,193
Repairs and maintenance	8,345	2,835	3,066	14,246
Insurance	3,961	906	1,411	6,278
Membership dues	—	250	1,080	1,330
National partnership dues	106,972	25,673	9,984	142,629
Miscellaneous	—	7,325	7,588	14,913
Depreciation and amortization	16,167	3,633	5,719	25,519
	<u>\$ 2,883,718</u>	<u>733,172</u>	<u>372,548</u>	<u>3,989,438</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

Notes to Financial Statements

August 31, 2010 and 2009

(1) Organization

Make-A-Wish Foundation® of Greater Los Angeles (the Foundation) is a California not-for-profit corporation, organized for the purpose of granting wishes to children with life threatening medical conditions. While the Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), it's currently on voluntary inactive status under the control of the National Organization as of August 31, 2010. Since being placed on voluntary inactive status in November 2009, the caretaker board of the Foundation has recruited and elected a number of new local board members. As of October 2010, the representatives from the National Organization, no longer constitute a majority of the Foundation board. In November 2010, pursuant to the Chapter Agreement, the Foundation was moved from Inactive Status to Provisional Status, with only one National Organization representative remaining as a voting board member when the new board was elected in December 2010. The National Organization operates to develop and implement national programs in public relations and fund-raising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

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

(b) *Cash and Cash Equivalents*

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

(c) *Investments*

Investments are recorded at fair value. 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.

(d) *Contributions Receivable*

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value 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.

(e) *Furniture and Equipment, Net*

Furniture 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. Depreciation on furniture and equipment is provided on a straight-line basis over the estimated

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useful lives of the assets, generally 3 to 5 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

(f) Fair Value Measurements

On September 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (included in Accounting Standards Codification (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.

(g) Net Assets

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

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

(h) Revenue Recognition

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received service and material contributions of \$1,051,384 and \$870,039, respectively, in 2010 and 2009 consisting of \$925,510 and \$310,694, respectively, in wish-related

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Notes to Financial Statements

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expenses, \$71,051 and \$456,193, respectively, in professional services, and \$54,823 and \$103,152, respectively, for special event expenses.

Included in wish-related expenses are lodging expenses, admission to theme parks, ground transportation, and airfare for the wish child and guests. Included in professional services are advertising and media contributions, which are contributions that help the Foundation communicate its message or mission and include fund-raising 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. Included in special event expenses are fees for catering, facility charges, and other costs related to the event.

(i) *Income Taxes*

The Foundation is a not-for-profit organization exempt from federal income and California taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Sections 12586 and 12587 of the California Government Code. 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.

In June 2006, the FASB issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (included in ASC Topic 740, *Income Taxes*). ASC Topic 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The Foundation has adopted the deferral and disclosure provisions of ASC Topic 740 for its August 31, 2009 financial statements and has adopted the provisions of ASC Topic 740 for the year ended August 31, 2010. There are no such uncertain tax positions for the Foundation at August 31, 2010.

(j) *Functional Expenses*

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

Fund Raising

Fund raising represents activities performed by the Foundation to generate funds and/or resources to support its programs and operations.

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

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

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Foundation, business management, general record-keeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

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

(k) Management Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of furniture and equipment, investments, valuation of contributions receivable, beneficial interest in trust, furniture and equipment, and accrued pending wish costs. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(3) Fair Value Measurements

The Foundation adopted ASC Topic 820 on September 1, 2008 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 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 asset or liability, either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability.

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

Overall Investment Objective

Historically, the overall investment strategy of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return to subsidize a portion of its annual operating activities and increase investment value after inflation. However, due to the number of wish requests and managements desire to grant as many wishes as possible, the investment strategy in fiscal year 2010 was changed to ensure sufficient liquidity to grant the maximum wishes possible. Management's strategy still seeks to investment in a prudent manner and as such the foundation has diversified its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

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August 31, 2010 and 2009

the Board, which oversees the Foundations investment program in accordance with the established guidelines.

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

Description	August 31, 2010	Fair value measurements at August 31, 2010 using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Mutual funds:				
Domestic equity	\$ 326,383	326,383	—	—
Real estate	1,594	1,594	—	—
Equity securities:				
U.S. corporate equity securities	582,782	582,782	—	—
Debt securities:				
Asset-backed	208,330	—	208,330	—
Government	275,505	—	275,505	—
Corporate	2,519	—	2,519	—
Money market funds	2,020	2,020	—	—
Total investments	\$ 1,399,133	912,779	486,354	—
Beneficial interest in remainder trust	\$ 363,004	—	—	363,004

MAKE-A-WISH FOUNDATION® OF GREATER LOS ANGELES

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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)
Investments:				
Mutual funds:				
Domestic equity	\$ 6,568	6,568	—	—
Real estate	552,843	552,843	—	—
Equity securities:				
U.S. corporate equity securities	768,817	768,817	—	—
Foreign equity securities	456,898	456,898	—	—
Debt securities:				
U.S. Treasury	166,319	—	166,319	—
Corporate	2,234	—	2,234	—
Residential mortgage-backed securities	550,867	—	550,867	—
Total investments	\$ 2,504,546	1,785,126	719,420	—
Beneficial interest in remainder trust	\$ 337,603	—	—	337,603

For the valuation of debt securities and residential mortgage-backed securities 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 the beneficial interest in trust at August 31, 2010 and 2009, the Foundation used significant unobservable inputs including payout rates and life expectancy information.

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Notes to Financial Statements

August 31, 2010 and 2009

The following table presents a rollforward of activity for investments 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)	
	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 337,603	476,269
Total gains or losses (realized/unrealized) included in changes in net assets	<u>25,401</u>	<u>(138,666)</u>
Ending balance	<u>\$ 363,004</u>	<u>337,603</u>
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	<u>\$ 25,401</u>	<u>(138,666)</u>

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

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 105,897	151,351
Realized and unrealized gains (losses), net	72,535	(399,162)
Less investment expenses	<u>(22,641)</u>	<u>(24,063)</u>
Investment income (loss), net	<u>\$ 155,791</u>	<u>(271,874)</u>

(4) Contributions Receivable

The following is a summary of the Foundation's contributions receivable at August 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Total amounts due in:		
One year	\$ 94,648	89,094
Two to five years	<u>140,994</u>	<u>140,376</u>
Contributions receivable	<u>\$ 235,642</u>	<u>229,470</u>

(5) Beneficial Interest in Trusts

The Foundation is named income beneficiary of a charitable remainder annuity trust, for which the Foundation is not the trustee. Under this arrangement, the Foundation has the irrevocable right to receive a portion of the remaining assets at the trust's maturity. Temporarily restricted contribution revenue and the related assets are recognized at the fair value of the amounts expected to be received in the period in which the Foundation receives notice of an unconditional right to receive benefits. Subsequent changes in the

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Notes to Financial Statements

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value of the amounts to be received have been recorded in the accompanying statements of activities as a component of temporarily restricted net assets as a change in the value of beneficial interest in trust. The Foundation's beneficial interest in the trust is \$363,004 and \$337,603 as of August 31, 2010 and 2009, respectively. The Foundation used significant unobservable inputs including a payout rate of 5% and a life expectancy using IRS mortality tables.

(6) Transactions with Related Entities

The Foundation pays the National Organization annual dues, which were \$70,067 and \$142,629 for the years ended August 31, 2010 and 2009, respectively. The National Organization supports the Foundation by providing funding and other support for the granting of wishes.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation received support from the Wish Fulfillment Fund with receipts during the years ended August 31, 2010 and 2009, totaling \$441,507 and \$50,000, respectively, which is recorded as contributions in the accompanying statements of activities.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$86,400 and \$70,405 for the years ended August 31, 2010 and 2009, respectively, which is recorded in the accompanying statements of activities as other income.

Amounts due from and to related entities are as follows:

	<u>2010</u>	<u>2009</u>
Balance at August 31:		
Due from National Organization	\$ 83,604	58,048
Due from other chapters	<u>138,009</u>	<u>5,120</u>
Total due from related entities	<u>\$ 221,613</u>	<u>63,168</u>
Due to other chapters	<u>\$ 19,999</u>	<u>9,386</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the wish such as transportation that are either payable or receivable by the Foundation. Amounts paid to related parties totaled \$74,148, for goods and services used in the Foundation's operations and are recorded as direct wish expense in the accompanying statements of activities.

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(7) Furniture and Equipment, Net

Fixed assets as of August 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Computer equipment and software	\$ 174,561	148,585
Office furniture	44,598	38,028
Other equipment	34,328	32,934
Leasehold improvements	15,041	—
	<u>268,528</u>	<u>219,547</u>
Less accumulated depreciation and amortization	<u>(212,925)</u>	<u>(188,334)</u>
Property and equipment, net	<u>\$ 55,603</u>	<u>31,213</u>

Depreciation and amortization expense totaled \$24,591 and \$25,519 for the years ended August 31, 2010 and 2009, respectively.

(8) Accrued Pending Wish Costs

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

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the 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 196 and 150 reportable pending wishes, respectively.

(9) Leases

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through August 31, 2015. Total rent expense for all operating leases for the years ended August 31, 2010 and 2009 totaled \$168,883 and \$164,192, respectively.

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

	Operating leases
Year ending August 31:	
2011	\$ 151,409
2012	155,838
2013	154,267
2014	158,696
2015	163,863
Total minimum lease payments	\$ 784,073

(10) Temporarily and Permanently Restricted Net Assets

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

	2010	2009
Wish granting	\$ 13,000	80,758
Time restrictions	600,732	499,267
Total temporarily restricted net assets	\$ 613,732	580,025

For the year ended August 31, 2009, permanently restricted net assets were restricted for investment in perpetuity, the income from which is expendable to support any activities of the Foundation. For the year ended August 31, 2010, the Foundation did not have any permanently restricted net assets due to the release of the restriction by the donor.

(11) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of 1 year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Code (IRC) limitations. The Foundation matches employee contributions up to one-half of the first 6% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2010 and 2009 were \$4,928 and \$11,866, respectively.

(12) 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 Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. From

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time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling \$444,764 and \$227,658 were received from a single donor for the years ended August 31, 2010 and 2009, respectively, which represent 13.3% and 9.0%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(13) Litigation and Claims

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

(14) Subsequent Events

As discussed in note 1 and pursuant to an agreement dated November 12, 2010, the Foundation has been removed from inactive status and has been placed on provisional status. As a result of the change in the Foundation's status, the caretaker board has stepped down and effective December 8, 2010, fifteen new board members have been appointed to serve as the Foundation's board of directors and oversee the Foundations operations.