

Combined Financial Statements and Report of
Independent Certified Public Accountants

Make-A-Wish Foundation

August 31, 2008 and 2007

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Grant Thornton

Audit • Tax • Advisory

Grant Thornton LLP
100 Sun Avenue NE, Suite 602
Albuquerque, NM 87109-4659

T 505.855.7900

F 505.855.7971

www.GrantThornton.com

Report of Independent Certified Public Accountants

The Board of Directors
Make-A-Wish Foundation

We have audited the combined statements of financial position of Make-A-Wish Foundation as of August 31, 2008 and 2007 and the related combined statements of activities, functional expenses and cash flows for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation as of August 31, 2008 and 2007, and their changes in net assets, functional expenses and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Albuquerque, New Mexico
January 27, 2009

Make-A-Wish Foundation

COMBINED STATEMENTS OF FINANCIAL POSITION

August 31,

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 42,621,420	\$ 38,852,774
Restricted cash	2,157,923	1,465,132
Cash restricted for property and equipment	7,994,145	7,785,582
Contributions receivable	22,123,362	19,041,735
Investments	123,815,431	111,555,170
Prepaid expenses	1,145,466	1,288,262
Property and equipment, net	13,840,191	12,168,810
Interest in net assets of related foundation	3,469,363	3,472,897
Investments held for long-term purposes	8,033,742	11,976,071
Other assets	4,476,351	3,229,033
Total assets	<u>\$ 229,677,394</u>	<u>\$ 210,835,466</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 12,106,143	\$ 7,802,349
Accrued pending wish costs (Note 2)	37,953,493	27,478,375
Deposits	460,126	1,308,616
Notes payable	760,932	953,587
Other liabilities	203,078	489,734
Total liabilities	<u>51,483,772</u>	<u>38,032,661</u>
Commitments and Contingencies (Notes 7, 8, 12 and 14)		
Net assets:		
Unrestricted	131,117,846	134,740,506
Temporarily restricted	29,793,574	21,837,567
Permanently restricted	17,282,202	16,224,732
Total net assets	<u>178,193,622</u>	<u>172,802,805</u>
Total liabilities and net assets	<u>\$ 229,677,394</u>	<u>\$ 210,835,466</u>

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

Make-A-Wish Foundation

COMBINED STATEMENT OF ACTIVITIES

Year Ended August 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Contributions	\$ 109,319,692	\$ 24,243,414	\$ 1,555,207	\$ 135,118,313
Internal special events	45,438,892	1,548,824	-	46,987,716
Less cost of direct benefit to donor	(12,575,076)	(93,253)	-	(12,668,329)
	<u>32,863,816</u>	<u>1,455,571</u>	<u>-</u>	<u>34,319,387</u>
External special events	25,574,601	944,156	68,550	26,587,307
Grants	5,119,428	1,144,260	48,959	6,312,647
Total support	<u>172,877,537</u>	<u>27,787,401</u>	<u>1,672,716</u>	<u>202,337,654</u>
Investment income	5,762,364	309,299	144,842	6,216,505
Realized/unrealized losses on investments, net	(8,084,516)	(160,350)	(141,812)	(8,386,678)
Other income	2,039,102	744,419	(19,488)	2,764,033
Net assets released from restrictions	21,323,550	(20,724,762)	(598,788)	-
Total revenues and other support	<u>193,918,037</u>	<u>7,956,007</u>	<u>1,057,470</u>	<u>202,931,514</u>
Expenses:				
Program services:				
Wish granting	139,385,563	-	-	139,385,563
Chapter support	2,271,466	-	-	2,271,466
Program related support	1,495,574	-	-	1,495,574
Committee and board support	434,147	-	-	434,147
Training and development	1,707,324	-	-	1,707,324
Public information	4,046,122	-	-	4,046,122
Total program services	<u>149,340,196</u>	<u>-</u>	<u>-</u>	<u>149,340,196</u>
Support services:				
Fund raising	29,762,344	-	-	29,762,344
Management and general	18,438,157	-	-	18,438,157
Total support services	<u>48,200,501</u>	<u>-</u>	<u>-</u>	<u>48,200,501</u>
Total expenses	<u>197,540,697</u>	<u>-</u>	<u>-</u>	<u>197,540,697</u>
(Decrease) increase in net assets	(3,622,660)	7,956,007	1,057,470	5,390,817
Net assets, beginning of the year	<u>134,740,506</u>	<u>21,837,567</u>	<u>16,224,732</u>	<u>172,802,805</u>
Net assets, end of the year	<u>\$ 131,117,846</u>	<u>\$ 29,793,574</u>	<u>\$ 17,282,202</u>	<u>\$ 178,193,622</u>

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

Make-A-Wish Foundation

COMBINED STATEMENT OF ACTIVITIES

Year Ended August 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Contributions	\$ 107,485,817	\$ 18,879,066	\$ 1,228,300	\$ 127,593,183
Internal special events	43,494,835	1,493,458	-	44,988,293
Less cost of direct benefit to donor	(11,998,499)	(94,811)	-	(12,093,310)
	<u>31,496,336</u>	<u>1,398,647</u>	<u>-</u>	<u>32,894,983</u>
External special events	22,889,243	1,151,476	53,966	24,094,685
Grants	5,180,579	722,961	46,333	5,949,873
Total support	<u>167,051,975</u>	<u>22,152,150</u>	<u>1,328,599</u>	<u>190,532,724</u>
Investment income	5,108,522	279,434	4,069	5,392,025
Realized/unrealized gains on investments, net	6,887,713	462,063	(17,175)	7,332,601
Other income	1,841,863	85,138	-	1,927,001
Net assets released from restrictions	20,068,513	(19,968,513)	(100,000)	-
Total revenues and other support	<u>200,958,586</u>	<u>3,010,272</u>	<u>1,215,493</u>	<u>205,184,351</u>
Expenses:				
Program services:				
Wish granting	125,229,607	-	-	125,229,607
Chapter support	1,833,837	-	-	1,833,837
Program related support	1,336,530	-	-	1,336,530
Committee and board support	465,799	-	-	465,799
Training and development	1,554,701	-	-	1,554,701
Public information	5,253,528	-	-	5,253,528
Total program services	<u>135,674,002</u>	<u>-</u>	<u>-</u>	<u>135,674,002</u>
Support services:				
Fund raising	27,094,787	-	-	27,094,787
Management and general	15,705,062	-	-	15,705,062
Total support services	<u>42,799,849</u>	<u>-</u>	<u>-</u>	<u>42,799,849</u>
Total expenses	<u>178,473,851</u>	<u>-</u>	<u>-</u>	<u>178,473,851</u>
Increase in net assets	22,484,735	3,010,272	1,215,493	26,710,500
Net assets, beginning of the year	<u>112,255,771</u>	<u>18,827,295</u>	<u>15,009,239</u>	<u>146,092,305</u>
Net assets, end of the year	<u>\$ 134,740,506</u>	<u>\$ 21,837,567</u>	<u>\$ 16,224,732</u>	<u>\$ 172,802,805</u>

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

Make-A-Wish Foundation

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2008

	Program Services					Support Services			Total		
	Wish Granting	Chapter Support	Program Related Support	Committee and Board Support	Training and Development	Public Information	Program Services	Fund Raising		Management and General	Support Services
Direct costs of wishes	\$ 104,718,832	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,718,832	\$ -	\$ -	\$ -	\$ 104,718,832
Salaries, taxes and benefits	23,929,700	1,009,906	891,578	272,978	899,229	955,697	27,959,088	14,258,124	11,228,259	25,486,383	53,445,471
Printing	752,221	1,041	19,918	1,555	12,859	1,712,213	2,499,807	4,520,879	1,201,203	5,722,082	8,221,889
Professional fees	1,576,057	583,523	148,937	8,458	35,656	245,989	2,598,620	2,610,725	1,620,722	4,231,447	6,830,067
Rent and utilities	2,735,759	48,273	130,921	10,539	96,991	110,800	3,133,283	1,272,699	1,009,918	2,282,617	5,415,900
Postage/delivery	556,162	7,111	20,979	3,286	17,063	725,525	1,330,126	2,068,850	719,997	2,788,847	4,118,973
Travel	847,073	133,503	36,043	34,568	126,438	85,469	1,263,094	870,508	370,961	1,241,469	2,504,563
Meetings and conferences	294,644	213	14,612	18,291	341,565	9,829	679,154	433,817	162,100	595,917	1,275,071
Office supplies	782,877	13,039	30,390	2,331	17,679	27,331	873,647	506,121	349,238	855,359	1,729,006
Depreciation and amortization	733,639	58,403	12,835	12,979	53,519	43,471	914,846	363,333	404,325	767,658	1,682,504
Telephone	591,657	13,840	15,566	2,869	16,946	23,715	664,593	289,906	228,056	517,962	1,182,555
Direct costs of fund raising	338,507	-	27,633	-	1,963	70,865	438,968	412,815	40,380	731,511	892,163
Public relations	368,044	9,237	8,878	2,394	11,657	9,484	409,694	185,624	184,172	369,796	779,490
Repairs and maintenance	94,088	249,902	2,753	63,551	15,819	4,707	430,820	74,722	66,567	141,289	572,109
Insurance	43,090	-	-	-	-	-	43,090	140,972	8,452	149,424	192,514
Bad debt expense	49,643	136,473	-	-	2,636	3,925	192,677	34,455	91,783	126,238	318,915
Dues and subscriptions	-	-	-	-	-	-	-	4,657	16,527	21,184	21,184
Grants and scholarships	116,368	-	-	-	30,423	-	146,791	352	797	1,149	147,940
Volunteer training	857,202	7,002	134,531	348	26,881	17,102	1,043,066	982,274	734,700	1,716,974	2,760,040
Miscellaneous	\$ 139,385,563	\$ 2,271,466	\$ 1,495,574	\$ 434,147	\$ 1,707,324	\$ 4,046,122	\$ 149,340,196	\$ 29,762,344	\$ 18,438,157	\$ 48,200,501	\$ 197,540,697

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

Make-A-Wish Foundation

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2007

	Program Services					Support Services			Total	
	Wish Granting	Chapter Support	Program Related Support	Committee and Board Support	Training and Development	Public Information	Program Services	Fund Raising		Management and General
Direct costs of wishes	\$ 93,042,881	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,042,881	\$ -	\$ -	\$ 93,042,881
Salaries, taxes and benefits	21,989,803	751,478	771,708	238,349	851,146	749,972	25,352,456	12,895,195	10,047,368	48,295,019
Printing	924,910	8,452	4,179	160	14,279	2,581,684	3,533,664	4,491,614	909,615	8,934,893
Professional fees	1,093,100	559,190	42,636	29,033	35,511	668,738	2,428,208	2,071,993	1,024,385	5,524,586
Rent and utilities	2,649,080	48,748	253,722	10,671	94,802	70,526	3,127,549	1,213,079	862,685	5,203,313
Postage/delivery	652,053	3,587	21,551	637	15,774	918,646	1,612,248	1,941,085	461,524	4,014,857
Travel	811,128	86,999	29,680	31,678	88,403	48,927	1,096,815	901,420	343,115	2,341,350
Meetings and conferences	310,571	3,221	17,424	84,237	281,779	7,324	704,556	435,614	163,490	1,303,660
Office supplies	647,098	6,103	23,520	1,441	21,191	22,604	721,957	440,470	281,231	1,443,658
Depreciation and amortization	675,790	47,487	7,899	10,603	53,704	40,405	835,888	331,258	359,385	1,526,531
Telephone	589,934	8,480	15,667	2,862	17,667	20,200	654,810	278,939	196,140	1,129,889
Direct costs of fund raising	-	-	-	-	-	-	-	702,865	-	702,865
Public relations	362,055	-	22,681	-	1,973	57,415	444,124	279,515	68,830	792,469
Repairs and maintenance	318,422	13,180	44,025	2,876	10,683	6,781	395,967	163,066	123,813	682,846
Insurance	125,114	157,440	2,495	52,837	12,366	3,145	353,397	72,436	73,587	499,420
Bad debt expense	-	-	-	-	-	-	-	-	119,186	119,186
Dues and subscriptions	17,498	-	-	-	2,534	1,334	21,366	19,921	12,323	53,610
Volunteer training	171,653	-	-	-	22,216	-	193,869	147	132	194,148
Miscellaneous	848,517	139,472	79,343	415	30,673	55,827	1,154,247	856,170	658,253	2,668,670
	\$ 125,229,607	\$ 1,833,837	\$ 1,336,530	\$ 465,799	\$ 1,554,701	\$ 5,253,528	\$ 135,674,002	\$ 27,094,787	\$ 15,705,062	\$ 178,473,851
										\$ 42,799,849
										\$ 2,668,670

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

Make-A-Wish Foundation

COMBINED STATEMENTS OF CASH FLOWS

Years Ended August 31,

	2008	2007
Cash flows from operating activities:		
Increase in net assets	\$ 5,390,817	\$ 26,710,500
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,682,504	1,526,531
Loss on sale of equipment	13,599	28,898
Bad debt expense	192,514	119,186
Contributed property and equipment	(592,361)	(861,316)
Contributed inventory	(39,068)	-
Change in value of split interest agreement	45,492	(65,346)
Change in value of interest in net assets of related foundation	(3,534)	(202,977)
Change in discount to present value of contributions receivable	114,590	282,342
Net realized and unrealized loss (gain) on investments	8,386,678	(7,680,949)
Contributed stock	(309,637)	(497,636)
Changes in assets and liabilities:		
Contributions receivable	(3,985,263)	1,311,131
Other assets	354,238	(250,708)
Accounts payable and accrued expenses	3,039,564	797,127
Accrued pending wish costs	10,475,118	1,450,685
Deferred rent	181,582	4,473
Deposits	(140,476)	225,050
Net cash provided by operating activities	24,806,357	22,896,991
Cash flows from investing activities:		
Purchases of investments	(62,226,300)	(68,748,645)
Proceeds from sales of investments	45,937,060	57,587,294
Change in restricted cash	(526,824)	(666,254)
Contributions restricted for purchasing property and equipment and investments	(2,730,514)	(5,720,724)
Purchases of property and equipment	(2,561,473)	(1,244,574)
Proceeds from sale of property and equipment	-	-
Net cash used in investing activities	(22,108,051)	(18,792,903)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment and property and equipment	1,030,121	1,912,831
Proceeds from notes payable and other liabilities	95,516	209,380
Payments on notes payable and other liabilities	(55,297)	(1,085,537)
Net cash provided by financing activities	1,070,340	1,036,674
Net increase in cash and cash equivalents	3,768,646	5,140,762
Cash and cash equivalents at beginning of year	38,852,774	33,712,012
Cash and cash equivalents at end of year	\$ 42,621,420	\$ 38,852,774
Supplemental statement of cash flows information:		
Cash paid for interest	\$ 29,063	\$ 99,380
Donated property or equipment/stock	592,361	861,316
Acquisition of equipment with capital lease agreement	64,754	-

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

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 1 - ORGANIZATION

As of August 31, 2008, Make-A-Wish Foundation is comprised of Make-A-Wish Foundation of America (National Organization) and 67 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 ½ 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 assistance, coordination, and guidance to such organizations wherever located. In addition, 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 board.

The Foundation granted its first wish in April 1980 and has granted a total of approximately 171,814 wishes through August 31, 2008. The total number of wishes granted during fiscal years 2008 and 2007 were 13,425 and 13,007, respectively. The average cost of a wish during fiscal years 2008 and 2007 was \$7,174 and \$6,830, respectively. As of August 31, 2008 and 2007, the Foundation had approximately 5,808 and 4,222 reportable pending wishes, respectively.

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 transactions of the MAWFI and other international affiliates to MAWFI are not included in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation is required to provide a statement of financial position, a statement of activities, statement of functional expenses, 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. The Foundation maintains its accounts on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.
- **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.
- **Unrestricted net assets** - Net assets not subject to donor-imposed stipulations.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Realized 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 have been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Management Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of 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. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Foundation evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from these estimates under different future conditions. The Foundation's significant estimates include estimates made in conjunction with its accrued pending wish costs.

Basis of Combination

The accompanying financial statements include the combined accounts and transactions of the National Organization and the active chapters. The Foundation is presented as a combination due to the fact that the National Organization and the active chapters do not represent a single legal entity. The active chapters are separate corporate entities with their own governing boards and charters and as such are responsible for, and maintain custody of, their own financial resources. All affiliate and inter-entity accounts and transactions have been eliminated.

Cash Equivalents

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

Restricted Cash and Cash Restricted for Property and Equipment

Restricted cash consists of cash which has been board designated for a specific purpose. Cash restricted for property and equipment consists of cash which has been designated by donors for the future purchase of property and equipment.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions, grants, and bequests including unconditional promises to give, are recognized as either temporarily or permanently restricted support 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 restriction. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services shall be 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 statements of activities at an estimated fair market value of approximately \$45,907,225 during 2008 and \$36,207,242 during 2007, which met these criteria, and are including in total public support in the accompanying combined statement of activities.

In addition, the National Organization received significant in-kind contributions relating to public service announcements that were not recorded in the combined financial statements in amounts approximating \$17,450,000 and \$32,200,000 for the years ended August 31, 2008 and 2007, respectively.

Investment Income

Income and net gains (losses) on investments of endowment and similar funds are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gift or the Foundation's interpretation of relevant state law requires that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; or
- as increases (decreases) in unrestricted net assets in all other cases.

Temporarily Restricted Net Assets

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

- **Contributions with Restrictions Met in the Same Year** - Generally, contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets.
- **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

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments, consisting primarily of certificates of deposit, U.S. Government securities, corporate equities and bonds, mutual funds, money market funds, and mortgage-backed securities, with readily determinable market values are measured at fair value as of year-end in the combined financial statements. Investment income or loss (including realized gains and losses on investments, interest and dividends) and unrealized gains and losses on investments are recognized in the combined statements of activities.

Contributions Receivable, net

Contributions receivable represent unconditional promises to give by donors, net of an allowance for uncollectible contributions receivable. Current contributions receivable are expected to be collected during the next fiscal year and are recorded at net realizable value. Long-term contributions receivable are expected to be collected after one fiscal year. Contributions, which are expected to be collected after one year, have been discounted and are reflected in the combined financial statements at their net present value.

An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund-raising activity. Amounts deemed by the Foundation to be uncollectible are charged to expense. Recoveries on receivables previously charged-off are credited to the allowance for uncollectible contributions receivable. Provisions for receivable losses are charged to expense and credited to the allowance for uncollectible contributions receivable.

Property and Equipment

Property 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 their estimated useful lives ranging from 3 to 40 years. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining terms of the building leases. Expenses that do not extend the useful lives of property and equipment are expensed as incurred.

Accrued Pending Wish Costs

The Foundation accrues for the estimated costs of reportable pending wishes when five certain, measurable wish criteria are met. Reportable pending wish criteria as of August 31, 2007 include receiving a referral, obtaining the medical eligibility form, contact with the wish family to determine the wish, approval by the Foundation through its normal process, and that the wish is expected to be granted within the next fiscal year.

Reportable pending wish criteria as of August 31, 2008 are the same with the exception of the criteria for approval by the Foundation through its normal process. During 2008, the National Organization provided more specific guidance on the intent of this criteria and the approval criteria was modified. The criteria change ensures that wishes fall within the Foundation's wish granting policy rather than focusing on approval processes that vary across the Foundation.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

National Fund Raising

The National Organization reports revenues in which the entity has discretionary authority. During the course of the year, the National Organization negotiates marketing contracts, some of which stipulate that the proceeds are to benefit specific chapters. These stipulated contracts totaled approximately \$46,396 in 2008 and \$211,900 in 2007, and are recognized as contributions by the respective chapters in the accompanying combined financial statements.

In addition, the National Organization has entered into national fund raising efforts for which funds are received and, as determined by the board of directors, are shared with chapters. All outstanding receivables and payables between the National Organization and its affiliates are eliminated in the consolidation of the Foundation.

Income Taxes

The National Organization and each of the chapters have each received tax determinations indicating that they qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. The National Organization and each of the chapters are also exempt from state taxation in their respective states of incorporation or respective territory. Each chapter and the National Organization file their own separate Form 990 returns.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets 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 amount of the assets exceeds the fair value of the assets. There were no impairments in 2008 or in 2007.

Functional Expenses

The Foundation performs eight functions: wish granting, chapter support, program-related support, committee and board 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 which grant wishes to children with life-threatening medical conditions.

Chapter Support: Activities performed by the National Organization that promote chapter development, monitor and direct chapters, assist chapters in complying with policies and guidelines, provide support for day-to-day chapter management decisions, and generate cash and in-kind donations for chapters.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program-Related Support: Activities performed by the Chapters that promote the development of wish resources, administration of the wish program, handling of wish referrals, wish assistance for chapters, and out-of-territory wish placement.

Committee and Board Support: Activities performed by the Foundation in preparation for, participation in, and follow-up on board of directors' meetings and all meetings of committees of the Board and of the Foundation as it relates to Chapter oversight or Chapter wish granting.

Training and Development: Activities performed by the Foundation in development and implementation of all specific training functions of the Foundation, including national conference workshops and sessions.

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

Fund Raising: Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During 2008 and 2007, the Foundation incurred joint costs for activities that include fund raising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	2008	2007
Fund raising	\$ 3,918,437	\$ 4,243,988
Public information	2,047,296	2,985,728
Management and general	1,605,802	1,045,371
Wish granting	35,396	30,527
Training and development	750	-
Total	\$ 7,607,681	\$ 8,305,614

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 organization, business management, general recordkeeping, budgeting, financial reporting and activities relating to these functions such as salaries, rent, supplies, equipment and other general overhead.

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.

Fair Value of Financial Instruments

The Foundation's financial instruments consist of cash and cash equivalents, restricted cash, investments, receivables, accounts payable and accrued expenses, capitalized lease obligations, lines of credit and notes payable. Cash and cash equivalents, restricted cash, receivables, accounts payable and accrued expenses, capitalized lease obligations, lines of credit and notes payable are stated at cost which approximates fair value. Investments are recorded at their fair values.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109.” This Interpretation 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 permits an additional one-year deferral of the effective date of FIN No. 48 for most nonpublic entities. FSP FIN 48-3 defers the effective date of Interpretation 48 for entities within its scope to annual financial statements for fiscal years beginning after December 15, 2008. A nonpublic entity that takes advantage of the deferral in FSP FIN 48-3 must explicitly disclose that fact, as well as its accounting policy for evaluating uncertain tax positions, in each set of financial statements affected by the deferral. During the deferral period, FASB intends to issue a separate FSP to explain how not-for-profit organizations should apply the provisions of Interpretation 48. It also plans to amend Interpretation 48’s disclosure provisions for nonpublic entities. FASB expects to complete these projects by the end of March 2009. The Foundation plans to adopt the deferral and disclosure provisions of FIN 48-3 for its August 31, 2009 financial statements and adopt the provision of FIN 48 at September 1, 2009.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 establishes a framework for measuring the fair values of assets and liabilities. This framework is intended to provide increased consistency in how fair value determinations are made under various existing accounting standards that permit or, in some cases, require estimates of fair value. SFAS No. 157 also expands financial statement disclosure requirements about an organization’s use of fair value measurements, including the effect of such measures on income. This standard is effective for fiscal years beginning after November 15, 2007. The Foundation plans to adopt this new guidance effective September 1, 2008. The Foundation is currently assessing the effect that SFAS No. 157 may have on its combined statement of activities and combined statement of financial position. For non-financial assets and non-financial liabilities, the standard is effective for financial statements issued for fiscal years beginning after November 15, 2008 and the Foundation plans to adopt this guidance effective September 1, 2008.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities: Including an amendment of FASB Statement No. 115.” SFAS No. 159 was issued to reduce earnings volatility caused by related assets and liabilities measured differently under GAAP. Statement 159 allows all entities (including not-for-profit organizations, with certain modifications) to make irrevocable instrument-by-instrument election to measure eligible items at fair value in their entirety. In addition, unrealized gains and losses will be reported in earnings at each report date. SFAS No. 159 is effective as of the beginning of the first fiscal year after November 15, 2007. The Foundation plans to adopt this new guidance effective September 1, 2008. The Foundation is currently assessing the effect that SFAS No. 159 may have on its combined statement of activities and combined statement of financial position.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In August 2008, the FASB issued Staff Position (“FSP FAS”) 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.” FSP FAS 117-1 addresses the net asset classification of donor-restricted endowment funds subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act. In addition, FSP FAS 117-1 requires all not-for-profit organizations with donor-restricted or board-restricted endowment funds to make extensive new disclosures about such funds, regardless of whether the organization is subject to an enacted version of UMIFA. The standard is effective fiscal years ending after December 15, 2008. The Foundation plans to adopt this new guidance effective September 1, 2008. The Foundation is currently assessing the effect that FSP FAS 117-1 may have on its combined statement of activities and combined statement of financial position.

NOTE 3 - INVESTMENTS

A summary of investments as of August 31 follows:

	2008	2007
Equity securities	\$ 33,496,749	\$ 34,500,346
Mutual funds	40,604,904	37,716,495
U.S. Government securities	8,955,336	8,873,051
Corporate bonds	13,864,999	10,677,620
Certificates of deposit	14,304,044	12,545,588
Fixed income	13,996,738	12,696,687
Money market funds	3,462,314	3,065,571
Other	1,577,032	1,936,501
Mortgage backed securities	1,587,057	1,519,382
Total investments	<u>131,849,173</u>	<u>123,531,241</u>
Less investments held for long-term purposes	<u>8,033,742</u>	<u>11,976,071</u>
Investments not held for long-term purposes	<u>\$ 123,815,431</u>	<u>\$ 111,555,170</u>

The net unrealized losses and realized gains on investments for the year ended August 31, 2008 were \$(9,061,131) and \$674,453, respectively. The net unrealized and realized gains on investments for the year ended August 31, 2007 were \$4,039,366 and \$3,293,235, respectively.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Promises to give, net of discount to present value (at rates ranging from 2.86% - 6.00%) based on the rate of risk free rate of return, are due to be collected as of August 31 as follows:

	2008	2007
Gross amounts due in:		
One year	\$ 15,978,523	\$ 14,577,349
One to five years	6,763,227	5,360,724
Due in over five years	836,617	616,460
	<u>23,578,367</u>	<u>20,554,533</u>
Less discount to present value	888,105	1,002,695
Less allowance for uncollectible accounts	566,900	510,103
	<u>23,123,362</u>	<u>19,041,735</u>
Total	<u>\$ 22,123,362</u>	<u>\$ 19,041,735</u>

The discount will be recognized as contribution revenue as the discount is amortized on a method approximating straight line over the duration of the pledge.

NOTE 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of August 31 follows:

	2008	2007
Land	\$ 2,668,218	\$ 2,742,413
Building and improvements	7,763,803	7,203,438
Computer equipment and software	6,001,560	5,667,938
Office furniture	4,360,116	3,917,974
Other equipment	1,470,252	1,234,629
Leasehold improvements	888,754	841,531
	<u>23,152,703</u>	<u>21,607,923</u>
Less accumulated depreciation and amortization	10,030,403	9,439,113
	<u>13,122,300</u>	<u>12,168,810</u>
Assets not yet placed in service	717,891	-
Property and equipment, net	<u>\$ 13,840,191</u>	<u>\$ 12,168,810</u>

Assets not yet placed in service consists of cost incurred associated with construction of two Chapters' headquarter buildings.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 6 - LINES OF CREDIT AND NOTES PAYABLE

At August 31, 2008 and 2007, respectively, four and six Chapters have unsecured lines of credit agreements with financial institutions totaling \$637,000 and \$1,985,000. The interest rates on these agreements range from prime (5% and 8.25% at August 31, 2008 and 2007, respectively) to 18% and expire at various dates. As of August 31, 2008 and 2007, there was \$86,711 and \$123,746 outstanding on these lines of credit, respectively, and are included in other liabilities on the Combined Statements of Financial Position.

Three chapters entered into notes payable with financial institutions with various maturity dates through 2015. The notes payable are secured by land and buildings. The interest rates on these agreements vary from 5.1% to 7.5%.

The notes payable totaled \$760,932 as of August 31, 2008 and \$953,587 as of August 31, 2007. The aggregate maturities of the notes payable for the remaining term subsequent to August 31, 2008 is as follows: \$37,200 in 2009; \$62,421 in 2010; \$25,272 in 2011; \$117,636 in 2012; \$21,637 in 2013; and \$496,766 thereafter, for a total of \$760,932.

NOTE 7 - LEASES

The National Organization and various chapters lease office facilities and equipment under noncancelable operating leases with terms in excess of one year. These leases expire at various dates. Other chapters are renting office facilities on a month-to-month basis. Rent expense for the years ended August 31, 2008 and 2007 was \$4,765,272 and \$5,189,592, respectively.

The future minimum lease payments under noncancelable operating leases consist of the following:

<u>Year Ending August 31:</u>	
2009	\$ 4,217,806
2010	3,663,226
2011	2,818,899
2012	1,816,695
2013	1,592,700
Thereafter	<u>4,695,939</u>
	<u>\$ 18,805,265</u>

NOTE 8 - RETIREMENT PLANS

The National Organization and certain chapters have adopted defined contribution retirement plans. The plans generally allow the employees to participate after reaching age 21 and completing at least one year of service. Certain plans allow the Foundation to contribute up to 6% of each participant's gross wages and other plans allow only the participant to make contributions. Retirement plan expense approximated \$1,029,972 and \$900,274 for the years ended August 31, 2008 and 2007, respectively, and is included in salaries, taxes and benefits on the Combined Statement of Functional Expenses.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 9 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31 are restricted to the following:

	2008	2007
Wish fulfillment	\$ 10,146,733	\$ 6,396,356
Specific period of time	9,555,940	5,570,293
Purchase of property and equipment	7,994,145	7,785,582
Salary and administrative costs	1,381,608	1,644,285
Specific fund-raising events	397,963	186,155
Specific regions	184,706	197,277
Other	132,479	57,619
Total	<u>\$ 29,793,574</u>	<u>\$ 21,837,567</u>

Permanently restricted net assets as of August 31 are restricted to:

	2008	2007
Investment in perpetuity, the income from which is expendable to support the mission of the Foundation	<u>\$ 17,282,202</u>	<u>\$ 16,224,732</u>

NOTE 10 - SATISFACTION OF RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2008	2007
Specific period of time	\$ 10,370,086	\$ 10,137,265
Wish fulfillment	9,488,347	9,275,038
Specific fund-raising events	569,834	357,597
Purchase of property and equipment	216,744	109,191
Specific regions	60,605	34,728
Rent	15,600	45,240
Salary and administrative costs	3,546	9,454
Total	<u>\$ 20,724,762</u>	<u>\$ 19,968,513</u>

Net assets of \$598,788 and \$100,000 were released from permanent restrictions due to a change in donor intent during the years ended August 31, 2008 and 2007, respectively.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 11 - CONCENTRATIONS 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 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 balances may exceed the amount of the FDIC insurance coverage. The Foundation, however, does not anticipate nonperformance by the institutions. Subsequent to year end, the FDIC approved an increase in insurance coverage limit to \$250,000.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

From time to time, the Foundation is involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or 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 these matters.

NOTE 13 - RELATED ENTITIES

Effective August 27, 2003, a Chapter and the National Organization approved the establishment of the Make-A-Wish of the Texas Gulf Coast Endowment Foundation (the "Endowment"). During fiscal year 2005, the Chapter transferred assets of approximately \$2.9 million to the Endowment, including permanently restricted assets of \$208,072. Variance power was not granted to the Endowment. Distributions to the Chapter from the Endowment are determined by the Endowment's Board of Directors.

Both economic interest and control, other than control through a majority voting interest in the Board due to the fact that the Chapter can only appoint up to five of the twelve Endowment Board members, exist as defined in Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*. As a result, the Foundation is required to consolidate the results of the Endowment in its financial statements. The Foundation records its beneficial interest in the net assets of the Endowment as an "Interest in Net Assets of Related Foundation" in the statements of financial position.

Summarized financial data of the Endowment is as follows as of August 31:

	2008	2007
Total assets	\$ 3,469,363	\$ 3,472,897
Total net assets	3,469,363	3,472,897
Total revenues	158,110	261,576
Total expenses	135,438	27,193

Subsequent to August 31, 2008, the Chapter and the National Organization determined that the Endowment would be dissolved and remaining net assets would be transferred to the Chapter.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2008 and 2007

NOTE 14 - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, overall market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's account balances and the amounts reported in the statements of financial position.