KPMG

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

Combined Financial Statements

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
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Independent Auditors' Report

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

We have audited the accompanying combined statements of financial position of Make-A-Wish Foundation® of America and Related Entities (collectively, the Foundation) as of August 31, 2011 and 2010, and the related combined statements of activities, cash flows, and functional expenses for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation® of America and Related Entities as of August 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

February 14, 2012

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

Combined Statements of Financial Position

August 31, 2011 and 2010

Assets		2011	2010
Cash and cash equivalents	$	38,760,837	41,389,275
Investments		133,188,705	126,392,947
Prepaid expenses		2,067,578	1,919,109
Contributions receivable, net		21,122,811	21,728,010
Other assets		1,687,350	1,603,122
Split-interest agreements		1,845,577	2,126,050
Restricted cash		20,188	112,869
Investments held for long-term purposes		19,506,595	15,097,021
Property and equipment, net		23,137,311	19,432,047
Beneficial interest in assets held by others		258,355	245,717
Total assets	$	241,595,307	230,046,167
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	9,998,018	9,141,214
Accrued pending wish costs		50,648,695	47,514,699
Other liabilities		3,523,097	3,191,867
Capital lease obligations		172,813	254,916
Notes payable		3,661,241	1,769,283
Total liabilities		68,003,864	61,871,979
Commitments and contingencies			
Net assets:			
Unrestricted		121,705,701	120,762,534
Temporarily restricted		28,168,958	26,552,544
Permanently restricted		23,716,784	20,859,110
Total net assets		173,591,443	168,174,188
Total liabilities and net assets	$	241,595,307	230,046,167

See accompanying notes to combined financial statements.

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

Combined Statement of Activities

Year ended August 31, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 172,056,813	18,379,077	2,720,951	193,156,841
Grants	8,136,354	522,136	50,000	8,708,490
Total public support	180,193,167	18,901,213	2,770,951	201,865,331
Special events	45,496,788	1,141,596	—	46,638,384
Less direct benefit costs to donors	(11,447,753)	(9,034)	—	(11,456,787)
Total special events	34,049,035	1,132,562	—	35,181,597
Investment income, net	11,809,849	1,297,652	73,612	13,181,113
Other income	1,064,802	68,381	—	1,133,183
Change in value of split-interest agreements	(2,456)	33,805	98,516	129,865
Net assets released from restrictions	19,469,195	(19,469,195)	—	—
Total revenues, gains, and other support	246,583,592	1,964,418	2,943,079	251,491,089
Expenses:				
Program services:				
Wish granting	140,482,464	—	—	140,482,464
Chapter support	6,324,050	—	—	6,324,050
Program-related support	3,287,069	—	—	3,287,069
Training and development	2,033,216	—	—	2,033,216
Public information	38,321,079	—	—	38,321,079
Total program services	190,447,878	—	—	190,447,878
Support services:				
Fundraising	33,721,460	—	—	33,721,460
Management and general	21,415,907	—	—	21,415,907
Total support services	55,137,367	—	—	55,137,367
Total program and support services expenses	245,585,245	—	—	245,585,245
Other losses	55,180	348,004	85,405	488,589
Total expenses and losses	245,640,425	348,004	85,405	246,073,834
Change in net assets	943,167	1,616,414	2,857,674	5,417,255
Net assets, beginning of year	120,762,534	26,552,544	20,859,110	168,174,188
Net assets, end of year	$ 121,705,701	28,168,958	23,716,784	173,591,443

See accompanying notes to combined financial statements.

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

Combined Statement of Activities

Year ended August 31, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$ 158,566,256	19,055,538	2,490,636	180,112,430
Grants	6,086,753	747,639	—	6,834,392
Total public support	164,653,009	19,803,177	2,490,636	186,946,822
Special events	43,068,164	1,698,291	—	44,766,455
Less direct benefit costs to donors	(11,311,242)	(14,251)	—	(11,325,493)
Total special events	31,756,922	1,684,040	—	33,440,962
Investment income, net	7,394,878	672,090	4,734	8,071,702
Other income	614,522	200	—	614,722
Change in value of split-interest agreements	362	(10,473)	8,692	(1,419)
Net assets released from restrictions	20,158,743	(20,062,982)	(95,761)	—
Total revenues, gains, and other support	224,578,436	2,086,052	2,408,301	229,072,789
Expenses:				
Program services:				
Wish granting	134,783,512	—	—	134,783,512
Chapter support	5,218,330	—	—	5,218,330
Program-related support	4,936,297	—	—	4,936,297
Training and development	1,727,872	—	—	1,727,872
Public information	24,514,420	—	—	24,514,420
Total program services	171,180,431	—	—	171,180,431
Support services:				
Fundraising	34,417,511	—	—	34,417,511
Management and general	19,762,516	—	—	19,762,516
Total support services	54,180,027	—	—	54,180,027
Total program and support services expenses	225,360,458	—	—	225,360,458
Other losses	—	175,000	10,403	185,403
Total expenses and losses	225,360,458	175,000	10,403	225,545,861
Change in net assets	(782,022)	1,911,052	2,397,898	3,526,928
Net assets, beginning of year	121,544,556	24,641,492	18,461,212	164,647,260
Net assets, end of year	$ 120,762,534	26,552,544	20,859,110	168,174,188

See accompanying notes to combined financial statements.

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

Combined Statements of Cash Flows

Years ended August 31, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Change in net assets	$	5,417,255	3,526,928
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		1,983,503	1,985,937
Bad debt expense and other losses		563,665	508,213
Contributions restricted for purchasing property and equipment and investments		(2,065,467)	(2,534,093)
Net realized and unrealized gains on investments		(9,521,870)	(4,434,601)
Loss on disposal of equipment		60,951	7,703
Contributed property and equipment, inventory, and investments		(235,175)	(1,723,108)
Change in value of split-interest agreement		129,865	1,419
Change in discount to present value of contributions receivable		18,845	118,352
Changes in assets and liabilities:			
Contributions receivable		171,597	(2,473,686)
Prepaid expenses		(148,469)	265,749
Other assets		(84,228)	(236,851)
Accounts payable and accrued expenses		856,804	1,053,688
Accrued pending wish costs		3,133,996	1,775,082
Other liabilities		331,230	1,461,316
Net cash provided by (used in) operating activities		612,502	(697,952)
Cash flows from investing activities:			
Purchases of investments		(68,091,655)	(74,702,362)
Proceeds from sales of investments		66,548,665	68,275,466
Purchases of property and equipment		(5,652,158)	(3,414,148)
Proceeds from sale of property and equipment		—	705
Deposit of assets held by a community foundation		—	(25,000)
Net change in restricted cash		92,681	65,416
Net cash used in investing activities		(7,102,467)	(9,799,923)
Cash flows from financing activities:			
Contributions restricted for long-term investment		2,051,672	2,125,365
Principal payments on capital lease obligations		(82,103)	(103,262)
Proceeds from notes payable		2,199,514	1,000,000
Principal payments on notes payable		(307,556)	(114,174)
Net cash provided by financing activities		3,861,527	2,907,929
Net decrease in cash and cash equivalents		(2,628,438)	(7,589,946)
Cash and cash equivalents, beginning of year		41,389,275	48,979,221
Cash and cash equivalents, end of year	$	38,760,837	41,389,275
Supplemental statement of cash flows information:			
Cash paid for interest	$	100,840	116,926
Donated property and equipment, investments, and inventory		235,175	1,723,108
Acquisition of equipment with capital lease agreement		270	83,913
Contributed services		36,324,553	25,202,324
Other in-kind contributions		43,000,555	43,975,210

See accompanying notes to combined financial statements.

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

Combined Statement of Functional Expenses

Year ended August 31, 2011

	Program services						Support services			
	Wish granting	**Chapter support**	**Program-related support**	**Training and development**	**Public information**	**Total program services**	**Fundraising**	**Management and general**	**Total support services**	**Total**
Direct costs of wishes	$ 108,421,945	—	—	—	—	108,421,945	—	—	—	108,421,945
Salaries, taxes, and benefits	22,572,257	2,984,030	2,056,758	1,111,120	1,606,828	30,330,993	17,944,455	14,389,436	32,333,891	62,664,884
Printing, subscriptions, and publications	372,525	26,274	25,717	30,164	1,544,285	1,998,965	3,701,461	694,141	4,395,602	6,394,567
Professional fees	1,085,124	2,062,960	166,549	52,261	619,425	3,986,319	2,906,055	1,805,837	4,711,892	8,698,211
Rent and utilities	2,549,276	111,935	380,390	83,878	128,154	3,253,633	1,636,624	1,111,330	2,747,954	6,001,587
Postage and delivery	403,861	9,254	29,025	12,345	1,003,305	1,457,790	1,996,586	481,524	2,478,110	3,935,900
Travel	370,796	259,946	42,004	82,102	40,349	795,197	829,434	346,830	1,176,264	1,971,461
Meetings and conferences	574,419	55,070	130,217	538,840	21,071	1,319,617	889,123	304,259	1,193,382	2,512,999
Office supplies	583,354	40,683	55,930	19,231	29,345	728,543	471,901	338,902	810,803	1,539,346
Communications	558,407	29,351	48,505	18,413	36,773	691,449	428,662	255,592	684,254	1,375,703
Advertising and media (cash)	27,426	—	19,372	2,695	57,900	107,393	272,343	13,045	285,388	392,781
Advertising and media (in-kind)	986,157	—	11,157	—	33,143,692	34,141,006	567,806	24,067	591,873	34,732,879
Repairs and maintenance	456,698	11,930	55,407	7,207	14,143	545,385	261,475	239,278	500,753	1,046,138
Insurance	61,893	398,371	6,687	2,169	2,143	471,263	60,225	81,420	141,645	612,908
Bad debt expense	297	—	—	—	—	297	142,133	186,922	329,055	329,352
Membership dues	42,092	201,496	2,552	412	2,773	249,325	121,624	36,788	158,412	407,737
Volunteer training	52,010	—	3,763	8,720	—	64,493	2,178	2,028	4,206	68,699
Miscellaneous	607,576	9,575	203,500	30,160	27,289	878,100	960,933	655,612	1,616,545	2,494,645
Depreciation and amortization	756,351	123,175	49,536	33,499	43,604	1,006,165	528,442	448,896	977,338	1,983,503
	$ 140,482,464	6,324,050	3,287,069	2,033,216	38,321,079	190,447,878	33,721,460	21,415,907	55,137,367	245,585,245

See accompanying notes to combined financial statements.

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

Combined Statement of Functional Expenses

Year ended August 31, 2010

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

See accompanying notes to combined financial statements.

(1) Organization

These combined financial statements comprise of Make-A-Wish Foundation® of America (National Organization) and 64 chartered chapters (Chapters), operating in 50 states, the District of Columbia, Puerto Rico, and Guam (collectively, the Foundation). The mission of the Foundation is to grant the wishes of children with life-threatening medical conditions to enrich the human experience with hope, strength, and joy. The Foundation's purpose is to grant the wish of each child who has reached the age of 2½ and is under the age of 18 and who has a life-threatening medical condition (i.e., a progressive, degenerative, or malignant medical condition) that has placed the child's life in jeopardy. The National Organization accomplishes its purpose by chartering chapters to grant such wishes and providing financial support, guidance, and other assistance to the Chapters in performing the Foundation's purpose. Each Chapter is obligated to comply with the National Organization's chapter agreement and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Basis of Combination

The accompanying combined financial statements include the combined accounts and transactions of the National Organization and Chapters. The Foundation has elected to present combined financial statements, including all Chapters and the National Organization. Each Chapter is a separate corporate entity with its own governing board and charter and, as such, is responsible for and maintains custody of, its own financial resources. All significant affiliate and interentity accounts and transactions have been eliminated.

(c) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at August 31, 2011 and 2010 included $1,049,021 and $1,695,016, respectively, of certificates of deposit with an initial term of less than three months. Also included in cash and cash equivalents at August 31, 2011 and 2010 are $10,103,782 and $11,821,954, respectively, of money market mutual funds.

(d) Investments

Investments are recorded at fair value and consist of mutual funds, exchange traded funds, equity and debt securities, certificates of deposit with an original maturity of greater than three months, residential and corporate mortgage-backed securities, hedge funds, real estate and real estate investment trusts, commodities, limited partnerships, secured notes, money market funds, alternative investments, and cash balances. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law. Certain investments are valued by using the NAV (NAV) per share (or its equivalent), as a practical expedient permitted under Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent).*

(e) Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Pledges are discounted using fair value rates.

(f) Property and Equipment, Net

Property and equipment having a useful life of more than one year are stated at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are either released over time in an amount equivalent to annual depreciation or once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 40 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Foundation first compares undiscounted cash flows expected to be generated by that asset to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(g) Fair Value Measurements

The Foundation follows the provisions of Financial Accounting Standards Board 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.

In conjunction with ASC Topic 820, the Foundation follows ASU No. 2009-12 for certain investments in funds that do not have readily determinable fair values. This guidance amends ASC Topic 820 and allows for the estimation of the fair value of investments for which the investment does not have a readily determinable fair value using NAV per share or its equivalent. NAV, in many instances, may not equal fair values that would be calculated pursuant to ASC Topic 820.

(h) Net Assets

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

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

(i) Revenue Recognition

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

The Foundation received in-kind contributions of assets and services that are included in the accompanying combined statements of activities. Such in-kind contributions were reported as follows:

		2011	2010
Wish related	$	39,911,020	40,807,161
Professional services		1,591,674	1,960,568
Advertising and media		34,732,879	23,241,756
Internal special events		2,314,195	2,460,768
Investments		5,005	2,008
Property and equipment		129,394	962,248
Other		876,116	1,466,133
Total	$	79,560,283	70,900,642

An internal special event is a fundraising event coordinated and staffed by Chapter personnel rather than a separate support group or organization. It is designed to attract and involve large numbers of people for the purpose of raising awareness, additional funding, and cultivating future donors. Internal Special event in-kind amounts are donated items recorded at fair market value and are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling $76,235,573 and $66,009,485 in 2011 and 2010, respectively, with the difference recorded as other assets representing primarily auction items received and not yet used.

Advertising and media are used to help the Foundation communicate its message or mission and include fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue and fundraising or public information expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

(j) Income Taxes

The National Organization and each Chapter are nonprofit corporations exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The National Organization and each Chapter are exempt from state taxes in their respective state of incorporation or territory. The National Organization and each Chapter file a separate Form 990 return. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the combined financial statements taken as a whole.

ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions exist for the Foundation at August 31, 2011.

(k) Functional Expenses

The Foundation performs seven functions: wish granting, Chapter-related support, program-related support, training and development, public information, fundraising, and management and general.

Definitions of these functions are as follows:

Wish Granting

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

Chapter Support

Activities performed by the National Organization that promote Chapter development, monitor and assist Chapters in complying with policies and guidelines, develop wish resources, administer wish programs, handle wish referrals, and help provide wish assistance for Chapters and wish placement.

Program-Related Support

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

Training and Development

Activities performed by the Foundation include, but are not limited to, implementation of programs supporting the identification of wish candidates and the determination and delivery of the wish.

Public Information

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

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, 2011 and 2010, the Foundation incurred joint costs for activities that include fundraising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

		2011	2010
Fundraising	$	3,699,382	4,335,283
Public information		2,655,995	1,769,677
Management and general		967,420	997,000
Wish granting		703,057	30,150
Program-related support		1,134	1,530
Training and development		14,700	1,093
Total	$	8,041,688	7,134,733

Management and General

All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general record-keeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

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

(l) Management Estimates

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, split-interest agreements, valuation of investments, valuation of contributions receivable, accrued pending wish costs, and whether an allowance for uncollectible contributions is required. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(m) Reclassifications

Certain reclassifications have been made to the 2010 financial statement information to conform to the 2011 financial statement presentation. There was no impact on the previously reported change in net assets of the Foundation.

(3) Fair Value Measurements

(a) Fair Value of Financial Instruments

Fair value is defined as the amount 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.

The fair values of the financial instruments shown in the following pages as of August 31, 2011 and 2010 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable, and unobservable inputs.

The Foundation follows ASC Topic 820 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. See note 2.

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and investment managers. During the years ended August 31, 2011 and 2010, major investment decisions were authorized by the National Organization's and applicable Chapters' Audit and Finance committees, which oversee their investment program in accordance with established guidelines.

Allocation of Investment Strategies

In addition to traditional stocks and fixed-income securities, the National Organization and applicable Chapters may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REIT) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

(b) Fair Value Hierarchy

The following tables present the placement of investments in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2011 and 2010:

Description		August 31, 2011	Fair value measurements at August 31, 2011 using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$	38,760,837	38,760,837	—	—
Restricted cash	$	20,188	20,188	—	—
Investments:					
Mutual funds:					
Domestic equity	$	26,693,645	26,516,819	176,826	—
International equity		10,571,358	10,571,358	—	—
Equities		3,174,210	3,174,210	—	—
Money market		1,196,820	1,106,626	90,194	—
Real estate		1,199,497	1,199,497	—	—
Asset allocation		1,150,647	1,150,647	—	—
Commodities		549,592	549,592	—	—
Bonds		16,385,308	16,385,308	—	—
U.S. government		826,082	826,082	—	—
Exchange traded funds:					
International equities		563,422	563,422	—	—
International bonds		128,179	128,179	—	—
Domestic equities		2,098,723	2,098,723	—	—
Domestic bonds		2,218,660	2,218,660	—	—
U.S. Treasuries		580,236	580,236	—	—
Real Estate Investment Trusts		565	565	—	—
Equity securities:					
U.S. corporate equity securities		24,379,414	24,379,414	—	—
Foreign equity securities		3,821,879	3,821,879	—	—
Certificates of deposit		13,542,003	—	13,542,003	—
Debt securities:					
U.S. Treasury		7,378,022	4,515,782	2,862,240	—
U.S. agency		5,898,302	—	5,898,302	—
Asset backed		698,468	—	698,468	—
Municipal		582,724	—	582,724	—
Government		1,465,549	14,993	1,450,556	—
State Treasury		409,752	—	409,752	—
Foreign governments		212,088	—	212,088	—
Corporate		17,806,455	9,067,269	8,739,186	—
Investment Funds		52,389	52,389	—	—
Residential mortgage-backed securities		647,047	—	647,047	—
Real Estate Investment Trusts		133,660	—	—	133,660

Description	August 31, 2011	Fair value measurements at August 31, 2011 using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Redemption or liquidation	Days' notice
Alternative investments:						
Common collective trust invested in equity mutual funds	$ 501,027	—	501,027		Daily	3 days
Common collective trust invested in equity securities	530,653	—	530,653		Month-end	None
Common collective trust invested in short-duration fixed income funds	97,247	—	97,247		Month-end	None
Common collective trust invested in multiple strategies	68,194	—	68,194		Month-end	None
Common collective trust invested in commodities	311,310	—	311,310		Month-end	None
Common collective trust invested in futures	290,179	—	290,179		Month-end	None
Limited partnerships	138,250	—	—	138,250		
Commodities	240,708	34,629	206,079			
Hedge funds	2,150,520	—	—	2,150,520	Quarterly/ Semiannually	45 – 60 days
Real estate	140,430	—	140,430	—		
Money market funds	1,334,706	1,334,706	—	—		
Cash and cash equivalents	2,527,380	2,527,380	—	—		
Total investments	$ 152,695,300	112,818,365	37,454,505	2,422,430		

Description	August 31, 2011	Level 1	Level 2	Level 3
Split-interest agreements:				
Investments held for charitable gift annuities:				
Mutual funds:				
Domestic equity	$ 326,876	326,876	—	—
International equity	108,486	108,486	—	—
Real estate	19,219	19,219	—	—
Bonds	102,039	102,039	—	—
Debt securities:				
U.S. Agency	35,245	—	35,245	—
Alternative Investments:				
Common collective trust invested in commodities	11,103	—	11,103	—
Cash and cash equivalents	6,542	6,542	—	—
Total investments held for charitable gift annuities	609,510	563,162	46,348	—
Beneficial interest in trusts	1,158,956	—	—	1,158,956
Irrevocable charitable remainder trusts	77,111	—	—	77,111
Total split- interest agreements	$ 1,845,577	563,162	46,348	1,236,067

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

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)	Redemption or liquidation	Days' notice
Split-interest agreements						
Investments held for charitable gift annuities:						
Mutual funds:						
Domestic equity	$ 794	—	794	—		
International equity	104,758	—	104,758	—		
Equities	300,410	—	300,410	—		
Real estate	17,713	—	17,713	—		
Commodities	8,917		8,917			
Bonds	101,993	—	101,993	—		
Debt securities:						
Asset backed	36,088		36,088	—		
Cash and cash equivalents	15,808	15,808	—	—		
Total investments held for charitable gift annuities	586,481	15,808	570,673	—		
Beneficial interest in trusts	$ 1,102,481	—	—	1,102,481		
Irrevocable charitable remainder trusts	437,088	—	—	437,088		
Total split-interest agreements	$ 2,126,050	15,808	570,673	1,539,569		

For the valuation of investments categorized as Level 2 at August 31, 2011 and 2010, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date.

For the valuation of investments categorized as Level 3 at August 31, 2011 and 2010, the Foundation used significant unobservable inputs including NAV as a practical expedient.

The Foundation's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. The Foundation transferred $554,233 in certificates of deposit and corporate debt securities from Level 1 to Level 2 investments as the fair value of these investments were based on prices of similar assets with observable inputs. Additionally, the Foundation transferred $300,290 of beneficial interest in assets held by others from Level 1 to Level 3 as the fair value of this asset was calculated by the Foundation using the NAV of the underlying investments as a practical expedient. In addition, it was determined that the Foundation will never have the ability to redeem its investment at NAV per share.

The following table presents a rollforward of activity for investments, not including split-interest agreements, measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2011 and 2010:

	Fair value measurements using significant unobservable inputs (Level 3)	
	2011	**2010**
Beginning balance	$ 2,211,687	203,482
Total gains or losses (realized/unrealized) included in changes in net assets	152,438	(135,613)
Purchases, issuances, and settlements	58,305	2,143,818
Ending balance	$ 2,422,430	2,211,687
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	$ 151,822	(87,996)

Total investment income, net realized and unrealized losses, and investment expenses for the years ended August 31, 2011 and 2010 consist of the following:

	2011	**2010**
Interest and dividend income	$ 4,192,897	4,190,429
Realized and unrealized gains, net	9,521,870	4,434,601
Less investment expenses	(533,654)	(553,328)
Investment income (loss), net	$ 13,181,113	8,071,702

(Continued)

The following table presents a rollforward of activity for split-interest agreements measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2011 and 2010:

	Fair value measurements using significant unobservable inputs (Level 3) 2011	2010
Beginning balance	$ 1,539,569	774,926
Total gains or losses (realized/unrealized) included in changes in net assets	116,151	25,514
Purchases, issuances, and settlements	(56,649)	739,129
Write-off of split-interest agreement	(363,004)	—
Ending balance	$ 1,236,067	1,539,569
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	$ 81,696	29,761

(4) Contributions Receivable

Contributions receivable include pledges that have been discounted at rates ranging from 0.25% to 7.80%. The following is a summary of the Foundation's contributions receivable at August 31, 2011 and 2010:

	2011	2010
Total amounts due in:		
One year	$ 16,834,484	17,944,775
Two to five years	4,955,644	4,506,158
More than five years	591,000	554,239
Gross contributions receivable	22,381,128	23,005,172
Less allowance for doubtful accounts	(639,473)	(530,726)
Less discount to present value	(618,844)	(746,436)
Contributions receivable, net	$ 21,122,811	21,728,010

(5) Split-Interest Agreements

Split-interest agreements on the combined statements of financial position comprise the following:

		2011	2010
Beneficial interest in trusts	$	1,158,956	1,102,481
Irrevocable charitable remainder trusts		77,111	437,088
Charitable gift annuities		609,510	586,481
	$	1,845,577	2,126,050

(a) Beneficial Interest in Trusts

The Foundation is the named income beneficiary on various perpetual trusts, the corpus of which is not controlled by the management of the Foundation. Under these arrangements, the Foundation has the irrevocable right to receive all or a portion of the income earned on the underlying assets held in perpetuity. Accordingly, permanently restricted contribution revenue and the related assets are recognized at fair value in the period in which the Foundation receives notice that the trust agreement conveys an unconditional right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying combined statements of activities as a component of the change in value of split-interest agreements. The Foundation used significant unobservable inputs including NAV as a practical expedient (Level 3).

(b) Irrevocable Charitable Remainder Trusts

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

(c) Charitable Gift Annuities

Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the Foundation. The Foundation records contribution revenue using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The present value of payments to beneficiaries under these arrangements is calculated using present value techniques. The discount rates used for the years ended August 31, 2011 and 2010 ranged from 2.6% to 6.2%.

Liabilities to beneficiaries under charitable gift annuity agreements totaled $281,966 and $294,286 at August 31, 2011 and 2010, respectively, and are included in other liabilities in the accompanying combined statements of financial position.

(6) Beneficial Interest in Assets Held by Others

The Foundation has various beneficial interests in assets held by community foundations valued at $258,355 and $245,717 as of August 31, 2011 and 2010, respectively, which consists of funds contributed by the Foundation and includes earnings thereon, net of distributions received. Distributions of income earned from beneficial interests are received at various times throughout the year based on the spending policy adopted by the board of directors of each respective community foundation. The beneficial interests in assets held by community foundation are valued using Level 3 measurements, as the Foundation's interest is not redeemable in the near term.

The following table presents a rollforward of activity for assets held by various community foundations at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2011 and 2010:

		Fair value measurements using significant unobservable inputs (Level 3)	
		2011	**2010**
Beginning balance	$	245,717	215,995
Contributions		—	25,000
Total gains or losses (realized/unrealized) included in changes in net assets		12,638	4,722
Ending balance	$	258,355	245,717
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	$	12,638	4,722

(7) Transactions with Related Parties

During 2011 and 2010, the Foundation received contributions, both cash and in-kind donations, and pledges from employees and board members totaling $6,668,115 and $5,570,453, respectively. Amounts due from employees and board members as of August 31, 2011 and 2010 totaled $2,396,252 and $2,458,172, respectively, and are included in contributions receivable in the accompanying combined statements of financial position. During 2011 and 2010, amounts paid to related parties totaled $669,460 and $608,590, respectively, for goods and services used in the Foundation's operations. Amounts due to related parties as of August 31, 2011 and 2010, totaled $130,814 and $17,849, respectively, and are included in accounts payable in the accompanying combined statements of financial position.

(8) Property and Equipment, Net

Property and equipment, net as of August 31, 2011 and 2010 consist of the following:

		2011	2010
Land	$	3,513,940	3,650,341
Buildings and building improvements		12,487,627	12,497,152
Computer equipment and software		6,113,961	6,055,267
Web site and Web site templates		607,131	33,146
Office furniture		3,834,270	3,853,653
Other equipment		2,142,101	1,760,378
Leasehold improvements		1,514,671	1,671,499
		30,213,701	29,521,436
Less accumulated depreciation and amortization		(12,368,204)	(10,777,587)
		17,845,497	18,743,849
Construction in progress		5,291,814	688,198
Property and equipment, net	$	23,137,311	19,432,047

Depreciation and amortization expense totaled $1,983,503 and $1,985,937 for the years ended August 31, 2011 and 2010, respectively.

(9) Accrued Pending Wish Costs

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

Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Meeting 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, 2011 and 2010, the Foundation had approximately 6,960 and 6,784, respectively, of accrued pending wishes.

(10) Notes Payable

On October 14, 2010, the Foundation entered into an agreement with The Provident Bank for a $4,600,000 non-revolving construction and permanent mortgage loan. The proceeds of this loan would be used by the Foundation to fund construction of the New Jersey headquarters building in Monroe Township, New Jersey. The term of the construction loan is 18 months. Following construction, the loan will convert to a permanent mortgage loan. The unpaid portion of the construction loan will bear interest at 1 of 4 options selected by the Foundation. These include a 5, 7, 10-year fixed rate option or a floating rate option. Interest on the various fixed rate options are as follows:

- 5-Year rate equal to the greater of 5.75% or a rate equal to 2.50% in excess of the average yield on U.S. Treasury securities adjusted to a constant maturity of 5 years.
- 7-year rate equal to the greater of 6.00% or a rate equal to 2.50% in excess of the average yield on U.S. Treasury securities adjusted to a constant maturity of 7 years.
- 10-year rate equal to the greater of 6.25% or a rate equal to 2.50% in excess of the average yield on U.S. Treasury securities adjusted to a constant maturity of 10 years.

During 2011, the Foundation drew down $2,199,514 which remained outstanding at August 31, 2011. The drawdown has a floating interest rate of 0.25% in excess of the Wall Street Journal prime rate but at no time should the rate be less than 0 4% per annum.

In addition, the Foundation has entered into note payables with financial institutions. The notes bear interest rates, which range from 4.5% to 6.0%, and require principal payments in equal monthly installments of $157,423, and mature on various dates through March 2018. The remaining principal payments on notes payable subsequent to August 31, 2011 are as follows:

Fiscal year:		
2012	$	203,798
2013		191,637
2014		43,660
2015		574,175
2016		25,499
2017 and thereafter		422,958
Total	$	1,461,727

(11) Credit Agreement

The National Organization has sponsored a corporate travel card account program (the Card Program) with a financial institution. In the event of default by the sponsored account holder, the National Organization has the primary and continuing obligation of payment. Under the terms of the Card Program, the National Organization is required to hold unencumbered liquid assets having an aggregate market value of 110% of the average monthly spend under the Card Program, which are not subject to any lien, pledge, security interest, or other arrangement with any creditor, to have its claim satisfied out of those assets prior to the general creditors of the National Organization. As of August 31, 2011, there were sponsored accounts with a total credit limit of $8,623,000 issued under this credit agreement and $2,822,000 outstanding on this credit agreement that reflects as accounts payable and accrued expenses on the combined statements of activities.

(12) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through July 31, 2021. As of August 31, 2011 and 2010, the cost of leased property and equipment under capital lease was $379,814 and $491,373, respectively, and accumulated depreciation was $196,014 and $242,512, respectively. Total rent expense for all operating leases for the years ended August 31, 2011 and 2010 totaled $5,138,977 and $5,139,433, respectively.

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

	Operating leases	Capital leases
Year(s) ending August 31:		
2012	$ 4,798,163	89,886
2013	4,542,780	69,472
2014	4,135,520	31,835
2015	3,415,525	6,148
2016	2,526,493	—
2017 – 2021	4,529,534	—
Total minimum lease payments	$ 23,948,015	197,341
Less amounts representing interest		(24,528)
Present value of minimum lease payments		$ 172,813

(13) Endowments

The Foundation follows the provisions of ASC 958, Section 205-45, *Reporting Endowment Funds*. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment fund consists of approximately 152 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The board of directors of the National Organization and each Chapter have reviewed the applicable state versions of UPMIFA and concluded that under the applicable versions based on the respective state of incorporation or territory determined it would be prudent to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purposes of the Foundation and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the Foundation, and
7. The investment policies of the Foundation.

Endowment net asset composition by type of fund as of August 31, 2011 and 2010 is as follows:

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (51,202)	3,170,954	22,377,094	25,496,846
Board-designated endowment funds	20,853,015	872,400	—	21,725,415
Total funds	$ 20,801,813	4,043,354	22,377,094	47,222,261

	2010			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment funds	$ (357,894)	1,892,534	19,719,254	21,253,894
Board-designated endowment funds	18,418,340	300,700	—	18,719,040
Total funds	$ 18,060,446	2,193,234	19,719,254	39,972,934

(Continued)

Changes in endowment net assets for the years ended August 31, 2011 and 2010 are as follows:

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets, beginning of year	$ 18,060,446	2,193,234	19,719,254	39,972,934
Investment return:				
Investment income	629,306	547,167	2,679	1,179,152
Net appreciation (realized and unrealized)	1,708,124	896,030	70,933	2,675,087
Total investment return	2,337,430	1,443,197	73,612	3,854,239
Contributions	—	587,249	2,770,951	3,358,200
Appropriation of endowment assets for expenditure	(562,900)	(166,236)	—	(729,136)
Other changes:				
Transfer to create board-designated endowment funds	665,956	—	—	665,956
Other	300,881	(14,090)	(186,723)	100,068
Endowment net assets, end of year	$ 20,801,813	4,043,354	22,377,094	47,122,193

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 15,735,477	1,294,270	17,993,496	35,023,243
Investment return:				
Investment income	516,371	273,885	289	790,545
Net appreciation (realized and unrealized)	898,555	388,123	4,445	1,291,123
Total investment return	1,414,926	662,008	4,734	2,081,668
Contributions	—	76,200	1,787,035	1,863,235
Reclassification of endowment asset	—	—	(66,011)	(66,011)
Appropriation of endowment assets for expenditure	(535,806)	(156,806)	—	(692,612)
Other changes:				
Transfer to create board-designated endowment funds	1,445,849	317,562	—	1,763,411
Endowment net assets, end of year	$ 18,060,446	2,193,234	19,719,254	39,972,934

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

	2011	2010
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 22,377,094	19,719,254
Temporarily restricted net assets:		
(1) Term endowment funds	$ 99,573	76,200
(2) The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
Without purpose restrictions	1,810,182	648,707
With purpose restrictions	2,133,599	1,468,327
Total endowment funds classified as temporarily restricted net assets	$ 4,043,354	2,193,234

(Continued)

(b) Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported as unrestricted net assets were $51,202 and $357,894 as of August 31, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

(c) Return Objective and Risk Parameters

The National Organization and the Chapters have individually adopted policies to comply with their respective laws governing endowment assets. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the boards of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return ranging from 2.1% to 9.0% annually. Actual returns in any given year may vary from this amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

(e) Spending Policy and How the Investment Objective Relates to Spending Policy

The National Office and the Chapters have varying policies based on their interpretation of relevant laws for appropriating for distribution amounts averaging between 3.0% and 6.5% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the distribution is planned. However, if the market value of the Foundation's endowment fund as of the prior year-end is less than the fund's threshold level or corpus, the distribution will be less than the targeted distribution. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at averages ranging from 2.0% to 6.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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(14) Temporarily and Permanently Restricted Net Asset

Temporarily restricted net assets are available for the following purposes for the years ended August 31, 2011 and 2010:

		2011	2010
Wish granting	$	2,069,713	2,262,089
Capital campaigns		6,640,624	4,941,957
Endowment assets		4,043,354	2,193,234
Other time restrictions		15,415,267	17,155,264
Total temporarily restricted net assets	$	28,168,958	26,552,544

For the years ended August 31, 2011 and 2010, permanently restricted net assets are restricted to the following:

		2011	2010
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$	22,377,094	19,719,254
Other investments in perpetuity, the income from which is expendable to support the activities of the Foundation and for granting wishes		1,339,690	1,139,856
Total permanently restricted net assets	$	23,716,784	20,859,110

(15) Retirement Plan

The Foundation has adopted defined contribution retirement plans (the Plans). Employees are generally eligible for participation in the Plan after meeting criteria that include completion of 1 year of service and reaching 21 years of age. Under the provisions of the Plans, eligible employees may elect to defer a percentage of their salary subject to certain IRS limitations. Certain plans allow the Foundation to contribute up to 0.15% of the employee’s salary while other plans allow only the employee to make contributions. Foundation contributions to the Plans for the years ended August 31, 2011 and 2010 were $1,141,822 and $1,146,074, respectively.

(16) Concentrations of Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of $250,000. From time to time throughout the year, the Foundation’s cash balances may exceed the amount of the FDIC insurance coverage.

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In-kind contributions totaling $17,259,865 and $14,413,532 were received from a single donor for the years ended August 31, 2011 and 2010, respectively, which represents 8% and 8%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(17) Litigation and Claims

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

(18) Subsequent Events

The Foundation evaluated events subsequent from the combined statements of financial position date through February 14, 2012, the date on which the combined financial statements were available to be issued.