

Combined Financial Statements and Report of
Independent Certified Public Accountants

Make-A-Wish Foundation

August 31, 2007 and 2006

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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, 2007 and 2006 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, 2007 and 2006, 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
April 18, 2008

Make-A-Wish Foundation

COMBINED STATEMENTS OF FINANCIAL POSITION

August 31,

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 38,852,774	\$ 33,712,012
Restricted cash	1,465,132	841,659
Investments	111,555,170	96,503,512
Contributions receivable	19,041,735	19,108,329
Prepaid expenses	1,288,262	1,856,403
Cash restricted for property and equipment	7,785,582	3,742,481
Property and equipment, net	12,168,810	11,722,446
Interest in net assets of related foundation	3,472,897	3,269,920
Investments held for long-term purposes	11,976,071	8,543,844
Other assets	3,229,033	1,931,350
Total assets	<u>\$ 210,835,466</u>	<u>\$ 181,231,956</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 7,802,349	\$ 6,495,734
Accrued pending wish costs	27,478,375	26,145,129
Deposits	1,308,616	1,010,016
Notes payable	953,587	206,037
Other liabilities	489,734	1,282,735
Total liabilities	<u>38,032,661</u>	<u>35,139,651</u>
Commitments and Contingencies (Notes 7, 8, 9 and 12)		
Net assets:		
Unrestricted	134,740,506	112,255,771
Temporarily restricted	21,837,567	18,827,295
Permanently restricted	16,224,732	15,009,239
Total net assets	<u>172,802,805</u>	<u>146,092,305</u>
Total liabilities and net assets	<u>\$ 210,835,466</u>	<u>\$ 181,231,956</u>

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

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 ACTIVITIES

Year Ended August 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Contributions	\$ 92,545,932	\$ 17,655,044	\$ 1,356,238	\$ 111,557,214
Internal special events	39,600,073	1,241,887	-	40,841,960
Less cost of direct benefit to donor	(12,642,823)	(103,005)	-	(12,745,828)
	<u>26,957,250</u>	<u>1,138,882</u>	<u>-</u>	<u>28,096,132</u>
External special events	23,378,243	1,083,122	105,000	24,566,365
Grants	4,407,571	570,871	200,000	5,178,442
Total support	<u>147,288,996</u>	<u>20,447,919</u>	<u>1,661,238</u>	<u>169,398,153</u>
Investment income	3,785,189	207,539	29	3,992,757
Realized/unrealized gains on investments, net	3,411,012	96,133	12,185	3,519,330
Other income	1,444,773	-	-	1,444,773
Net assets released from restrictions	17,149,914	(16,404,745)	(745,169)	-
Total revenues and other support	<u>173,079,884</u>	<u>4,346,846</u>	<u>928,283</u>	<u>178,355,013</u>
Expenses:				
Program services:				
Wish granting	114,942,613	-	-	114,942,613
Chapter support	3,611,218	-	-	3,611,218
Program related support	155,062	-	-	155,062
Committee and board support	482,487	-	-	482,487
Training and development	1,598,952	-	-	1,598,952
Public information	4,661,804	-	-	4,661,804
Total program services	<u>125,452,136</u>	<u>-</u>	<u>-</u>	<u>125,452,136</u>
Support services:				
Fund raising	25,022,970	-	-	25,022,970
Management and general	14,840,943	-	-	14,840,943
Total support services	<u>39,863,913</u>	<u>-</u>	<u>-</u>	<u>39,863,913</u>
Total expenses	<u>165,316,049</u>	<u>-</u>	<u>-</u>	<u>165,316,049</u>
Increase in net assets	7,763,835	4,346,846	928,283	13,038,964
Net assets, beginning of the year	<u>104,491,936</u>	<u>14,480,449</u>	<u>14,080,956</u>	<u>133,053,341</u>
Net assets, end of the year	<u>\$ 112,255,771</u>	<u>\$ 18,827,295</u>	<u>\$ 15,009,239</u>	<u>\$ 146,092,305</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, 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	Support Services
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	22,942,563	48,295,019
Printing	924,910	8,452	4,179	160	14,279	2,581,684	3,533,664	4,491,614	909,615	5,401,229	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	3,096,378	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	2,075,764	5,203,313
Postage/delivery	652,053	3,587	21,551	637	15,774	918,646	1,612,248	1,941,085	461,524	2,402,609	4,014,857
Travel	811,128	86,999	29,680	31,678	88,403	48,927	1,096,815	901,420	343,115	1,244,535	2,341,350
Meetings and conferences	310,571	3,221	17,424	84,237	281,779	7,324	704,556	435,614	163,490	599,104	1,303,660
Office supplies	647,098	6,103	23,520	1,441	21,191	22,604	721,957	440,470	281,231	721,701	1,443,658
Depreciation and amortization	675,790	47,487	7,899	10,603	53,704	40,405	835,888	331,258	359,385	690,643	1,526,531
Telephone	589,934	8,480	15,667	2,862	17,667	20,200	654,810	278,939	196,140	475,079	1,129,889
Direct costs of fund raising								702,865		702,865	702,865
Public relations	362,055	-	22,681	-	1,973	57,415	444,124	279,515	68,830	348,345	792,469
Repairs and maintenance	318,422	13,180	44,025	2,876	10,683	6,781	395,967	163,066	123,813	286,879	682,846
Insurance	125,114	157,440	2,495	52,837	12,366	3,145	353,397	72,436	73,587	146,023	499,420
Bad debt expense	-	-	-	-	-	-	-	-	119,186	119,186	119,186
Dues and subscriptions	17,498	-	-	-	2,534	1,334	21,366	19,921	12,323	32,244	53,610
Volunteer training	171,653	-	-	-	22,216	-	193,869	147	132	279	194,148
Miscellaneous	848,517	139,472	79,343	415	30,673	55,827	1,154,247	856,170	658,253	1,514,423	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	\$ 42,799,849	\$ 178,473,851

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

Make-A-Wish Foundation

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2006

	Program Services				Support Services			Total		
	Wish Granting	Chapter Support	Program Related Support	Program Committee and Board Support	Training and Development	Public Information	Total Program Services		Fund Raising	Management and General
Direct costs of wishes	\$ 84,282,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,282,251	\$ -	\$ -	\$ 84,282,251
Salaries, taxes and benefits	20,918,545	1,574,090	73,868	340,153	722,306	660,057	24,289,019	11,746,411	9,065,157	20,811,568
Printing	748,159	9,960	2,871	2,651	28,756	2,288,667	3,081,064	3,933,707	659,991	4,593,698
Professional fees	1,115,329	1,129,184	26,498	7,269	42,352	399,544	2,720,176	1,811,603	1,148,199	2,959,802
Rent and utilities	2,636,215	97,889	18,825	13,924	62,431	70,327	2,899,611	1,126,210	833,849	1,960,059
Postage/delivery	571,963	6,034	5,857	1,493	10,410	782,132	1,377,889	1,707,276	371,822	2,079,098
Travel	681,659	102,231	11,614	31,868	118,784	26,993	973,149	605,961	350,838	1,929,948
Meetings and conferences	434,270	1,990	586	21,114	473,924	2,706	934,590	260,171	225,272	1,420,033
Office supplies	575,754	22,184	4,948	3,426	34,166	21,422	661,900	430,985	295,010	1,387,895
Depreciation and amortization	618,876	66,206	2,473	9,630	39,315	35,082	771,582	289,607	313,770	603,377
Telephone	605,713	10,416	2,416	2,776	10,773	18,548	650,642	262,584	231,199	493,783
Direct costs of fund raising	-	-	-	-	-	-	-	988,833	-	988,833
Public relations	386,321	-	-	-	2,265	284,688	673,274	281,442	21,193	302,635
Repairs and maintenance	332,532	13,000	921	1,567	21,197	10,874	380,091	184,992	185,652	370,644
Insurance	166,026	330,032	426	46,616	8,552	3,101	554,753	78,773	106,313	185,086
Bad debt expense	-	-	-	-	-	-	-	462,899	-	462,899
Dues and subscriptions	30,447	247,902	62	-	3,994	3,105	285,510	26,040	86,262	112,302
Volunteer training	143,981	-	-	-	9,198	-	153,179	4,391	2,615	7,006
Miscellaneous	694,572	100	3,697	-	10,529	54,558	763,456	821,085	943,801	1,764,886
	\$ 114,942,613	\$ 3,611,218	\$ 155,062	\$ 482,487	\$ 1,598,952	\$ 4,661,804	\$ 125,452,136	\$ 25,022,970	\$ 14,840,943	\$ 39,863,913
										\$ 165,316,049

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

Make-A-Wish Foundation

COMBINED STATEMENTS OF CASH FLOWS

Years Ended August 31,

	2007	2006
Cash flows from operating activities:		
Increase in net assets	\$ 26,710,500	\$ 13,038,964
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,580,560	1,374,959
Loss on sale of equipment	28,898	30,353
Bad debt expense	119,186	462,899
Contributed property and equipment	(861,316)	(856,376)
Change in value of split interest agreement	(65,346)	17,408
Change in value of interest in net assets of related foundation	(202,977)	(208,747)
Change in discount to present value of contributions receivable	282,342	343,572
Net realized and unrealized gain on investments	(7,680,949)	(3,589,783)
Contributed stock	(497,636)	(317,978)
Changes in assets and liabilities:		
Contributions receivable	1,311,131	184,011
Other assets	(250,708)	(915,943)
Accounts payable and accrued expenses	797,127	(7,620)
Accrued pending wish costs	1,450,685	(219,976)
Deferred rent	4,473	125,761
Deposits	225,050	(898,647)
Net cash provided by operating activities	<u>22,951,020</u>	<u>9,583,861</u>
Cash flows from investing activities:		
Purchases of investments	(68,748,645)	(51,815,560)
Proceeds from sales of investments	57,587,294	44,930,546
Change in restricted cash	(666,254)	165,449
Contributions restricted for purchasing property and equipment and investments	(5,720,724)	(6,641,297)
Purchases of property and equipment	(1,298,603)	(1,510,655)
Proceeds from sale of property and equipment	-	13,622
Net cash used in investing activities	<u>(18,846,932)</u>	<u>(14,857,895)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for investment and property and equipment	1,912,831	1,721,411
Proceeds from notes payable and other liabilities	209,380	118,448
Payments on notes payable and other liabilities	(1,085,537)	(365,097)
Net cash provided by financing activities	<u>1,036,674</u>	<u>1,474,762</u>
Net increase (decrease) in cash and cash equivalents	5,140,762	(3,799,272)
Cash and cash equivalents at beginning of year	<u>33,712,012</u>	<u>37,511,284</u>
Cash and cash equivalents at end of year	<u>\$ 38,852,774</u>	<u>\$ 33,712,012</u>
Supplemental statement of cash flows information:		
Cash paid for interest	\$ 99,380	\$ 59,844
Donated property or equipment/stock	861,316	856,376
Acquisition of equipment with capital lease agreement	-	11,500

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

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 1 - ORGANIZATION

As of August 31, 2007, Make-A-Wish Foundation is comprised of Make-A-Wish Foundation of America (National Organization) and 69 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 158,389 wishes through August 31, 2007. The total number of wishes granted during fiscal years 2007 and 2006 were 13,007 and 12,691, respectively. The average cost of a wish during fiscal years 2007 and 2006 was \$6,830 and \$6,651, respectively. As of August 31, 2007 and 2006, the Foundation had approximately 4,222 and 4,341 reportable pending wishes, respectively.

Make-A-Wish Foundation International and its international affiliates 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 and are not controlled by the Foundation. Accordingly, the accounts and transactions of the International Foundation and other international affiliates are not included in these combined financial statements.

Subsequent to August 31, 2007, 2 chapters were merged into other existing chapters, resulting in 67 remaining active chapters.

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.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **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.

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.

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 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, 2007 and 2006

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 \$36,207,242 during 2007 and \$35,935,000 during 2006, which met these criteria.

In addition, the Foundation received significant in-kind contributions relating to public service announcements and were not recorded in the combined financial statements in amounts approximating \$32,202,000 and \$19,875,000 for the years ended August 31, 2007 and 2006, 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, 2007 and 2006

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 cost of reportable pending wishes when certain measurable wish criteria are met. The reportable pending wish criteria include formal referral of the child to the Foundation, a medical eligibility form signed by the child's physician, formal approval by the Foundation, determination of the wish, and reasonable expectation that the wish will be granted within the following year. As of August 31, 2007 and 2006, the Foundation had 4,222 and 4,341 reportable pending wishes, respectively, recorded in the accompanying statements of financial position.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

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 \$211,900 in 2007 and \$6,075,000 in 2006, and are recognized as contributions by the respective chapters in the accompanying combined financial statements.

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. Accrued distributions to affiliates represents amounts not eliminated, as they represent amounts accrued for by the National Organization, but not yet recognized as revenue by the affiliates, as the monies have not yet been received by the National Organization. The accrued distributions to affiliates totaled \$2,086,505 and \$1,675,303 at August 31, 2007 and 2006, respectively.

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 2007 or in 2006.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2007 and 2006, the Foundation incurred joint costs for activities that include fund raising appeals (primarily direct mail campaigns and newsletters), which have been allocated as follows:

	2007	2006
Fund raising	\$ 4,243,988	\$ 3,854,750
Public information	2,985,728	2,575,963
Management and general	1,045,371	712,845
Wish granting	30,527	35,720
Training and development	-	725
Total	<u>\$ 8,305,614</u>	<u>\$ 7,180,003</u>

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management and General: All costs not identifiable with a single program or fund raising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence. This includes expenses for the overall direction of the 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.

New Accounting Standard Issued

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation 48, Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement No. 109. Interpretation 48, which clarifies Statement 109, Accounting for Income Taxes, establishes the criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the Foundation's financial statements. On initial application, Interpretation 48 will be applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the more-likely-than-not recognition threshold at the adoption date will be recognized or continue to be recognized. The cumulative effect of applying Interpretation 48 will be reported as an adjustment to net assets at the beginning of the period in which it is adopted.

Interpretation 48 is effective for fiscal years beginning after December 15, 2007, and will be adopted by the Foundation on September 1, 2008. The Foundation has not completed its evaluation of the impact of adopting Interpretation 48 and, as a result, is not able to estimate the effect the adoption will have on its combined financial position and results of operations.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 3 - INVESTMENTS

A summary of investments as of August 31 follows:

	2007	2006
Equity securities	\$ 34,500,346	\$ 31,823,423
Mutual funds	37,716,495	30,109,975
U.S. Government securities	8,873,051	12,340,462
Corporate bonds	10,677,620	10,083,752
Certificates of deposit	12,545,588	9,077,323
Fixed income	12,696,687	7,594,464
Money market funds	3,065,571	2,908,752
Other	1,936,501	749,902
Mortgage backed securities	1,519,382	359,303
Total investments	<u>123,531,241</u>	<u>105,047,356</u>
Less investments held for long-term purposes	<u>11,976,071</u>	<u>8,543,844</u>
Investments not held for long-term purposes	<u>\$ 111,555,170</u>	<u>\$ 96,503,512</u>

The net unrealized and realized gains on investments for the year ended August 31, 2007 were \$4,387,714 and \$3,293,235, respectively. The net unrealized and realized gains on investments for the year ended August 31, 2006 were \$2,749,996 and \$839,787, respectively.

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:

	2007	2006
Gross amounts due in:		
One year	\$ 14,084,757	\$ 15,191,320
One to five years	5,360,724	4,019,168
Due in over five years	616,460	1,183,254
	<u>20,061,941</u>	<u>20,393,742</u>
Less discount to present value	1,002,695	720,353
Less allowance for uncollectible accounts	510,103	565,060
Total	<u>\$ 19,041,735</u>	<u>\$ 19,108,329</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.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2007	2006
Land	\$ 2,742,413	\$ 1,920,255
Building and improvements	7,203,438	7,323,424
Computer equipment and software	5,667,938	4,672,520
Office furniture	3,917,974	3,811,705
Other equipment	1,234,629	1,252,178
Leasehold improvements	841,531	915,950
	<u>21,607,923</u>	<u>19,896,032</u>
Less accumulated depreciation and amortization	<u>9,439,113</u>	<u>8,480,031</u>
	12,168,810	11,416,001
Assets not yet placed in service	-	306,445
Property and equipment, net	<u>\$ 12,168,810</u>	<u>\$ 11,722,446</u>

NOTE 6 - LINES OF CREDIT AND NOTES PAYABLE

The National Organization has an unsecured revolving line of credit arrangement with a bank allowing it to borrow up to \$1,300,000, at an interest rate of LIBOR plus 1.5%. Interest on the outstanding balance is due monthly. There was no outstanding balance on this line of credit as of August 31, 2007 and 2006. Additionally, six and five Chapters have unsecured lines of credit agreements with financial institutions totaling \$1,985,000 and \$1,685,000 at August 31, 2007 and 2006, respectively. The interest rates on these agreements range from prime (8.25% at August 31, 2007) to 18% and expire at various dates. As of August 31, 2007 and 2006, there was \$123,746 and \$787,657 outstanding on these lines of credit, respectively and are including 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 \$953,587 as of August 31, 2007 and \$206,037 as of August 31, 2006. The aggregate maturities of the notes payable for the remaining term subsequent to August 31, 2007 is as follows: \$39,170 in 2008; \$43,009 in 2009; \$70,690 in 2010; \$32,768 in 2011; \$125,100 in 2012; and \$642,850 thereafter, for a total of \$953,587.

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, 2007 and 2006 was \$5,189,592 and \$4,218,350, respectively.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 7 - LEASES (continued)

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

Year Ending August 31:

2008	\$ 3,541,679
2009	3,163,376
2010	2,670,098
2011	1,770,326
2012	1,022,727
Thereafter	<u>2,480,620</u>
	<u>\$ 14,648,826</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 \$900,274 and \$833,606 for the years ended August 31, 2007 and 2006, respectively, and is included in salaries, taxes and benefits on the Combined Statement of Functional Expenses.

NOTE 9 - SELF INSURED MEDICAL PLAN

Prior to April 1, 2006, the Foundation offered its employees standard medical benefits for which the Foundation was self-insured. The Foundation had stop-loss insurance coverage for risk exposures in excess of specified limits. Accruals for claims under the Foundation's self-insurance program were recorded on a claim-incurred basis. Under this program, the estimated liability for claims incurred but unpaid at August 31, 2006 was \$36,300. This estimate was based on claims history and specific knowledge of outstanding claims.

Beginning in 2006, the Foundation was no longer self-insured and currently utilizes medical benefit services from various insurance carriers.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 10 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

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

	2007	2006
Wish fulfillment	\$ 6,396,356	\$ 4,786,623
Specific period of time	5,570,293	7,626,142
Purchase of property and equipment	7,785,582	3,742,481
Salary and administrative costs	1,644,285	1,400,000
Specific fund-raising events	186,155	491,165
Specific regions	197,277	389,019
Website development	-	275,613
Other	57,619	116,252
Total	<u>\$ 21,837,567</u>	<u>\$ 18,827,295</u>

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

	2007	2006
Investment in perpetuity, the income from which is expendable to support the mission of the Foundation	<u>\$ 16,224,732</u>	<u>\$ 15,009,239</u>

NOTE 11 - 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:

	2007	2006
Wish fulfillment	\$ 9,275,038	\$ 9,072,212
Specific period of time	10,137,265	5,862,262
Specific fund-raising events	357,597	641,067
Purchase of property and equipment	109,191	632,780
Specific regions	34,728	135,488
Rent	45,240	45,240
Salary and administrative costs	9,454	14,826
Publications and brochures	-	870
Total	<u>\$ 19,968,513</u>	<u>\$ 16,404,745</u>

Net assets of \$100,000 and \$745,169 were released from permanent restrictions due to a change in donor intent during the years ended August 31, 2007 and 2006, respectively.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 12 - 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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Foundation made commitments to fund working capital needs, if any, for three and six affiliated chapters during fiscal years 2007 and 2006, respectively. As of August 31, 2007, no working capital funding needs have been required of the Foundation by any of these chapters.

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 14 - 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 permitted to consolidate the results of the Endowment in its financial statements, but is not required to. The Foundation has elected to consolidate the Endowment and has disclosed certain information regarding the Endowment below.

Statement on Financial Accounting Standards ("SFAS") No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, establishes standards for transactions in which a donor makes a contribution by transferring assets to a not-for-profit organization or charitable trust that accepts the assets from the donor and agrees to use those assets on behalf of or transfer those assets, the return on those investment of those assets, or both to a beneficiary that is specified by the donor. It also establishes standards for transactions that take place in a similar manner but are not contributions because the transfers are revocable, repayable, or reciprocal. In accordance with SFAS 136, 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.

Make-A-Wish Foundation

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2007 and 2006

NOTE 14 - RELATED ENTITIES (continued)

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

	2007	2006
Total assets	\$ 3,472,897	\$ 3,269,920
Total net assets	3,472,897	3,269,920
Total revenues	261,576	251,044
Total expenses	27,193	45,063

NOTE 15 - SUBSEQUENT EVENT

In September 2007, the Foundation entered into a multi-year sponsorship agreement with UAW-GM in which the Foundation will receive a total of \$4,500,000 over the next 3 years. In accordance with FASB Statement 116 *Accounting for Contributions Received and Contributions Made*, the Foundation has appropriately recognized an unconditional promise to give and the associated revenue during fiscal year 2008.