



**MAKE-A-WISH FOUNDATION[®] OF GREATER PENNSYLVANIA AND
SOUTHERN WEST VIRGINIA**

Financial Statements

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF GREATER PENNSYLVANIA AND
SOUTHERN WEST VIRGINIA**

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation[®] of Greater Pennsylvania and Southern West Virginia:

We have audited the accompanying statements of financial position of Make-A-Wish Foundation[®] of Greater Pennsylvania and Southern West Virginia. (the Foundation) as of August 31, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation[®] of Greater Pennsylvania and Southern West Virginia as of August 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

March 8, 2011

**MAKE A WISH FOUNDATION® OF GREATER PENNSYLVANIA AND
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Statements of Financial Position

August 31, 2010 and 2009

Assets	2010	2009
Cash and cash equivalents	\$ 110,310	144,262
Investments	1,915,686	2,379,539
Due from related entities	29,015	42,281
Prepaid expenses	66,504	68,616
Contributions receivable, net	880,845	733,050
Investments held for long-term purposes	1,843,491	1,806,553
Other assets	61,600	60,330
Property and equipment, net	133,129	127,275
Total assets	\$ 5,040,580	5,361,906
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 206,097	162,877
Accrued pending wish costs	1,064,368	1,234,140
Due to related entities	157,178	7,533
Other liabilities	105,158	94,021
Total liabilities	1,532,801	1,498,571
Commitments and contingencies		
Net assets:		
Unrestricted	1,672,135	2,355,237
Temporarily restricted	905,280	590,082
Permanently restricted	930,364	918,016
Total net assets	3,507,779	3,863,335
Total liabilities and net assets	\$ 5,040,580	5,361,906

See accompanying notes to financial statements.

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Statement of Activities

Year ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 1,869,054	2,465,087	7,903	4,342,044
In-kind contributions	38,367	1,302,710	—	1,341,077
Grants	<u>154,783</u>	<u>343,474</u>	<u>—</u>	<u>498,257</u>
Total public support	<u>2,062,204</u>	<u>4,111,271</u>	<u>7,903</u>	<u>6,181,378</u>
Special events	238,942	406,395	—	645,337
Less direct benefit costs to donor	<u>(18,122)</u>	<u>(14,251)</u>	<u>—</u>	<u>(32,373)</u>
Total special events, net	<u>220,820</u>	<u>392,144</u>	<u>—</u>	<u>612,964</u>
Investment income, net	88,878	37,224	4,445	130,547
Other income	2,811	—	—	2,811
Net assets released from restrictions	<u>4,225,441</u>	<u>(4,225,441)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>6,600,154</u>	<u>315,198</u>	<u>12,348</u>	<u>6,927,700</u>
Expenses:				
Program services:				
Wish granting	<u>6,141,031</u>	<u>—</u>	<u>—</u>	<u>6,141,031</u>
Total program services	<u>6,141,031</u>	<u>—</u>	<u>—</u>	<u>6,141,031</u>
Support services:				
Fund raising	776,137	—	—	776,137
Management and general	<u>366,088</u>	<u>—</u>	<u>—</u>	<u>366,088</u>
Total support services	<u>1,142,225</u>	<u>—</u>	<u>—</u>	<u>1,142,225</u>
Total expenses	<u>7,283,256</u>	<u>—</u>	<u>—</u>	<u>7,283,256</u>
Change in net assets	<u>(683,102)</u>	<u>315,198</u>	<u>12,348</u>	<u>(355,556)</u>
Net assets, beginning of the year	<u>2,355,237</u>	<u>590,082</u>	<u>918,016</u>	<u>3,863,335</u>
Net assets, end of the year	<u>\$ 1,672,135</u>	<u>905,280</u>	<u>930,364</u>	<u>3,507,779</u>

See accompanying notes to financial statements.

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Statement of Activities

Year ended August 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 2,007,090	2,169,742	1,555	4,178,387
In-kind contributions	62,071	1,684,690	—	1,746,761
Grants	269,596	269,029	—	538,625
Total public support	<u>2,338,757</u>	<u>4,123,461</u>	<u>1,555</u>	<u>6,463,773</u>
Special events	223,280	427,244	—	650,524
Less direct benefit costs to donor	<u>(20,141)</u>	<u>(8,763)</u>	<u>—</u>	<u>(28,904)</u>
Total special events, net	203,139	418,481	—	621,620
Investment income (loss), net	(200,425)	36,875	(141,902)	(305,452)
Other income	6,029	—	—	6,029
Net assets released from restrictions	<u>4,535,344</u>	<u>(4,535,344)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>6,882,844</u>	<u>43,473</u>	<u>(140,347)</u>	<u>6,785,970</u>
Expenses:				
Program services:				
Wish granting	6,430,838	—	—	6,430,838
Total program services	<u>6,430,838</u>	<u>—</u>	<u>—</u>	<u>6,430,838</u>
Support services:				
Fund raising	768,521	—	—	768,521
Management and general	356,901	—	—	356,901
Total support services	<u>1,125,422</u>	<u>—</u>	<u>—</u>	<u>1,125,422</u>
Total expenses	<u>7,556,260</u>	<u>—</u>	<u>—</u>	<u>7,556,260</u>
Change in net assets	(673,416)	43,473	(140,347)	(770,290)
Net assets, beginning of the year	3,028,653	546,609	1,058,363	4,633,625
Net assets, end of the year	<u>\$ 2,355,237</u>	<u>590,082</u>	<u>918,016</u>	<u>3,863,335</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended August 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (355,556)	(770,290)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	46,293	55,665
Contributions restricted for long-term investment or investment in property and equipment	(12,348)	(1,555)
Net realized and unrealized (gains) losses on investments	(36,408)	431,990
Contributed property and equipment, stock, and inventory	(1,280)	(8,726)
Changes in assets and liabilities:		
Contributions receivable	(147,795)	(228,809)
Due from related entities	13,266	(9,499)
Prepaid expenses	2,112	111,358
Other assets	(1,270)	(36,811)
Accounts payable and accrued expenses	43,220	(223,051)
Accrued pending wish costs	(169,772)	(44,177)
Due to related entities	149,645	7,533
Other liabilities	11,137	75,345
Net cash used in operating activities	(458,756)	(641,027)
Cash flows from investing activities:		
Purchases of investments	(1,858,439)	(1,364,700)
Proceeds from sales of investments	2,321,762	1,655,835
Purchases of property and equipment	(50,867)	(20,261)
Net cash provided by investing activities	412,456	270,874
Cash flows from financing activities:		
Contributions restricted for long-term investment	12,348	1,555
Net cash provided by financing activities	12,348	1,555
Net decrease in cash and cash equivalents	(33,952)	(368,598)
Cash and cash equivalents, beginning of year	144,262	512,860
Cash and cash equivalents, end of year	\$ 110,310	144,262
Supplemental cash flow information:		
Donated property and equipment, stock, and inventory	\$ 1,280	8,726
Inkind contributions	1,339,797	1,738,035

See accompanying notes to financial statements.

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Statement of Functional Expenses

Year ended August 31, 2010

	Program services	Support services			Total
	Wish granting	Fund raising	Management and general	Total support services	
Direct costs of wishes	\$ 4,256,488	—	—	—	4,256,488
Salaries, taxes, and benefits	1,341,445	540,905	281,270	822,175	2,163,620
Printing, subscriptions, and publications	18,353	46,847	1,388	48,235	66,588
Professional fees	7,353	15,247	5,773	21,020	28,373
Rent and utilities	117,610	37,422	23,166	60,588	178,198
Postage and delivery	33,244	28,412	1,820	30,232	63,476
Travel	15,490	8,363	2,313	10,676	26,166
Meetings and conferences	9,662	9,117	1,326	10,443	20,105
Office supplies	41,963	17,376	9,364	26,740	68,703
Communications	24,927	8,116	3,876	11,992	36,919
Repairs and maintenance	30,832	10,989	6,263	17,252	48,084
Membership dues	10,770	8,382	2,283	10,665	21,435
Grants and Scholarships	25,000	—	—	—	25,000
National partnership dues	177,694	35,071	21,043	56,114	233,808
Depreciation and amortization	30,200	9,890	6,203	16,093	46,293
	<u>\$ 6,141,031</u>	<u>776,137</u>	<u>366,088</u>	<u>1,142,225</u>	<u>7,283,256</u>

See accompanying notes to financial statements.

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Statement of Functional Expenses

Year ended August 31, 2009

	Program services	Support services			Total
	Wish granting	Fund raising	Management and general	Total support services	
Direct costs of wishes	\$ 4,574,959	—	—	—	4,574,959
Salaries, taxes, and benefits	1,289,724	520,050	270,427	790,477	2,080,201
Printing, subscriptions, and publications	12,171	48,214	1,236	49,450	61,621
Professional fees	13,437	13,955	6,961	20,916	34,353
Rent and utilities	117,206	37,291	23,088	60,379	177,585
Postage and delivery	32,918	29,919	2,967	32,886	65,804
Travel	17,123	9,685	2,205	11,890	29,013
Meetings and conferences	13,648	7,056	2,836	9,892	23,540
Office supplies	48,238	19,130	9,478	28,608	76,846
Communications	25,531	8,217	4,128	12,345	37,876
Repairs and maintenance	24,636	8,905	5,006	13,911	38,547
Membership dues	9,660	8,105	3,140	11,245	20,905
Grants and scholarships	25,000	—	—	—	25,000
National partnership dues	190,759	45,782	17,804	63,586	254,345
Depreciation and amortization	35,828	12,212	7,625	19,837	55,665
	<u>\$ 6,430,838</u>	<u>768,521</u>	<u>356,901</u>	<u>1,125,422</u>	<u>7,556,260</u>

See accompanying notes to financial statements.

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(1) Organization

Make-A-Wish Foundation[®] of Greater Pennsylvania and Southern West Virginia (the Foundation) is a Pennsylvania not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation[®] of America (National Organization), which operates to develop and implement national programs in public relations and fund raising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

(b) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Also included in cash and cash equivalents at August 31, 2010 and 2009 are \$53,018 and \$64,322, respectively, of money market mutual funds.

(c) Investments

Investments are recorded at fair value and consist primarily of money market funds, mutual funds, corporate bonds and notes, and U.S. government securities. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law.

(d) Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Risk-free rates are used to discount pledges received prior to September 1, 2008. For pledges received beginning September 1, 2008, pledges are discounted using fair value rates.

(e) Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and 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 released once the asset has been placed into service. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal

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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 or asset group to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment 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.

(f) Fair Value Measurements

On September 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (Statement 157) (included in Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*), for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 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 (Statement 157) also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

(g) Net Assets

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

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

(h) Revenue Recognition

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and

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reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution 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 contributions of assets other than cash that are included in the accompanying statements of activities as in-kind contributions. Program or supporting services expenses were recorded at fair value totaling \$1,341,077 and \$1,746,761 in 2010 and 2009, respectively. In-kind contributions consisted of the following:

	2010	2009
Advertising and media	\$ —	7,968
Transportation	163,326	168,450
Other wish-related donations	1,139,382	1,516,240
Property and equipment	1,280	8,726
Professional services and other donations	37,089	45,377
Total	\$ 1,341,077	1,746,761

Advertising and media are used to help the Foundation communicate its message or mission and include fund raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue and fund raising 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.

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and Commonwealth of Pennsylvania and the State of West Virginia taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3), Pennsylvania Department of Revenue regulations and West Virginia Department of Revenue Taxation Code §11-24-5. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

ASC Topic 740, *Income Taxes* (ASC 740), prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. The Foundation has adopted the deferral and disclosure

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provisions of ASC 740 for its August 31, 2009 financial statements and has adopted the remaining provisions of ASC 740 for the year ended August 31, 2010. Management asserts that no such uncertain tax position exists for the Foundation at August 31, 2010.

(j) Functional Expenses

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

Wish Granting

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions, including activities related to the wish program such as 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, providing wish assistance for financially challenged chapters, out-of-territory wish placement, and administration of the wish program.

Fund Raising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal years ended August 31, 2010 and 2009, the Foundation incurred no significant joint costs for activities that include fund raising appeals.

Management and General

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

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

(k) Management Estimates

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

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(3) Fair Value Measurements

The Foundation adopted ASC Topic 820 (Statement 157) on September 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability.

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

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

<u>Description</u>	<u>August 31, 2010</u>	<u>Fair value measurements at August 31, 2010 using</u>	
		<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 110,310	110,310	—
Investments:			
Mutual funds:			
Domestic equity	229,639	229,639	—
International equity	250,893	250,893	—
Bonds	518,608	518,608	—
Money market funds	379,309	379,309	—
Equity securities:			
U.S. corporate equity securities	961,995	961,995	—
Foreign equity securities	44,103	44,103	—
Debt securities:			
U.S. Treasury	549,559	—	549,559
U.S. agency	261,520	—	261,520
Corporate	563,551	—	563,551
Total investments	<u>\$ 3,759,177</u>	<u>2,384,547</u>	<u>1,374,630</u>

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<u>Description</u>	<u>August 31, 2009</u>	<u>Fair value measurements at August 31, 2009 using</u>	
		<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 144,262	144,262	—
Investments:			
Mutual funds:			
Domestic equity	171,446	171,446	—
International equity	182,961	182,961	—
Real estate	9,696	9,696	
Bonds	318,137	318,137	—
Money market funds	245,646	245,646	
Equity securities:			
U.S. corporate equity securities	999,048	999,048	—
Foreign equity securities	46,340	33,465	12,875
Debt securities:			
U.S. Treasury	1,205,321	—	1,205,321
Corporate	1,007,497	—	1,007,497
Total investments	<u>\$ 4,186,092</u>	<u>1,960,399</u>	<u>2,225,693</u>

For the valuation of corporate notes, US Treasuries and American Depository equities at August 31, 2010 and 2009, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

The Foundation had no assets and liabilities valued using significant unobservable inputs (Level 3) at August 31, 2010 and 2009.

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

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 125,602	157,771
Realized and unrealized gains (losses), net	36,408	(431,990)
Less investment expenses	<u>(31,463)</u>	<u>(31,233)</u>
Investment income (loss), net	<u>\$ 130,547</u>	<u>(305,452)</u>

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(4) Contributions Receivable

All contributions receivable are due within one year and are considered to be fully collectible. Therefore, the Foundation has not recorded an allowance for doubtful accounts or a discount to present value for these contributions.

(5) Transactions with Related Entities

The Foundation pays the National Organization annual dues, which were \$233,808 and \$254,345 for the years ended August 31, 2010 and 2009, respectively. The National Organization supports the Foundation by providing funding and other support for the granting of wishes.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation supported two other chapters with contributions during the years ended August 31, 2010 and 2009 totaling \$25,000 and \$25,000, respectively, which is recorded as grants and scholarships for wish granting purposes. Amounts due from and to related entities are as follows:

	2010	2009
Balance at August 31:		
Due from National Organization	\$ 26,105	42,281
Due from other chapters	2,910	—
Total due from related entities	\$ 29,015	42,281
Due to National Organization	\$ 141,908	—
Due to other chapters	15,270	7,533
Total due to related entities	\$ 157,178	7,533

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation.

During 2010 and 2009, the Foundation received contributions, both cash and in-kind, from board members totaling \$45,300 and \$59,950, respectively.

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(6) Property and Equipment, Net

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

	2010	2009
Computer equipment and software	\$ 290,707	244,042
Office furniture	176,812	171,330
Leasehold improvements	71,684	71,684
	539,203	487,056
Less accumulated depreciation and amortization	(406,074)	(359,781)
	\$ 133,129	127,275

Depreciation and amortization expense totaled \$46,293 and \$55,665 for the years ended August 31, 2010 and 2009, respectively.

(7) Accrued Pending Wish Costs

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

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

As of August 31, 2010 and 2009, the Foundation had approximately 218 and 204 reportable pending wishes, respectively.

(8) Leases

The Foundation is obligated under various operating leases for offices and equipment, which expire at various dates through July 31, 2021. Total rent expense for all operating leases for the years ended August 31, 2010 and 2009 totaled \$176,645 and \$176,369, respectively.

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

		Operating leases
Year ending August 31:		
2011	\$	151,382
2012		146,657
2013		144,926
2014		139,546
2015		140,177
2016 – 2021		893,112
Total minimum lease payments	\$	1,615,800

(9) Endowments

The Foundation adopted the provisions of ASC 958, Section 205-50 (FSP 117-1), *Reporting Endowment Funds*. FSP 117-1 provides 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 consists of approximately 12 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 Commonwealth of Pennsylvania has not enacted a version of UPMIFA or a version of the predecessor Uniform Management of Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. §5548 “Investment of Trust Funds.” The Foundation has interpreted relevant law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

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Pennsylvania law permits, but does not require, the board of directors to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the board of directors has determined that such percentage is consistent with the long-term preservation of the real value of such assets. The Foundation has not made this election; therefore under Pennsylvania law, it may only spend true interest and dividend income related to permanent endowments. The Foundation therefore 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) returns on permanent endowment other than interest and dividend income.

Interest and dividend income on permanent endowments are generally recorded as unrestricted revenue unless there is a purpose restriction on the use of the income that is not satisfied in the year the income is earned.

Endowment net asset composition by type of fund as of August 31, 2010 and 2009 is as follows:

		2010			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	58,918	930,364	989,282
Board-designated endowment funds		854,209	—	—	854,209
Total funds	\$	<u>854,209</u>	<u>58,918</u>	<u>930,364</u>	<u>1,843,491</u>
		2009			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$	—	55,694	918,016	973,710
Board-designated endowment funds		832,843	—	—	832,843
Total funds	\$	<u>832,843</u>	<u>55,694</u>	<u>918,016</u>	<u>1,806,553</u>

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Changes in endowment net assets for the years ended August 31, 2010 and 2009 are as follows:

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 832,843	55,694	918,016	1,806,553
Investment return:				
Investment income	—	37,061	—	37,061
Net appreciation (realized and unrealized)	6,366	163	4,445	10,974
Total investment return	6,366	37,224	4,445	48,035
Contributions	15,000	—	7,903	22,903
Appropriation of endowment assets for expenditure	—	(34,000)	—	(34,000)
Endowment net assets, end of year	<u>\$ 854,209</u>	<u>58,918</u>	<u>930,364</u>	<u>1,843,491</u>
	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 932,069	18,819	1,058,363	2,009,251
Investment return:				
Investment income	22,777	36,875	—	59,652
Net appreciation (realized and unrealized)	(132,003)	—	(141,902)	(273,905)
Total investment return	(109,226)	36,875	(141,902)	(214,253)
Contributions	10,000	—	1,555	11,555
Endowment net assets, end of year	<u>\$ 832,843</u>	<u>55,694</u>	<u>918,016</u>	<u>1,806,553</u>

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

	2010	2009
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by Pennsylvania law	\$ 930,364	918,016
Temporarily restricted net assets:		
Interest and dividend income earned on perpetual endowments subject to purpose restrictions (to be used for wishes)	58,918	55,694

(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 Commonwealth law requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2010 and 2009, respectively.

(c) Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to maximize interest and dividend income. 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 board of directors, endowment assets are invested in a manner that is intended to produce results that exceed performance for a low-equity balanced portfolio measured by a benchmark using a blend of the S&P 500 Index (35% weighting), a Government/Corporate Bond Intermediate Index (55% weighting), and T-bill performance (10% weighting).

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term interest and dividend maximization objectives, the Foundation relies on a strategy in which investment returns are achieved primarily through current yield. The Foundation targets an asset allocation that places a greater emphasis on fixed-income investments to achieve its current yield objectives within prudent constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

Under Commonwealth of Pennsylvania law, the Foundation has not elected a spending policy and instead expends interest and dividend income earned on a current year basis for donor-restricted endowment funds. The Foundation's policy regarding board-designated endowment is that it is permitted, but not required, to spend up to 4% of board-designated endowment balances each year.

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The Foundation did not appropriate any board-designated amounts for expenditure in either 2010 or 2009.

In establishing these policies, the Foundation considered their impact on both the real growth of the endowment through new gifts and investment return and annual expendable endowment income.

(10) Temporarily and Permanently Restricted Net Assets

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

	2010	2009
Wish granting	\$ 638,900	54,794
Time restrictions	\$ 266,380	535,288
Total temporarily restricted net assets	905,280	590,082

For the years ended August 31, 2010 and 2009, permanently restricted net assets are restricted to:

	2010	2009
Investments in perpetuity, the income from which is expendable to support wishes	\$ 706,162	694,882
Investments in perpetuity, the income from which is expendable to support any activities of the Foundation	224,202	223,134
	\$ 930,364	918,016

(11) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of 1 year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation contributes up to 4% of each participant's gross wages as determined by years of service. Foundation contributions to the Plan for the years ended August 31, 2010 and 2009 were \$57,547 and \$68,239, respectively.

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(12) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the 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.

In-kind contributions totaling \$1,204,914 and \$1,221,291 were received from a single donor for the years ended August 31, 2010 and 2009, respectively, which represents 19.5% and 18.9%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

(13) Litigation and Claims

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

(14) Subsequent Events

The Make-A-Wish Foundation® of Greater Pennsylvania and Southern West Virginia entered into an agreement with the Make-A-Wish Foundation® of America, effective September 1, 2010, to assume responsibility for the Make-A-Wish Foundation's mission in the Montana territory on a temporary basis. The agreement runs through August 31, 2013.

The Foundation has evaluated subsequent events from the statement of financial position date through March 8, 2011, the date at which the financial statements were available to be issued.