KPMG

MAKE-A-WISH FOUNDATION® OF CENTRAL CALIFORNIA

Financial Statements

August 31, 2009

(With Independent Auditors' Report Thereon)

MAKE-A-WISH FOUNDATION® OF CENTRAL CALIFORNIA

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KPMG LLP
Suite 800
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Sacramento, CA 95814

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation® of Central California:

We have audited the accompanying statement of financial position of Make-A-Wish Foundation® of Central California (the Foundation) as of August 31, 2009, and the related statements of activities, cash flows, and functional expenses for the year 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 audit.

We conducted our audit 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 audit provides 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 Central California as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes 2 and 3 to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, as of September 1, 2008 for fair value measurements of all financial assets and financial liabilities that are recognized at fair value in the financial statements on a recurring basis.

KPMG LLP

March 2, 2010

MAKE-A-WISH FOUNDATION® OF CENTRAL CALIFORNIA

Statement of Financial Position

August 31, 2009

Assets		
Cash and cash equivalents	$	745,506
Contributions receivable		19,122
Due from related entities		35,493
Prepaid expenses		868
Investments		148,270
Property and equipment, net		20,535
Other assets		2,790
Total assets	$	972,584
Liabilities and Net Assets		
Accounts payable and accrued expenses	$	28,446
Accrued pending wish costs		357,786
Total liabilities		386,232
Commitments and contingencies		
Net assets:		
Unrestricted		539,319
Temporarily restricted		47,033
Total net assets		586,352
Total liabilities and net assets	$	972,584

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL CALIFORNIA

Statement of Activities

Year ended August 31, 2009

		Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support:				
Public support:				
Contributions	$	517,491	24,390	541,881
In-kind contributions		123,431	19,122	142,553
Grants		4,000	—	4,000
Total public support		644,922	43,512	688,434
Special events		577,660	—	577,660
Less direct costs of benefits to donors		(154,130)	—	(154,130)
Total Special events, net		423,530	—	423,530
Investment income, net		3,680	—	3,680
Other income		600	—	600
Net assets released from restrictions		25,398	(25,398)	—
Total revenues, gains, and other support		1,098,130	18,114	1,116,244
Expenses:				
Program services:				
Wish granting and program-related support		767,969	—	767,969
Total program services		767,969	—	767,969
Support services:				
Fund-raising		96,211	—	96,211
Management and general		132,542	—	132,542
Total support services		228,753	—	228,753
Total expenses		996,722	—	996,722
Change in net assets		101,408	18,114	119,522
Net assets, beginning of the year		437,911	28,919	466,830
Net assets, end of the year	$	539,319	47,033	586,352

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL CALIFORNIA

Statement of Cash Flows

Year ended August 31, 2009

Cash flows from operating activities:	
Change in net assets	$ 119,522
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	5,793
Realized and unrealized (gains) losses on investments, net	5,562
Contributions of office equipment	(300)
Changes in assets and liabilities:	
Contributions receivable	(5,063)
Due from related entities	(7,274)
Prepaid expenses	3,450
Other assets	865
Accounts payable and accrued expenses	12,012
Accrued pending wish costs	89,043
Net cash provided by operating activities	223,610
Cash flows from investing activities:	
Purchases of investments	(102,278)
Purchases of property and equipment	(949)
Net cash used in investing activities	(103,227)
Net increase in cash and cash equivalents	120,383
Cash and cash equivalents, beginning of year	625,123
Cash and cash equivalents, end of year	$ 745,506

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION® OF CENTRAL CALIFORNIA

Statement of Functional Expenses

Year ended August 31, 2009

	Program services	Support services		
	Wish granting and program-related support	**Fund-raising**	**Management and general**	**Total**
Direct costs of wishes	$ 534,470	—	—	534,470
Salaries, taxes, and benefits	117,856	50,967	73,530	242,353
Printing, subscriptions, and publications	13,629	5,894	8,503	28,026
Professional fees	23,729	10,261	14,804	48,794
Rent and utilities	12,801	5,536	7,985	26,322
Postage and delivery	5,487	2,373	3,423	11,283
Travel	10,861	4,697	6,777	22,335
Office supplies	8,812	3,811	5,498	18,121
Telephone	7,068	3,057	4,409	14,534
Repairs and maintenance	785	339	490	1,614
Insurance	1,250	540	780	2,570
Membership dues	615	266	384	1,265
National partnership dues	24,760	5,943	2,311	33,014
Miscellaneous	3,029	1,309	1,890	6,228
Depreciation and amortization	2,817	1,218	1,758	5,793
	$ 767,969	96,211	132,542	996,722

See accompanying notes to financial statements.

(1) Organization

Make-A-Wish Foundation® of Central California (the Foundation) is a California 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) New Accounting Pronouncements

On September 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157 (SFAS No. 157), *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized at fair value in the financial statements on a recurring basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities: Including an amendment of FASB Statement No. 115*. SFAS No. 159 was issued to reduce earnings volatility caused by related assets and liabilities measured differently under GAAP. SFAS No. 159 allows all entities (including not-for-profit organizations, with certain modifications) to make irrevocable instrument-by-instrument election to measure eligible items at fair value in their entirety. SFAS No. 159 is effective as of the beginning of the first fiscal year after November 15, 2007. As no elections were made relating to the adoption of this new guidance, SFAS No. 159 had no impact on the financial position of the Foundation.

In 2008, the FASB issued Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Disclosures for All Endowment Funds* (FSP 117-1). 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. As the Foundation has no endowment funds, this new guidance has no impact on the financial position of the Foundation.

(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, 2009 include $300,000 of certificates of deposit with an initial term of less than three months. Also included in cash and cash equivalents is $54,706 of money market mutual funds, which are Level 1 securities as defined in note 3.

(d) Investments

Investments are recorded at fair value and consist of money market 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 their use is limited by restrictions imposed by donor or by law.

(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. 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. All pledges outstanding as of August 31, 2009 are expected to be received within one year.

(f) Property and Equipment, Net

Property and equipment with 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 donation. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 15 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

(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 restrictions imposed by donor 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

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purposes as permitted by law. The Foundation has no permanently restricted net assets at August 31, 2009.

- **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.

(h) Revenue Recognition

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

The Foundation received service and material donations with fair value totaling $142,253 for the year ended August 31, 2009 and consisting of the following:

Printing	$	12,102
Office supplies		2,591
Other wish related dontations		124,260
Technology support		3,300
	$	142,253

The Foundation also received and capitalized office equipment with a fair value of $300 which was included in the statement of activities as in-kind contributions.

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and California taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23701d of the California Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

In June 2006, the FASB issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109.* FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position

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taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which permits an additional one-year deferral of the effective date of FIN No. 48 for most nonpublic entities. FSP FIN 48-3 defers the effective date of FIN No. 48 for entities within its scope to annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has adopted the deferral and disclosure provisions of FIN 48-3 for its August 31, 2009 financial statements and will adopt the provisions of FIN 48 for the year ended August 31, 2010.

(j) Functional Expenses

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

Wish Granting and Program-Related Support

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions and 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, providing wish assistance for financially challenged chapters, out-of-territory wish placement and administration of the wish program. Direct costs of wishes include all costs to deliver the wish to the wish child (e.g., theme park tickets, lodging, transportation, gifts, shopping sprees, etc.)

Fund-Raising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 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 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 financial statements. Actual results could differ from those estimates.

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(l) 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.

(3) Cash and Cash Equivalents and Investments

The Foundation adopted the provisions of SFAS No. 157 on September 1, 2008 for fair value measurements of cash and cash equivalents and investments that are recognized at fair value in the financial statements. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to 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 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments speeds, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments).

The following table presents cash and cash equivalents and investments at August 31, 2009:

Description		August 31, 2009	Fair value measurements at August 31, 2009 using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash and cash equivalents	$	745,506	745,506	—
Mutual funds:				
Domestic equity		25,015	25,015	—
International equity		4,100	4,100	—
Real estate		1,590	1,590	—
Bonds		17,565	17,565	—
Certificates of deposit		100,000	—	100,000
Total	$	893,776	793,776	100,000

The Foundation has no cash and cash equivalents and investments that use Level 3 inputs.

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

Interest and dividend income	$	9,674
Realized and unrealized gains (losses), net		(5,562)
Less investment expenses		(432)
Investment income, net	$	3,680

(4) Transactions with Related Parties

In July 2005, the Foundation relocated to a new office location, which is partially owned by the President of the Foundation's board of directors for the 2009 fiscal year. Rent expense was $23,040 for the year ended August 31, 2009.

The Foundation pays the National Organization an annual assessment fee, which was $33,014 for the year ended August 31, 2009. The National Organization supports the Foundation by providing funding and support for the granting of wishes. Such support includes the identification of wish candidates, fundraising, and facilitating the delivery of wishes.

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the costs of wishes. Under this program, the Foundation received support from the Wish Fulfillment Fund totaling $50,000 for the year ended August 31, 2009, which is recorded as contributions in the accompanying statement of activities.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received $600 for the year ended August 31, 2009, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31:		
Due from National Organization	$	34,305
Due from other chapters		1,188

Amounts due from the National Organization represent contributions remitted to the National Organization that are specified for the Foundation's use but were not yet transferred to the Foundation as of year end.

(5) Property and Equipment, Net

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

Computer equipment and software	$	24,299
Office furniture		22,224
Other equipment		11,048
Leasehold improvements		1,587
		59,158
Less accumulated depreciation and amortization		(38,623)
Property and equipment, net	$	20,535

Depreciation and amortization expense totaled $5,793 for the year ended August 31, 2009.

(6) 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, 2009, the Foundation had approximately 63 reportable pending wishes.

(7) Leases

The Foundation is obligated under an operating lease for offices, which expires in September 2010. Total rent expense for the year ended August 31, 2009 was $23,040.

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

Years ending August 31:		
2010	$	23,040
2011		1,920
Total minimum lease payments	$	24,960

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets total $47,033 (including $19,022 of contributions receivable) and are available for the purpose of wish granting at August 31, 2009.

(9) Retirement Plan

The Foundation has a defined contribution retirement plan. Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one 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 matches employee contributions up to 3% of the employee’s salary. Foundation contributions to the Plan for the year ended August 31, 2009 were $3,674.

(10) Litigation and Claims

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, 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.

(11) Subsequent Events

Effective August 31, 2009, the Foundation adopted the provisions of FASB Statement No. 165, *Subsequent Events* (SFAS 165), which establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Foundation evaluated events subsequent to August 31, 2009 and through March 2, 2010, the date on which the financial statements were available for issuance.