

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2021 AND 2020



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**MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of North Texas
Addison, Texas

We have audited the accompanying financial statements of Make-A-Wish Foundation® of North Texas, which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Make-A-Wish Foundation® of North Texas

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 North Texas as of August 31, 2021 and 2020, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 17, 2022

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 6,710,846	\$ 4,681,648
Investments	78,224	106,112
Due from Related Entities	1,740,793	359,194
Prepaid Expenses	241,056	223,147
Contributions Receivable, Net	1,413,060	2,376,806
Other Assets	277,946	79,812
Restricted Cash	700,000	700,000
Property and Equipment, Net	9,802,829	10,103,077
Beneficial Interest in Assets Held by Others	194,274	169,555
	\$ 21,159,028	\$ 18,799,351
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 567,077	\$ 373,600
Due to Related Entities	12,157	1,131
Other Liabilities	111,175	132,396
Deferred Rent	3,501	5,087
Capital Lease Obligations	27,993	47,321
Paycheck Protection Program	626,600	621,500
Notes Payable	7,550,976	7,803,097
	8,899,479	8,984,132
NET ASSETS		
Without Donor Restrictions	8,947,669	6,946,452
With Donor Restrictions	3,311,880	2,868,767
Total Net Assets	12,259,549	9,815,219
Total Liabilities and Net Assets	\$ 21,159,028	\$ 18,799,351

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 4,707,586	\$ 24,435	\$ 4,732,021
Grants	670,293	1,718,873	2,389,166
Total Public Support	5,377,879	1,743,308	7,121,187
Internal Special Events	1,201,584	-	1,201,584
Less: Costs of Direct Benefits to Donors	(250,048)	-	(250,048)
Total Internal Special Events	951,536	-	951,536
Investment Income, Net	(20,212)	-	(20,212)
Forgiveness of Paycheck Protection Program Loan	621,500	-	621,500
Change in Value of Beneficial Interest in Assets Held by Others	-	24,719	24,719
Other Income	509,527	-	509,527
Net Assets Released from Restrictions	1,324,914	(1,324,914)	-
Total Revenues, Gains, and Other Support	8,765,144	443,113	9,208,257
EXPENSES			
Program Services:			
Wish Granting	3,548,651	-	3,548,651
Total Program Services	3,548,651	-	3,548,651
Support Services:			
Fundraising	1,827,037	-	1,827,037
Management and General	1,388,239	-	1,388,239
Total Support Services	3,215,276	-	3,215,276
Total Expenses	6,763,927	-	6,763,927
CHANGE IN NET ASSETS	2,001,217	443,113	2,444,330
Net Assets - Beginning of Year	6,946,452	2,868,767	9,815,219
NET ASSETS - END OF YEAR	\$ 8,947,669	\$ 3,311,880	\$ 12,259,549

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 3,836,862	\$ 52,541	\$ 3,889,403
Grants	567,140	646,494	1,213,634
Total Public Support	4,404,002	699,035	5,103,037
Internal Special Events	1,727,926	-	1,727,926
Less: Costs of Direct Benefits to Donors	(213,242)	-	(213,242)
Total Internal Special Events	1,514,684	-	1,514,684
Investment Income (Loss), Net	434	-	434
Change in Value of Beneficial Interest in Assets Held by Others	-	14,680	14,680
Other Income	693,955	-	693,955
Net Assets Released from Restrictions	1,936,869	(1,936,869)	-
Total Revenues, Gains, and Other Support	8,549,944	(1,223,154)	7,326,790
EXPENSES			
Program Services:			
Wish Granting	4,692,235	-	4,692,235
Total Program Services	4,692,235	-	4,692,235
Support Services:			
Fundraising	1,977,428	-	1,977,428
Management and General	1,911,520	-	1,911,520
Total Support Services	3,888,948	-	3,888,948
Total Expenses	8,581,183	-	8,581,183
CHANGE IN NET ASSETS	(31,239)	(1,223,154)	(1,254,393)
Net Assets - Beginning of Year	6,977,691	4,091,921	11,069,612
NET ASSETS - END OF YEAR	\$ 6,946,452	\$ 2,868,767	\$ 9,815,219

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021

	Program	Support Services			Direct	Total
	Services		Management	Total Support		
	Wish	Fundraising	and General	Services		
	Granting					
Direct Costs of Wishes	\$ 1,605,157	\$ -	\$ -	\$ -	\$ -	\$ 1,605,157
Salaries, Taxes, and Benefits	946,349	985,958	714,821	1,700,779	-	2,647,128
Printing, Subscriptions, and Publications	1,533	27,025	2,074	29,099	-	30,632
Professional Fees	47,397	57,235	142,121	199,356	-	246,753
Rent and Utilities	151,591	130,494	141,620	272,114	-	423,705
Postage and Delivery	4,700	4,692	4,317	9,009	-	13,709
Travel	193	8,409	1,343	9,752	-	9,945
Meetings and Conferences	1,196	16,320	4,815	21,135	-	22,331
Office Supplies	44,097	1,154	831	1,985	-	46,082
Communications	20,896	18,484	11,023	29,507	-	50,403
Advertising and Media (Cash)	-	2,842	459	3,301	-	3,301
Repairs and Maintenance	2,536	2,265	1,198	3,463	-	5,999
Insurance	91	81	43	124	-	215
Bad Debt Expense	-	196,909	-	196,909	-	196,909
Membership Dues	-	1,668	219	1,887	-	1,887
National Partnership Dues	453,563	81,893	94,492	176,385	-	629,948
Interest	119,721	101,451	131,430	232,881	-	352,602
Miscellaneous	25,822	80,845	43,850	124,695	-	150,517
Depreciation and Amortization	123,809	109,312	93,583	202,895	-	326,704
Special Event - Direct Donor Benefits	-	-	-	-	250,048	250,048
Total	3,548,651	1,827,037	1,388,239	3,215,276	250,048	7,013,975
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(250,048)	(250,048)
 Total Expenses Included in the Expense Section of the Statement of Activities	 \$ 3,548,651	 \$ 1,827,037	 \$ 1,388,239	 \$ 3,215,276	 \$ -	 \$ 6,763,927

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020

	Program	Support Services			Direct	Total
	Services	Fundraising	Management	Total Support		
	Wish		and General	Services	Donor Benefits	
	Granting					
Direct Costs of Wishes	\$ 2,379,022	\$ -	\$ -	\$ -	\$ -	\$ 2,379,022
Salaries, Taxes, and Benefits	1,201,474	1,271,472	845,967	2,117,439	-	3,318,913
Printing, Subscriptions, and Publications	6,596	40,191	4,258	44,449	-	51,045
Professional Fees	52,506	129,977	168,908	298,885	-	351,391
Rent and Utilities	113,318	87,284	281,468	368,752	-	482,070
Postage and Delivery	4,340	5,759	6,191	11,950	-	16,290
Travel	17,252	22,541	10,409	32,950	-	50,202
Meetings and Conferences	4,119	9,175	14,589	23,764	-	27,883
Office Supplies	77,521	8,037	4,718	12,755	-	90,276
Communications	24,425	18,512	13,199	31,711	-	56,136
Advertising and Media (Cash)	-	538	-	538	-	538
Advertising and Media (In-Kind)	-	16,965	-	16,965	-	16,965
Repairs and Maintenance	3,419	2,573	1,453	4,026	-	7,445
Insurance	74	55	-	55	-	129
Bad Debt Expense	-	91,235	-	91,235	-	91,235
Membership Dues	251	463	43	506	-	757
National Partnership Dues	615,587	77,922	85,715	163,637	-	779,224
Interest	60,627	45,827	311,829	357,656	-	418,283
Miscellaneous	24,986	68,765	7,450	76,215	-	101,201
Depreciation and Amortization	106,718	80,137	155,323	235,460	-	342,178
Special Event - Direct Donor Benefits	-	-	-	-	213,242	213,242
Total	4,692,235	1,977,428	1,911,520	3,888,948	213,242	8,794,425
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(213,242)	(213,242)
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,692,235</u>	<u>\$ 1,977,428</u>	<u>\$ 1,911,520</u>	<u>\$ 3,888,948</u>	<u>\$ -</u>	<u>\$ 8,581,183</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,444,330	\$ (1,254,393)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	326,704	342,178
Forgiveness of Paycheck Protection Program Loan	(621,500)	-
Bad Debt Expense	196,909	91,235
Amortization of Bond Issuance Costs	13,490	13,490
Net Realized and Unrealized Loss on Investments	27,947	15,519
Gain on Sale of Property and Equipment	(2,062)	-
Contributed Property and Equipment and Inventory	10,832	(8,683)
Change in Value of Beneficial Interest Held by Others	(24,719)	(14,680)
Change in Discount to Present Value of Contributions Receivable	(67,044)	(76,983)
(Increase) Decrease in Assets:		
Contributions Receivable	833,881	1,404,550
Due from Related Entities	(1,381,599)	(125,500)
Prepaid Expenses	(17,909)	(12,793)
Other Assets	(208,966)	50,255
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	193,477	(400,867)
Due to Related Entities	11,026	(27,036)
Other Liabilities	(21,221)	100,415
Deferred Rent	(1,586)	2,425
Net Cash Provided by Operating Activities	1,711,990	99,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(53,734)	-
Proceeds from Sales of Investments	53,675	4,259
Purchases of Property and Equipment	(26,894)	(35,477)
Proceeds from Sales of Property and Equipment	2,500	-
Net Cash Used by Investing Activities	(24,453)	(31,218)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(19,328)	(17,246)
Proceeds from Paycheck Protection Program Loan	626,600	621,500
Principal Payments on Note Payable	(265,611)	(158,679)
Net Cash Provided by Financing Activities	341,661	445,575
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	2,029,198	513,489
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	5,381,648	4,868,159
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 7,410,846	\$ 5,381,648
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 338,292	\$ 423,027
Contributed Property and Equipment and Inventory	\$ (10,832)	\$ 8,683

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of North Texas (the Foundation) is a Texas nonprofit corporation, organized for the purpose of creating life changing wishes for children with critical illnesses. The Foundation is an independently operating chapter of Make-A-Wish Foundation® of America (National Organization), which develops and implements national programs in public relations and fundraising 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to nonprofit entities.

Cash and Cash Equivalents and Restricted Cash

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Restricted cash represents monies that are restricted as collateral to secure the note payable. The Foundation's security agreement related to the note payable requires the Foundation to maintain a minimum cash balance in escrow of the collateral pledged to secure the note payable.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions or law.

The Foundation's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that those changes in the values of investments will occur in the near term and that such changes could be material to the amounts reported in the statements of financial position.

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. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are capitalized 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. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property 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 indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

Fair Value Measurements

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is 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.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.

Level 2 – Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).

Level 3 – Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Costs incurred to obtain loans are deferred and amortized using the straight-line method over the length of the respective loan. Amortization expense of \$13,490 was taken for each years ended August 31, 2021 and 2020 and included in interest expense on the statements of functional expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Revenue Recognition

Revenue is recognized on the accrual basis and generally consists of contributions, special event revenue, in-kinds and other income.

Special event revenue consists of registrations, sponsorships and other contributions. The exchange element of the special event revenue was approximately \$250,048 for the year ended August 31, 2021. The portion that is considered to be exchange revenue is recognized as revenue when the performance obligations are met which is the occurrence of the event.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contributions revenue.

Conditional promises to give are not recognized as contribution revenue and receivables until the conditions have been substantially met. Conditional promises outstanding for the years ended August 31, 2021 and 2020 were \$149,500 and \$-0-, respectively.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Foundation received in-kind contributions of assets, services, and materials that are reported in the statements of activities as follows:

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<u>August 31, 2021</u>				
Wish Related	\$ 452,550	\$ -	\$ -	\$ 452,550
Professional Services	-	475	-	475
Rent	2,573	2,328	1,225	6,127
Other	38,125	14,421	-	52,546
Total	<u>\$ 493,249</u>	<u>\$ 17,224</u>	<u>\$ 1,225</u>	<u>511,699</u>
Special Events				100,360
Contributions Receivable, Net Change				15,847
Inventory (Asset)				(10,832)
Total				<u>\$ 617,074</u>
<u>August 31, 2020</u>				
Wish Related	\$ (2,761)	\$ -	\$ -	\$ (2,761)
Professional Services	8,986	6,740	5,444	21,170
Rent	-	402	227	629
Advertising and Media	-	16,965	-	16,965
Other	63,780	12,114	3,345	79,239
Total	<u>\$ 70,005</u>	<u>\$ 36,221</u>	<u>\$ 9,016</u>	<u>115,242</u>
Special Events				16,598
Inventory (Asset)				8,683
Total				<u>\$ 140,523</u>

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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

Donated advertising and media are reported as contribution revenue and fundraising 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.

Cash Flows

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts shown in the statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 6,710,846	\$ 4,681,648
Restricted Cash	700,000	700,000
Total	<u>\$ 7,410,846</u>	<u>\$ 5,381,648</u>

Income Taxes

The Foundation is a nonprofit organization exempt from federal income and Texas taxes under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and Section 171.063 of the Texas Tax 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.

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2021 and 2020. The Foundation files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions.

Functional Expenses

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

Wish Granting

Activities performed by the Foundation in granting wishes to children with critical illnesses.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations.

MAKE-A-WISH FOUNDATION® OF NORTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses (Continued)

Management and General

All costs not identifiable with a specific program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, 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.

Deferred Rent

The Foundation accounts for rent expense evenly over the term of the lease using the straight-line method. The unamortized deferred rent was \$3,501 and \$5,087, respectively, at August 31, 2021 and 2020.

Management Estimates

The preparation of financial statements in conformity with GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Changes in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation's financial statements reflect the adoption of ASU 2014-09 guidance beginning in fiscal year 2021. The adoption of 2014-09 did not impact the Foundation's reported revenue.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820) – Changes to the Disclosure Requirements for Fair Value Measurement*. The update is to improve the effectiveness of disclosures in the notes to the financial statements. The Foundation's financial statements reflect adoption of ASU 2018-13 guidance beginning in for the year-ended August 31, 2021 and retrospectively applied for the year-ended August 31, 2020. The adoption of ASU 2018-13 did not impact the Foundation's reported change in net assets.

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NOTE 3 LIQUIDITY AND AVAILABILITY

The Foundation monitors liquidity regularly through the monthly financial package provided to the board and through the enterprise-wide Benchmarks of Excellence.

	2021	2020
Total Financial Assets	\$ 10,837,197	\$ 8,393,315
Donor Imposed Restrictions:		
Restricted Funds	(3,117,606)	(2,699,212)
Endowments	(194,274)	(169,555)
Restricted Cash:	(700,000)	(700,000)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 6,825,317	\$ 4,824,548

Financial assets include cash and cash equivalents, investments, due from related entities, contributions receivable, restricted cash and beneficial interest in assets held by others. For purposes of analyzing resources available to meet general expenditures over one year, the Foundation considers all expenditures related to its ongoing program activities, as well as the functions in support of those activities, to be general expenditures.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 4 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments shown in the following table as of August 31, 2021 and 2020 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

Investment Objective and Allocation of Investment Strategies

The Foundation's cash management objectives are liquidity and protection of principal. As such, the Foundation will maintain all funds in one of the forms listed below. Funds will not be invested in fixed income securities, equities, or other investments without a majority vote of the finance committee.

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

Investment Objective and Allocation of Investment Strategies (Continued)

- Cash
- Preferred deposit accounts
- Treasury bills
- Banker's acceptances
- Repurchase agreements
- Commercial paper
- Certificates of deposit

Note: Money market funds that invest in these securities are preferable over individual investment in any of the securities, to maximize liquidity.

Existing alternative investments, purchased under a previous investment policy, are grandfathered and are not required to be liquidated until such time as the finance committee deems appropriate.

Fair Value Hierarchy

The following table presents the fair value hierarchy of assets that are measured at fair value on a recurring basis at August 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Assets Not Held at Fair Value</u>	<u>Total</u>
<u>August 31, 2021</u>					
Assets:					
Investments:					
Equity Securities	\$ 13,140	\$ -	\$ -	\$ -	\$ 13,140
Alternative Investments	53,634	-	11,450	-	65,084
Total Investments	<u>66,774</u>	<u>-</u>	<u>11,450</u>	<u>-</u>	<u>78,224</u>
Beneficial Interest in Assets					
Held by National	-	-	194,274	-	194,274
Total	<u>\$ 66,774</u>	<u>\$ -</u>	<u>\$ 205,724</u>	<u>\$ -</u>	<u>\$ 272,498</u>
<u>August 31, 2020</u>					
Assets:					
Investments:					
Alternative Investments	\$ 36,788	\$ -	\$ 69,324	\$ -	\$ 106,112
Total Investments	<u>36,788</u>	<u>-</u>	<u>69,324</u>	<u>-</u>	<u>106,112</u>
Beneficial Interest in Assets					
Held by National	-	-	169,555	-	169,555
Total	<u>\$ 36,788</u>	<u>\$ -</u>	<u>\$ 238,879</u>	<u>\$ -</u>	<u>\$ 275,667</u>

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

Purchases, sales, transfers in and transfers out of Level 3 investments consist of the following for the years ended August 31:

	2021	2020
Sales	\$ (13,140)	\$ (4,259)

The following table describes the valuation techniques used to calculate fair value for assets in Level 3. There were no changes in valuation techniques and related inputs from the prior year.

Quantitative Information About Level 3 Fair Value Measurements			
Type of Assets	Fair Value at August 31, 2021	Principal Valuation Technique	Unobservable Inputs
Investments	\$ 11,450	FMV of Assets	Value of Underlying Assets
Beneficial Interests in Assets Held by Others	194,274	FMV of Assets	Value of Underlying Assets
Total	\$ 205,724		
Type of Assets	Fair Value at August 31, 2020	Principal Valuation Technique	Unobservable Inputs
Investments	\$ 69,324	FMV of Assets	Value of Underlying Assets
Beneficial Interests in Assets Held by Others	169,555	FMV of Assets	Value of Underlying Assets
Total	\$ 238,879		

Beneficial Interests in Assets Held by Others

As of August 31, 2021 and 2020, the Foundation had a beneficial interest in assets held by others of \$194,274 and \$169,555, respectively. This interest consists of funds contributed to the Wishes Forever Endowment Fund at the National Office. An endowment agreement has been signed between the chapter and National Office. Distributions from the National Office are made in accordance with the spending policies adopted by the National Office. The National Office have variance power as it relates to these assets. The beneficial interest in assets held by others consists of funds contributed and the earnings thereon, net of distributions received, and is classified as net assets with donor restrictions in the statements of financial position.

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NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 1.92% to 5.12% as of August 31, 2021 and 2020. The following is a summary of the Foundation's contributions receivable at August 31:

	2021	2020
Total Amounts Due in:		
Within One Year	\$ 949,472	\$ 1,015,844
One to Five Years	499,564	1,482,782
Gross Contributions Receivable	1,449,036	2,498,626
Less: Allowance for Doubtful Accounts	(25,200)	(44,000)
Less: Discount to Present Value	(10,776)	(77,820)
Contributions Receivable, Net	\$ 1,413,060	\$ 2,376,806

At August 31, 2021 and 2020, three donors make up the receivable balance.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The National Organization conducts national fundraising efforts for which cash and in-kind donations are received and shared with the Foundation. These funds represent revenues associated with distributions from national partners, individual donation amounts collected via online and white mail donations, amounts for internal grants, travel, and training scholarships, amounts to fund the Adopt-A-Wish® program, and other miscellaneous revenues. During the years ended August 31, 2021 and 2020, respectively, the Foundation received \$3,436,323 and \$1,866,181 from these national revenue streams.

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that the National Organization pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$727,944 and \$898,650 were paid from the Foundation to the National Organization during the years ended August 31, 2021 and 2020, respectively.

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 originating chapter agrees to pay a fee to the chapter of the wish destination to assist with any planning, booking, and facilitating of the wish for the home chapter. Under this program, the Foundation received \$300 and \$8,850 for the years ended August 31, 2021 and 2020, respectively, which is recorded in the accompanying statements of activities as Other Income.

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NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows at August 31:

	2021	2020
Due from National Organization	\$ 1,738,214	\$ 358,495
Due from Other Chapters	2,579	699
Total Due from Related Entities	\$ 1,740,793	\$ 359,194
Due to National Organization	\$ 328	\$ -
Due to Other Chapters	11,829	1,131
Total Due to Related Entities	\$ 12,157	\$ 1,131

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. Amounts due to the National Organization generally represent unpaid chapter dues and services.

During the years ended August 31, 2021 and 2020, the Foundation received contributions, both cash and in-kind, from board members totaling \$88,097 and \$213,409, respectively. At August 31, 2021 and 2020, amounts due from board members totaled \$95,025 and \$533,025, respectively, and are included in contributions receivable in the accompanying statements of financial position.

NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of August 31:

	2021	2020
Land	\$ 2,206,016	\$ 2,206,016
Buildings and Building Improvements	7,940,422	7,924,785
Computer Equipment and Software	120,797	186,361
Office Furniture and Equipment	624,586	645,439
Total	10,891,821	10,962,601
Less: Accumulated Depreciation and Amortization	(1,088,992)	(859,524)
Property and Equipment, Net	\$ 9,802,829	\$ 10,103,077

Depreciation and amortization expense totaled \$326,704 and \$342,178, respectively, for the years ended August 31, 2021 and 2020.

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NOTE 8 NOTES PAYABLE

On June 14, 2018, the Foundation entered into a note payable with a financial institution for an amount up to \$9,500,000. The note bore interest at 5.5%. The note required interest-only payments through December 25, 2019. After that time, monthly payments of principal and interest of \$55,396 were to be made until the maturity date of June 14, 2023. At maturity, the remaining principal will be due. On March 26, 2020, the note payable agreement was amended to reduce the interest rate to 4.25%. The monthly payments of principal and interest of \$49,858 will be made until the maturity date of June 14, 2023. Subsequent to year-end, the note payable agreement was amended.

On November 12, 2021, the Foundation entered into a loan amendment agreement to reduce the interest rate and extend the term of the agreement until October 15, 2036. The outstanding principal will now bear interest at a fixed rate of 4% with monthly payments of \$48,883 until October 15, 2028. On that date, the interest rate will change to 3.25% plus the seven-year Constant Maturity Treasury index rounded to the nearest one-quarter of 1%. The monthly payments will also be adjusted on this date to equal the amount necessary to amortize the unpaid principal balance over the remaining term of the note.

On November 12, 2021, the Foundation obtained a nonrevolving line of credit through November 12, 2024 for up to \$1,400,000. Any outstanding balance will bear interest at 1.5% plus the prime rate.

The property in Addison, Texas has been pledged as collateral on the note. In addition, the Foundation is required to maintain a deposit amount of \$700,000 in the reserve account.

Notes payable are made up of the following as of August 31:

	<u>2021</u>	<u>2020</u>
Bank Note	\$ 7,575,709	\$ 7,841,321
Less: Unamortized Debt Issuance Costs	<u>(24,733)</u>	<u>(38,224)</u>
Total Notes Payable, Net Unamortized Debt Issuance Costs	<u>\$ 7,550,976</u>	<u>\$ 7,803,097</u>

The remaining principal payments subsequent to August 31, 2021 are as follows and are based on the refinance described in Note 16:

<u>Year Ending August 31,</u>	<u>Amount</u>
2022	\$ 307,433
2023	297,305
2024	308,819
2025	322,349
2026	335,668
Thereafter	<u>6,004,135</u>
Total	<u>\$ 7,575,709</u>

The Foundation's note payable contains certain financial and nonfinancial covenants.

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NOTE 9 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through April 2024. As of August 31, 2021 and 2020, the cost of leased property and equipment under capital leases was \$88,782 and accumulated depreciation was \$63,793 and \$45,159, respectively. Total rent expense for all operating leases for the years ended August 31, 2021 and 2020 totaled \$82,022 and \$133,554, respectively.

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

<u>Year Ending August 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2022	\$ 61,563	\$ 20,173
2023	43,102	8,232
2024	11,316	-
2025	-	-
Total Minimum Lease Payments	<u>\$ 115,981</u>	<u>28,405</u>
Less: Amounts Representing Interest		(412)
Present Value of Net Minimum Lease Payments		<u>\$ 27,993</u>

The Foundation leases space in its building to unrelated parties under an agreement that expires on December 31, 2020 and was extended on a month-to-month basis through January 31, 2021. Revenue from the leased spaced for the years ended August 31, 2021 and 2020 totaled \$280,596 and \$630,922, respectively.

Subsequent to year-end, the Foundation signed a lease agreement to lease space in its building to unrelated parties under an agreement that expires on October 20, 2026. A total of \$592,830 will be received over the term of the lease.

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NOTE 10 NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of August 31:

	2021	2020
Subject to Expenditure for Specified Purpose:		
Wish Granting in West Texas	\$ 250,212	\$ 230,068
Wish Granting in Midland Texas	6,000	3,000
Wish Granting in Tarrant County	200,000	387,768
Wish Granting in Henderson County	-	747
Wish Granting in Northeast Texas	-	21
Wish Granting in Wichita County	-	3,022
Wishes in Amarillo	-	9,000
Wish Granting in Odessa Region	5,000	-
Wish Granting in Ector County	1,374	-
Wish Granting in Taylor and Jones County	20,000	-
Disney Wish Boost Shipping	8,588	-
Give Kids the World	15,847	-
Building Energy Management System	114,000	-
Total	621,021	633,626
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	2,496,586	2,065,586
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	43,466	18,748
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Stephens Family Endowment	150,807	150,807
Total	194,273	169,555
Total Donor-Restricted Net Assets	\$ 3,311,880	\$ 2,868,767

NOTE 11 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. There is no minimum age requirement to participate in the plan. Completion of 90 consecutive calendar days of employment are required to participate in the plan. The Foundation matches employee contributions up to 6% of the employee's salary through December 31, 2019. Effective January 1, 2020, the Foundation matches employee contributions up to 3% and 50% for the next 3% of the employee's salary. Foundation contributions to the Plan for the years ended August 31, 2021 and 2020 was \$84,134 and \$108,433, respectively.

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NOTE 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 Federal Deposit Insurance Corporation (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.

NOTE 13 LITIGATION AND CLAIMS

The Foundation is periodically involved in litigation and claims 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.

NOTE 14 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the fiscal years ended August 31, 2021 and 2020, the Foundation granted 304 and 240 wishes, respectively. As of August 31, 2021 and 2020, respectively, there were approximately 1,490 and 1,430 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2021 was \$3,588 in cash and \$1,302 in in-kind for a total cost of \$4,890. The average cost of a wish for the year ended August 31, 2020 was \$5,152 in cash and \$5,068 in in-kind for a total cost of \$10,220.

NOTE 15 RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 10, 2020, in conjunction with the Make-A-Wish America National Medical Advisory Council, Make-A-Wish America issued instructions to pause travel and large gathering wishes until deemed medically safe for our vulnerable population and their families. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

As of August 31, 2021, with the exception of regional travel, travel wishes are still paused. Prior to fiscal year 2020, travel wishes have been approximately 74% of wishes granted and the number of granted wishes averaged approximately 656. The number of wishes granted during the years ended August 31 2021 and 2020 was 304 and 240, respectively.

The Foundation continues to evaluate all expenses and fundraising efforts in light of the impact of COVID-19. National efforts are underway to return to wish granting and fundraising efforts when it is deemed medically safe.

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NOTE 16 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved a \$621,500 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on April 20, 2020. The loan accrues interest at 1%, but payments were not required to begin for seven months after the funding of the loan. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and was fully guaranteed by the federal government. The Foundation received forgiveness of \$621,500 on January 5, 2021.

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$626,600 loan. The loan was received on February 23, 2021. The loan accrues interest at 1%, with the first 10 months of interest deferred, has a term of five years, and is unsecured and guaranteed by the Small Business Administration. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Foundation's financial position.

NOTE 17 EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended August 31, 2021 the Foundation applied for Employee Retention Credit (ERC) grant funding from the Internal Revenue Service (IRS). The Foundation recognized \$202,374 of grant revenue related to performance requirements being met in compliance with the program during the year ended August 31, 2021.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Foundation's financial position.

NOTE 18 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through February 17, 2022, the date at which the financial statements were available to be issued.

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