

**MAKE-A-WISH FOUNDATION®
OF CENTRAL & SOUTH TEXAS**

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2021 AND 2020



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**MAKE-A-WISH FOUNDATION® OF CENTRAL & SOUTH TEXAS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation® of Central & South Texas
Austin, Texas

We have audited the accompanying financial statements of Make-A-Wish Foundation® of Central & South 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 Central & South 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 Central & South Texas as of August 31, 2021 and 2020, and changes 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
January 21, 2022

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

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 3,308,374	\$ 1,973,254
Investments	1,994	1,245
Due from Related Entities	226,179	245,403
Prepaid Expenses	73,392	85,703
Contributions Receivable, Net	485,231	74,288
Other Assets	41,523	33,156
Property and Equipment, Net	54,417	96,038
Beneficial Interest in Assets Held by Others	20,036	16,938
	<u>\$ 4,211,146</u>	<u>\$ 2,526,025</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 489,267	\$ 190,524
Due to Related Entities	33,759	3,997
Tenant Improvements Allowance	-	6,000
Deferred Rent	-	5,152
Capital Lease Obligations	12,117	15,360
Paycheck Protection Program	242,900	242,900
Total Liabilities	<u>778,043</u>	<u>463,933</u>
NET ASSETS		
Without Donor Restrictions	3,400,099	1,985,866
With Donor Restrictions	33,004	76,226
Total Net Assets	<u>3,433,103</u>	<u>2,062,092</u>
Total Liabilities and Net Assets	<u>\$ 4,211,146</u>	<u>\$ 2,526,025</u>

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 2,854,857	\$ 5,468	\$ 2,860,325
Grants	629,350	-	629,350
Total Public Support	3,484,207	5,468	3,489,675
Internal Special Events	1,134,921	-	1,134,921
Less: Costs of Direct Benefits to Donors	(215,893)	-	(215,893)
Total Special Events	919,028	-	919,028
Investment Income, Net	1,613	-	1,613
Forgiveness of Paycheck Protection Program Loan	242,900	-	242,900
Change in Value of Beneficial Interest in			-
Assets Held by Others	-	3,098	3,098
Other Income	2,917	-	2,917
Net Assets Released from Restrictions	51,788	(51,788)	-
Total Revenues, Gains, and Other Support	4,702,453	(43,222)	4,659,231
EXPENSES			
Program Services:			
Wish Granting	2,214,081	-	2,214,081
Total Program Services	2,214,081	-	2,214,081
Support Services:			
Fundraising	585,531	-	585,531
Management and General	488,608	-	488,608
Total Support Services	1,074,139	-	1,074,139
Total Expenses	3,288,220	-	3,288,220
CHANGE IN NET ASSETS	1,414,233	(43,222)	1,371,011
Net Assets - Beginning of Year	1,985,866	76,226	2,062,092
NET ASSETS - END OF YEAR	\$ 3,400,099	\$ 33,004	\$ 3,433,103

See accompanying Notes to Financial Statements.

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

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public Support:			
Contributions	\$ 3,233,210	\$ 3,146	\$ 3,236,356
Grants	331,785	-	331,785
Total Public Support	3,564,995	3,146	3,568,141
Internal Special Events	913,364	-	913,364
Less: Costs of Direct Benefits to Donors	(149,964)	-	(149,964)
Total Special Events	763,400	-	763,400
Investment Income, Net	1,365	-	1,365
Change in Value of Beneficial Interest in Assets Held by Others	-	181	181
Other Income	14,498	-	14,498
Net Assets Released from Restrictions	504,809	(504,809)	-
Total Revenues, Gains, and Other Support	4,849,067	(501,482)	4,347,585
EXPENSES			
Program Services:			
Wish Granting	2,820,405	-	2,820,405
Total Program Services	2,820,405	-	2,820,405
Support Services:			
Fundraising	728,111	-	728,111
Management and General	510,725	-	510,725
Total Support Services	1,238,836	-	1,238,836
Total Expenses	4,059,241	-	4,059,241
CHANGE IN NET ASSETS	789,826	(501,482)	288,344
Net Assets - Beginning of Year	1,196,040	577,708	1,773,748
NET ASSETS - END OF YEAR	\$ 1,985,866	\$ 76,226	\$ 2,062,092

See accompanying Notes to Financial Statements.

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

	Program	Support Services			Direct	Total
	Services					
	Wish	Fundraising	Management	Total Support	Donor Benefits	
	Granting		and General	Services		
Direct Costs of Wishes	\$ 1,154,503	\$ -	\$ -	\$ -	\$ -	\$ 1,154,503
Salaries, Taxes, and Benefits	655,143	397,904	307,532	705,436	-	1,360,579
Printing, Subscriptions, and Publications	2,250	3,684	1,909	5,593	-	7,843
Professional Fees	6,023	10,017	69,031	79,048	-	85,071
Rent and Utilities	57,251	26,211	19,836	46,047	-	103,298
Postage and Delivery	3,908	2,262	975	3,237	-	7,145
Travel	1,105	1,986	243	2,229	-	3,334
Meetings and Conferences	491	8,924	953	9,877	-	10,368
Office Supplies	10,732	1,692	2,429	4,121	-	14,853
Communications	14,291	6,458	4,744	11,202	-	25,493
Advertising and Media (Cash)	972	2,629	54	2,683	-	3,655
Advertising and Media (In-Kind)	-	11,500	-	11,500	-	11,500
Repairs and Maintenance	2,340	1,045	794	1,839	-	4,179
Insurance	-	5,840	-	5,840	-	5,840
Membership Dues	306	139	105	244	-	550
Grants and Scholarships	7,500	-	-	-	-	7,500
National Partnership Dues	248,385	44,847	51,747	96,594	-	344,979
Miscellaneous	19,513	47,050	18,181	65,231	-	84,744
Depreciation and Amortization	29,368	13,343	10,075	23,418	-	52,786
Special Event - Direct Donor Benefits	-	-	-	-	215,893	215,893
Total	<u>2,214,081</u>	<u>585,531</u>	<u>488,608</u>	<u>1,074,139</u>	<u>215,893</u>	<u>3,504,113</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(215,893)</u>	<u>(215,893)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,214,081</u>	<u>\$ 585,531</u>	<u>\$ 488,608</u>	<u>\$ 1,074,139</u>	<u>\$ -</u>	<u>\$ 3,288,220</u>

See accompanying Notes to Financial Statements.

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

	Program Services	Support Services			Direct Donor Benefits	Total
	Wish Granting	Fundraising	Management and General	Total Support Services		
Direct Costs of Wishes	\$ 1,978,058	\$ -	\$ -	\$ -	\$ -	\$ 1,978,058
Salaries, Taxes, and Benefits	506,444	396,209	317,807	714,016	-	1,220,460
Printing, Subscriptions, and Publications	1,687	6,381	1,823	8,204	-	9,891
Professional Fees	6,144	18,893	83,383	102,276	-	108,420
Rent and Utilities	47,398	36,951	28,998	65,949	-	113,347
Postage and Delivery	2,543	1,511	1,762	3,273	-	5,816
Travel	5,454	7,374	3,786	11,160	-	16,614
Meetings and Conferences	3,713	10,091	5,951	16,042	-	19,755
Office Supplies	13,046	2,795	3,636	6,431	-	19,477
Communications	9,615	6,853	5,278	12,131	-	21,746
Advertising and Media (Cash)	-	881	650	1,531	-	1,531
Advertising and Media (In-Kind)	-	45,085	-	45,085	-	45,085
Repairs and Maintenance	529	412	324	736	-	1,265
Bad Debt Expense	-	105,104	-	105,104	-	105,104
Membership Dues	19	345	12	357	-	376
National Partnership Dues	209,594	26,531	29,184	55,715	-	265,309
Miscellaneous	14,536	45,837	14,901	60,738	-	75,274
Depreciation and Amortization	21,625	16,858	13,230	30,088	-	51,713
Special Event - Direct Donor Benefits	-	-	-	-	149,964	149,964
Total	2,820,405	728,111	510,725	1,238,836	149,964	4,209,205
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	-	(149,964)	(149,964)
 Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 2,820,405</u>	<u>\$ 728,111</u>	<u>\$ 510,725</u>	<u>\$ 1,238,836</u>	<u>\$ -</u>	<u>\$ 4,059,241</u>

See accompanying Notes to Financial Statements.

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,371,011	\$ 288,344
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	52,786	51,713
Net Realized and Unrealized (Gains) Losses on Investments	(749)	-
Forgiveness of Paycheck Protection Program Loan	(242,900)	-
Bad Debt Expense and Other	-	105,104
Change in Value of Beneficial Interest in Assets Held by Others	(3,098)	(181)
(Increase) Decrease in Assets:		
Contributions Receivable	(410,943)	395,559
Due from Related Entities	19,224	(156,701)
Prepaid Expenses	12,311	151,171
Other Assets	(8,367)	(29,926)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	298,743	(123,210)
Due to Related Entities	29,762	(9,030)
Tenant Improvements Allowance	(6,000)	(6,000)
Deferred Rent	(5,152)	(2,769)
Net Cash Provided by Operating Activities	1,106,628	664,074
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(11,165)	(17,373)
Purchase of Beneficial Interest in Assets Held by Others	-	(1,000)
Net Cash Used by Investing Activities	(11,165)	(18,373)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(3,243)	(3,919)
Proceeds from Paycheck Protection Program	242,900	242,900
Net Cash Provided by Financing Activities	239,657	238,981
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,335,120	884,682
Cash and Cash Equivalents - Beginning of Year	1,973,254	1,088,572
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,308,374	\$ 1,973,254
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest on Capital Lease	\$ 885	\$ 1,190
Contributed Property and Inventory	\$ 5,472	\$ 16,947

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Make-A-Wish Foundation® of Central & South 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 independent 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. To be a Make-A-Wish chapter, 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

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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 CENTRAL & SOUTH 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 10 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.

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 CENTRAL & SOUTH TEXAS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 restrictions 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 \$215,893 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.

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 \$-0- and \$120,000.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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>August 31, 2021</u>	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 287,144	\$ -	\$ -	\$ 287,144
Rent	8,320	3,966	3,014	15,300
Advertising and Media	-	11,500	-	11,500
Other	1,050	2,409	378	3,837
Total	<u>\$ 296,514</u>	<u>\$ 17,875</u>	<u>\$ 3,392</u>	317,781

Contributions Receivable, Net Change	(13,770)
Inventory (Asset)	5,472
Total	<u>\$ 309,483</u>

<u>August 31, 2020</u>	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Wish Related	\$ 650,280	\$ -	\$ -	\$ 650,280
Advertising and Media	-	45,085	6	45,091
Other	978	685	737	2,400
Total	<u>\$ 651,258</u>	<u>\$ 45,770</u>	<u>\$ 743</u>	697,771

Contributions Receivable, Net Change	13,770
Inventory (Asset)	16,947
Total	<u>\$ 728,488</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.

Advertising and media is 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Donated advertising and media is 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.

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.

Management and General

All costs not identifiable with specific programs or fundraising activities, 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$-0- and \$5,152, 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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

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. Holding 6 to 24 months of liquidity is considered excellent based off the enterprise-wide published scale.

	2021	2020
Total Financial Assets	\$ 4,041,814	\$ 2,311,128
Donor-Imposed Restrictions:		
Restricted Funds	(33,004)	(76,226)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 4,008,810	\$ 2,234,902

Financial Assets include cash and cash equivalents, due from related entities, contributions receivable, 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.

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.

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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>Total</u>
<u>August 31, 2021</u>				
Assets				
Investments:				
Equity Securities	\$ 1,994	\$ -	\$ -	\$ 1,994
Nonrecurring:				
Beneficial Interest in Assets				
Held by Others	-	-	20,036	20,036
Total Assets	<u>\$ 1,994</u>	<u>\$ -</u>	<u>\$ 20,036</u>	<u>\$ 22,030</u>
<u>August 31, 2020</u>				
Assets				
Investments:				
Equity Securities	\$ 1,245	\$ -	\$ -	\$ 1,245
Nonrecurring:				
Beneficial Interest in Assets				
Held by Others	-	-	16,938	16,938
Total Assets	<u>\$ 1,245</u>	<u>\$ -</u>	<u>\$ 16,938</u>	<u>\$ 18,183</u>

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

	<u>2021</u>	<u>2020</u>
Purchases	\$ -	\$ 1,000

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:

<u>Quantitative Information About Level 3 Fair Value Measurements</u>			
<u>Type of Assets</u>	<u>Fair Value at August 31, 2021</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
Beneficial Interests in Trusts Held by Others	\$ 20,036	FMV of Assets	Value of Underlying Asset
Total	<u>\$ 20,036</u>		
<u>Type of Assets</u>	<u>Fair Value at August 31, 2020</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>
Beneficial Interests in Trusts Held by Others	\$ 16,938	FMV of Assets	Value of Underlying Asset
Total	<u>\$ 16,938</u>		

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NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Beneficial Interest in Assets Held by Others

As of August 31, 2021 and 2020, the Foundation had a beneficial interest in assets held by others of \$20,036 and \$16,938, respectively. This interest consists of funds contributed to a community foundation. An endowment agreement has been signed with the community foundation. Distributions from the community foundation are made in accordance with the spending policies adopted by the board of directors of the community foundation. The community foundation has 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.

NOTE 5 CONTRIBUTIONS RECEIVABLE

The Foundation's contributions receivable at August 31, 2021 and 2020 were \$245,650 and \$74,288, respectively, of which 61% and 85% is due from two and seven donors, respectively. Contributions receivable include pledges that have been discounted at rates ranging from 3.9% to 4.5% for the year ended August 31, 2020. The following is a summary of the Foundation's contributions receivable at August 31:

	2021	2020
Total Amounts Due in:		
One Year	\$ 503,231	\$ 116,285
Two to Five Years	-	22,000
Gross Contributions Receivable	503,231	138,285
Less: Allowance for Doubtful Accounts	(18,000)	(60,000)
Less: Discount to Present Value	-	(3,997)
Contributions Receivable, Net	\$ 485,231	\$ 74,288

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 \$1,314,391 and \$1,061,668 from these national revenue streams.

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 cost of wishes. Under this program, the Foundation did not receive any funds during the years ended August 31, 2021 and 2020, respectively.

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NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Conversely, the Foundation pays amounts to the National Organization for chapter dues, insurance, and other miscellaneous ancillary expenses that Make-A-Wish Foundation of America pays on behalf of the Foundation and for services provided by the National Organization. Amounts totaling \$397,904 and \$361,710 was 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 \$2,700 and \$2,100, respectively, for the years ended August 31, 2021 and 2020 which is recorded in the accompanying statements of activities as Other Income.

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

	<u>2021</u>	<u>2020</u>
Due from National Organization	\$ 223,505	\$ 245,403
Due from Other Chapters	2,674	-
Total Due from Related Entities	<u>\$ 226,179</u>	<u>\$ 245,403</u>
Due to National Organization	\$ 26,174	\$ 3,997
Due to Other Chapters	7,585	-
Total Due to Related Entities	<u>\$ 33,759</u>	<u>\$ 3,997</u>

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 \$154,483 and \$55,014, respectively. At August 31, 2021 and 2020, amounts due from board members totaled \$13,000 and \$21,000, respectively, and are included in contributions receivable in the accompanying statements of financial position.

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NOTE 7 PROPERTY AND EQUIPMENT, NET

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

	<u>2021</u>	<u>2020</u>
Computer Equipment and Software	\$ 125,638	\$ 114,472
Office Furniture and Equipment	80,965	80,965
Leasehold Improvements	51,536	51,536
Total	<u>258,139</u>	<u>246,973</u>
Less: Accumulated Depreciation and Amortization	<u>(203,722)</u>	<u>(150,935)</u>
Property and Equipment, Net	<u>\$ 54,417</u>	<u>\$ 96,038</u>

Depreciation and amortization expense totaled \$52,786 and \$51,713, respectively, for the years ended August 31, 2021 and 2020.

NOTE 8 LEASES

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through October 2024. As of August 31, 2021 and 2020, the cost of leased property and equipment under capital leases was \$18,400 and \$18,400, and accumulated depreciation was \$7,301 and \$3,797, respectively. Total rent expense for all operating leases for the years ended August 31, 2021 and 2020 totaled \$100,120 and \$120,584, respectively, of which \$15,300 was donated rent.

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	\$ 76,236	\$ 4,146
2023	91,236	4,146
2024	91,236	4,146
2025	309	691
Total Minimum Lease Payments	<u>259,017</u>	<u>13,129</u>
Less: Amounts Representing Interest	-	(1,012)
Present Value of Net Minimum Lease Payments	<u>\$ 259,017</u>	<u>\$ 12,117</u>

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NOTE 9 NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Wish Granting	\$ 10,468	\$ 5,000
Total	<u>10,468</u>	<u>5,000</u>
Subject to Passage of Time:		
Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due	<u>2,500</u>	<u>54,288</u>
Total	<u>2,500</u>	<u>54,288</u>
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Earnings on Endowment Funds	4,036	938
Original Donor-Restricted Gift Amount to be Maintained in Perpetuity:		
Mary C. Freeman Endowment	<u>16,000</u>	<u>16,000</u>
Total	<u>20,036</u>	<u>16,938</u>
Total Donor-Restricted Net Assets	<u>\$ 33,004</u>	<u>\$ 76,226</u>

NOTE 10 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan upon date of hire. 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 years ended August 31, 2021 and 2020 were \$22,445 and \$20,669, respectively.

NOTE 11 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.

Contributions totaling \$537,533 were received from a single donor for the year ended August 31, 2021, which represents 12% of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

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NOTE 12 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 13 COMMITMENTS

The goal of the Foundation is to grant the wish of every eligible child. During the years ended August 31, 2021 and 2020, the Foundation granted 157 and 164 wishes, respectively. As of August 31, 2021 and 2020, respectively, there were approximately 381 and 295 wish children who are eligible for a wish. The average cost of a wish for the year ended August 31, 2021 was \$5,536 in cash and \$1,841 in in-kind for a total cost of \$7,377. The average cost of a wish for the year ended August 31, 2020 was \$5,850 in cash and \$6,061 in in-kind for a total cost of \$11,911.

NOTE 14 RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) began. 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 84% of wishes granted and the number of granted wishes averaged approximately 299. The number of wishes granted during the years ended August 31, 2021 and 2020 was 157 and 164, 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.

NOTE 15 PAYCHECK PROTECTION PROGRAM

The Foundation applied for and was approved a \$242,900 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 15, 2020. The loan accrues interest at 1%, but payments are not required to begin for six 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 is fully guaranteed by the federal government. The Foundation received forgiveness of \$242,900 on March 10, 2021.

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NOTE 15 PAYCHECK PROTECTION PROGRAM (CONTINUED)

Under the second round of Paycheck Protection Program funding, the Foundation applied for and was approved for an additional \$242,900 loan. The loan was received on March 18, 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 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through January 21, 2022, the date at which the financial statements were available to be issued.

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